

No. 2018- 5441

**OFFICIAL ORDER  
of the  
TEXAS COMMISSIONER OF INSURANCE**

Date: MAR 30 2018

**Subject Considered:**

CARRINGTON TITLE SERVICES, LLC  
6200 Tennyson Parkway, Suite 110  
Plano, Texas 75024

**CONSENT ORDER**  
TDI Enforcement File No. 12858

**General remarks and official action taken:**

The subject of this order is whether disciplinary action should be taken against Carrington Title Services, LLC (CTS).

**WAIVER AND RESERVATION**

CTS acknowledges that the Texas Insurance Code and other applicable law provide certain rights. CTS waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

Pursuant to TEX. INS. CODE § 82.055(b), CTS agrees to this consent order with the express reservation that it does not admit to a violation of any provision of the Insurance Code or rule or regulation of the department, and maintains the existence of any violation is in dispute.

**FINDINGS OF FACT**

1. CTS holds a title insurance agent license issued by the Texas Department of Insurance (TDI).
2. TDI conducted a routine compliance examination of CTS and issued an audit report dated April 28, 2016. The audit findings and any corrective actions are detailed below.
3. CTS did not properly safeguard against unauthorized use of the electronic signature of its escrow officer. CTS has implemented a signature protocol to require all commitments and policies to be originally signed by a licensed escrow officer, and hired additional licensed personnel.

4. TDI identified 133 files for which CTS was delinquent in remitting the premium to an underwriter. The underwriter confirmed that CTS now is current with its remittances.
5. CTS's escrow accounting practices did not conform to the Minimum Escrow Accounting Procedures and Internal Controls established by TDI.
6. CTS closed some transactions with settlement statements that were incomplete and incorrect, and were not signed by the escrow officer or the parties. CTS has conducted compliance training relating to the violations and deficiencies TDI identified.
7. CTS charged premiums for title insurance forms other than the promulgated premium rate. CTS has since refunded to consumers the premium it had overcollected.
8. CTS did not provide insurance coverage specifically requested by consumers or when required by TDI rule. CTS has since endorsed the policies and re-delivered the corrected policies to the consumers.
9. CTS incorrectly reported its experience data concerning fees paid to other title agents in calendar years 2013, 2014, and 2015.
10. CTS did not timely file with TDI its fiscal year 2016 trust fund account audit report.
11. CTS did not timely remit the guaranty fees it held in trust for the Texas Title Insurance Guaranty Association (TTIGA). CTS remitted the guaranty fees when the mistake was discovered, and has implemented appropriate procedures going forward.
12. CTS issued a title insurance policy which contained three general exceptions not approved for use in Texas: "All visible and apparent easements or uses and all underground easements or uses, the existence of which may arise by unrecorded grant or by use"; "Rights of the public, State of Texas and the municipality in and to that portion of subject property if any, lying within the boundaries of any roadway public or private"; and "Any and all matters which would be shown on a current, correct survey of the property." CTS has adopted procedures to prevent the future use of policy language not approved for use in Texas.

#### **CONCLUSIONS OF LAW**

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051 – 82.056, 84.021 – 84.022, 2602.151, 2651.151, 2702.053, 2703.001, 2703.003, 2703.151 and 2703.153; 28 TEX. ADMIN. CODE § 9.1 adopting the *Texas Title Insurance Basic Manual* (Basic Manual); and TEX. GOV'T CODE §§ 2001.051 – 2001.178.
2. The commissioner has the authority to dispose of this case informally pursuant to TEX. GOV'T CODE § 2001.056, TEX. INS. CODE § 82.055, and 28 TEX. ADMIN. CODE § 1.47.

3. CTS failed to ensure that electronically produced title insurance forms were signed with either an original signature or a safeguarded electronic signature, in violation of Procedural Rule P-17 of the Basic Manual.
4. CTS failed to pay the premium for title insurance policies in the due and ordinary course of business in violation of TEX. INS. CODE § 2703.003.
5. CTS failed to remit the portion of the premium due to the title insurance company before the 15<sup>th</sup> day of the second month following the month in which the premium is collected in violation of Rate Rule R-2 of the Basic Manual.
6. CTS did not document in each file transfers between guaranty files, in violation of rule 12 of the Basic Manual Minimum Escrow Accounting Procedures and Internal Controls.
7. CTS failed to maintain copies of all required items, in violation of rule 6 of the Basic Manual Minimum Escrow Accounting Procedures and Internal Controls.
8. CTS failed to maintain evidence supporting all disbursements, in violation of rule 16 of the Basic Manual Minimum Escrow Accounting Procedures and Internal Controls.
9. CTS failed to identify the names of parties receiving disbursements and amounts disbursed, in violation of TEX. INS. CODE § 2702.053(a).
10. CTS failed to prepare a form T-64 for transactions in which it used a federal closing disclosure, in violation of Procedural Rule P-73 of the Basic Manual.
11. CTS charged a title insurance premium for policies and forms other than the premium rate promulgated by the commissioner, in violation of TEX. INS. CODE § 2703.151(c) and Rate Rules R-1, R-8, R-11, R-24, R-29, R-30, and R-32 of the Basic Manual.
12. CTS failed to report experience data in the form prescribed by the department, in violation of TEX. INS. CODE § 2703.153.
13. CTS failed to provide to the department a copy of its annual trust fund audit report within 90 days of the end of its fiscal year, in violation of TEX. INS. CODE § 2651.151(b).
14. CTS did not remit guaranty fees to TTIGA in a timely manner, in violation of TEX. INS. CODE § 2602.151 and Administrative Rule G.1 of the Basic Manual.
15. CTS violated Procedural Rule P-5 of the Basic Manual by issuing a title insurance policy with the exceptions that are not approved for use in Texas.
16. The exceptions identified in Finding of Fact number 12 are invalid. TEX. INS. CODE § 2703.001(d).

It is ordered that Carrington Title Services, LLC pay an administrative penalty of \$60,000 within 14 days from the entry date of this order. The administrative penalty must be paid by cashier's

2018- 5441

COMMISSIONER'S ORDER  
Carrington Title Services, LLC  
Page 4 of 5

check or money order made payable to the "State of Texas" and transmitted to the Texas Department of Insurance, Attn: Enforcement Section, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.



---

Kent C. Sullivan  
Commissioner of Insurance

APPROVED AS TO FORM AND CONTENT:



---

Casey Seeboth, Staff Attorney  
Texas Department of Insurance

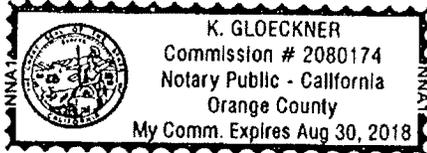


A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Orange

Subscribed and sworn to (or affirmed) before me on this 1st  
day of March, 2018, by James Potter

proved to me on the basis of satisfactory evidence to be the  
person(s) who appeared before me.



(Seal)

Signature

A handwritten signature in black ink, appearing to read 'James Potter', written over a horizontal line.