

Welcome

Questions during the program?

- * Please type them and we'll address at the end.

Video:

- * Will be posted on VATC website.

CLE Credit:

- * 1 hour. CLE Certificate can be printed from VATC website.

Upcoming CLE Programs:

- * Wednesday, June 16 and Wednesday, June 23



Title Insurance Claims

Presented By:
John R. Scanlon,
Vice President and Senior Claims Counsel

Agent Driven. Insuring Results.®



I. TRENDS

A. Wire Fraud:

The logo for Wire Transfer is enclosed in a rounded rectangular box with a blue border. It features three horizontal green bars of varying lengths on the left side, followed by the words "WIRE" and "TRANSFER" stacked vertically in a bold, blue, sans-serif font.

**WIRE
TRANSFER**

Sources of Fraud:

1. Hacked Passwords of Your Accounts:



xyz@totalmortgage.com

xyz@totalmortgage.com

Sources of Fraud:

- 2. Email Phishing - targeting you specifically:
- 3. Social Engineering.



Mitigations:



1. Never ever use the same password for any account;
2. Provide training to you and your staff to look out for phishing emails;
3. ALWAYS CONFIRM all payoffs and wiring instructions by telephone;
4. Notify the client to NEVER EVER send funds for the closing to anyone unless they speak with you;
5. Contact lender after funds have been wired to confirm receipt (the sooner you know the better);
6. Send checks were possible;
7. Look into purchasing Crime/Fidelity and/or Cyber Insurance with Social Engineering

B. Access:



C. Easements Encumbering the Insured Parcel:



D. Defective Legal Descriptions:



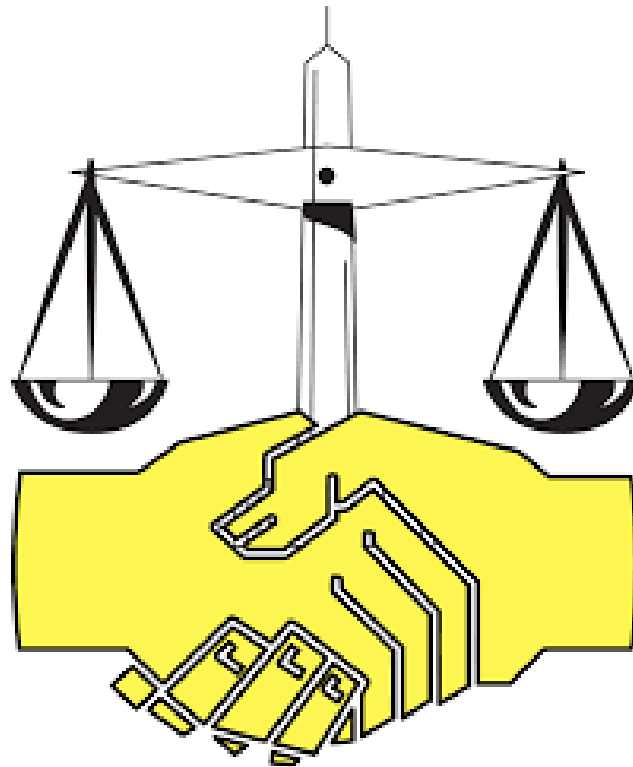
E. Misunderstanding Expanded Policy Coverages:



F. Legal Expenses Incurred Prior to Claim Not Recoverable:



G. Settlements Not Consented to by Title Insurer:



II. LOSS



III. ARE THESE CLAIMS ??



IV. ACCEPT OR DENY?



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Q:1 Access – Blocked Private Road

CATIC received notice of claim by a Lender against a VT Mortgagee Title Insurance Policy.

The facts of the claim, as alleged:

The Property's sole means of access is via a right of way over a private road (the "Private Road") per an easement deed (the "Easement Deed");

The Easement Deed was granted by the purported owners of the two abutting parcels, over which the Private Road traveled;

The Mortgagors defaulted on the Mortgage, and a foreclosure was filed.

Judgment was entered in favor of the Lender, and the Lender was the high bidder at auction

The owners of the abutting parcels (related family members to Mortgage) claimed that the Easement Deed was ineffective because one of the title holders of the abutting parcels did not grant the Easement Deed;

The abutting owners of Private Road blocked the Lender from accessing the Property

Accept or Deny the Claim?

Q:2 Access - Blocked Driveway

A standard Owner Policy was issued to Mark Smith ("Mr. Smith"). The Smith Property fronts Main Street. Main Street is a public road.

Mr. Smith filed a claim. The alleged facts:

- Abutting neighbor, Jacob Jones ("Mr. Jones"), had a survey done of the Jones Property which showed that the driveway going to the Smith Property encroaches upon the Jones Property.
- Jones blocked the Smith driveway;
- Smith indicates that unless the blockade is removed, he cannot drive his car into his garage.

Mr. Smith requests that action be taken to remove the blockade.

Accept or Deny the Claim?

Q:3 Claim?

CATIC received notice of claim by a Lender for a mortgage granted by Mr. Jones and Ms. Jones (the "Jones") on VT property.

The facts, as alleged:

Issue 1: The Property location in the Mortgage was recited as being located on Route 1, however per tax records and client information it was located at 2370 Jane Road; and,

Issue 2: The legal description in Insured Mortgage did not contain a full reference to a specific prior deeds which described one of the two parcels being conveyed. One of the parcels was therefore missing (the "Missing Piece"..

Accept or Deny the Claim?

Q:4 EOP Coverage – Building Permit

CATIC received claim against an Expanded Owner Policy.

The facts, as alleged:

- The Property was listed for sale and advertised on the Multiple Listing Service as being rebuilt in 2004, with a "large finished basement," 552 square feet in size, including photos of a basement living space;
- After the closing, the Insureds wanted to add a bathroom to the basement. The Town Building Inspector informed the Insureds that the finished basement had not been constructed according to the building code;
- The Insureds could not obtain a permit to add a bathroom unless the basement was brought up to code; and,
- The Insureds expended significant sums in order to bring the basement up to code.

The Insureds then submitted the claim to CATIC.

Accept or Deny the Claim?



Q:5 EOP Coverage – Structure Encroachment

Expanded Protection Owner Policy was issued to Jerry Williams ("Mr. Williams") for his interest in 5 Acorn Road in VT (the "Williams Property").

Claim filed alleging:

- Abutting neighbor, ACME Printing ("ACME"), owner of 7 Acorn Road, Montpelier, Vermont was expanding its commercial building. During construction ACME discovered that the leaching fields and septic system of the Williams Property encroached onto the ACME Property.
- ACME sent a letter to Mr. Williams disclosing the existence of the encroachment and asked to meet for discussions regarding the matter.

Mr. Williams was concerned that the location of his leaching fields and septic system onto the ACME Property affected his title, and sought to have the title insurance company take action.

Accept or Deny the Claim?

Q:6 EOP Coverage – Zoning Permit

CATIC received claim against Expanded Owner policy.

The facts of the claim, as alleged, were as follows:

- The Insured Property was improved with an unattached garage and shed;
- The Insureds sought to improve the Property, and upon applying for a Zoning Permit, they were advised that the shed and part of the garage were in violation of zoning setbacks; and,
- The Zoning Permit for the improvements that the Insured wanted to add would not be approved unless the garage and shed were moved out of the zoning setbacks.

Claim was filed.

Accept of Deny the Claim?

Q:7 MRTA

CATIC received claim against an Owner Policy for dwelling and a large tract of vacant land (the "Property").

The facts as alleged:

- A 40 year search did not disclose any title defects or easements;
- There was no evidence of any paths, trails, or roads over the Property;
- After purchase, the Insureds were contacted by Consolidated Communications ("Consolidated"), who claimed a 30' wide easement to New England Telephone and Telegraph Company ("NET&T") by Warranty Deed, dated December 8, 1924 (the "NET&T Easement");
- Consolidated, as successor in interest to NET&T, asserted that it had the right to clear the Property in the area of the Easement;
- Since neither NET&T nor Consolidated had ever cleared the Easement in the past, and since a 40 year search did not disclose the NET&T Easement, there was a question whether the Easement was extinguished by Vermont's Marketable Record Title Act (MRTA). A claim was filed.

Accept or Deny the Claim?



Q:8 Wire Fraud

CATIC received a claim against an Owner Policy. The facts as alleged:

- CATIC agent represent Buyer/Insured;
- Sellers' mortgage had to be paid off and released. Seller's attorney requested a payoff from the seller's lender by email. The payoff was received by email, and forward the CATIC agent;
- CATIC agent called and verified the validity of the payoff (amount and wiring instructions);
- A second payoff was then received by the seller's attorney which amended the payoff amount by \$5.00, but included different wiring instructions;
- The seller's attorneys passed this payoff along to the CATIC agent;
- The CATIC agent assumed that the seller's attorney had verified the revised payoff;
- The closing occurred, and the CATIC agent wired \$250,000.00 to the seller's lender per the revised payoff. The Buyer/Insured moved in. Two weeks later, word came back that the seller's mortgage was in default because no payment had been received.

A claim was filed.

Accept or Deny the Claim?



Q:9 Fax

Seller's lender efaxed the payoff directly to the CATIC agent.

CATIC's agent, believing that a fax was impervious to hacking, did not contact the seller's lender to verify.

The closing occurred, and the CATIC agent wired \$250,000.00 to the seller's lender per the payoff;

The Insured moved in. Two weeks later, word came back that the seller's mortgage was in default because no payment had been received.

The seller's lender threatened to foreclose, and a claim was filed.

Accept or Deny the Claim?

Questions?





CATIC
AGENT DRIVEN. INSURING RESULTS.

**THE FUTURE
IS BRIGHT.**

Thank You

CATIC
101 Corporate Place
Rocky Hill, CT 06067
800-676-0619
jscanlon@catic.com

www.CATIC.com

Agent Driven. Insuring Results.®

