



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

January 30, 2002

Ms. Tami A. Bohm  
Vice President of Corporate Compliance  
Radiant Guaranty Inc.  
1601 Market Street  
Philadelphia, Pennsylvania 19103-2337

Re: Radiant Guaranty Inc 766-33790  
Mortgage Pool Insurance Policy  
Company Filing #E-07-01  
Department Log # : 29827

Dear Ms. Bohm:

We have reviewed your filing based on a complaint. This policy form contains coverage for an "Undisclosed Lien", Per Chapter 700a of the Connecticut Insurance Laws title insurance this coverage is title insurance and therefore may only be written by monoline title insurers.

The filing is disapproved effective 1/30/2002.

The company is in violation of Chapter 700a of the Insurance Laws. In order to remedy the violation Radiant Guaranty Inc. should either cancel any mortgage pool insurance policies that might have been issued using Form RAF1678/01 or endorse such policies to delete such undisclosed lien coverage.

Sincerely,

Susan F. Cogswell  
Insurance Commissioner

A handwritten signature in black ink, appearing to read "Thomas Taggart".

By: Thomas Taggart, Associate Examiner  
Property & Casualty Division  
Telephone: 860-297-3837  
Facsimile: 860-297-3941

# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT



June 7, 2002

Mr. Howard S. Yaruss  
Executive Vice President and  
General Council  
Radian Guaranty Inc.  
1601 Market Street  
Philadelphia, Pennsylvania 19103-2337

Re: Radian Guaranty Inc Insurance Policy  
Radian Mortgage Pool  
Company Filing F-07-01  
Department Log # 29827

Amerin Guaranty Corp.  
Second Mortgage Pool  
Insurance Policy  
Company Filing F-08-01

Dear Mr. Yaruss:

Thank you for your May 21, 2002 letter regarding the captioned policies and our April 16, 2002 meeting that discussed the proposed coverage and Connecticut's disapproval of the "Radian Lien Protection" form filing. We reviewed the information in your letter and the memorandum to Radian Guaranty Inc. from Edwards & Angell, LLP. For the following reasons and those previously provided, we find the companies' programs constitute doing the business of title insurance and therefore are not permitted under Connecticut law. In accordance with Conn. Gen. Stat. §38a-676 and Department letters dated January 30, 2002 and February 11, 2002, the Radian Mortgage Pool Policy and Second Mortgage Pool Policy are disapproved for use in Connecticut.

The Radian Lien Protection form and your correspondence indicate the purpose of the policy is to indemnify the insured and provide affirmative lien protection coverage. The policy provides loss payment for loss resulting from a default due to "each individual claim involving an Undisclosed Lien". The policy will pay the lesser of the amount determined in Condition 6.C or "the dollar amount of any valid Undisclosed Lien which takes priority over the lien position of the Mortgage Agreement." (Condition 6.D). Your May 21, 2002 letter states that Radian Lien Protection differs from the standard mortgage pool policy "only in providing additional *dollars* of coverage for losses arising from undisclosed liens". The company indicates the Radian Lien Protection is an alternative to title insurance that is available "only in connection with residential refinance transactions, second mortgages, and home equity loans."

Connecticut General Statute §38a-45 limits the business of title insurance and mortgage guaranty insurance and provides in part that:

No corporation shall insure or guarantee titles to real estate situated in this state except subject to and in accordance with all laws of this state relating to insurance or insurance companies generally or relating to the powers or duties of the commissioner. No corporation doing title insurance business may do any other line of insurance business. No corporation doing mortgage guaranty insurance business may do any other line of insurance business....

Chapter 700a of the Connecticut General Statutes governs the business of title insurance. Conn. Gen. Stat §38a-402 provides in part:

(14) "Title insurance business" or "business of title insurance" means (A) issuing as insurer or offering to issue as insurer a title insurance policy or (B) transacting or proposing to transact by a title insurer or title agent any of the following activities when conducted or performed in contemplation of the issuance of a title insurance policy: (i) Soliciting or negotiating the issuance of a title insurance policy; (ii) guaranteeing, warranting, or otherwise insuring the correctness of title searches; (iii) execution of title insurance policies; (iv) effecting contracts of reinsurance or (v) doing or proposing to do any business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of sections 38a-400 to 38a-425, inclusive.

(15) "Title insurance policy" or "policy" means a contract insuring or indemnifying against loss or damage arising from (A) defects in or liens or encumbrances on the insured title, (B) unmarketability of the insured title or (C) invalidity or unenforceability of liens or encumbrances on the stated property, provided any such defect, unmarketability or invalidity existed on or before the policy date..

Conn. Gen. Stat. §38a-45 states that "No corporation doing mortgage guaranty insurance business may do any other line of insurance business." The Radian Lien Protection policy is a title insurance policy as defined in Conn. Gen. Stat. §38a-402 (15) in that it insures or indemnifies "against loss or damage arising from (A) defects in or liens or encumbrances on the insured title.." and constitutes doing the business of title insurance under Conn. Gen. Stat. 38a-402 (14). Since a mortgage guaranty company may not do any line of business other than mortgage guaranty, Radian Guaranty Inc, may not offer the title insurance business provided in the Radian Lien Protection policy.

We disagree that these policies differ "only in providing additional *dollars* of coverage for losses arising from undisclosed liens". There are meaningful differences between the Radian Guaranty Inc. standard master policy mortgage policy and the Radian Lien Protection policy. The standard master policy does not provide coverage for liens. The standard policy requires that the insured (lender) obtain title to the property in the event of a default and pursue "Appropriate

Proceedings" as soon as permitted by the terms of the loan and applicable law. The standard Radian master policy provides in Condition One T. "Merchantable Title means title to the Property which is readily salable and freely transferable, and which is free and clear of all liens, defects and encumbrances..." It also provides under Condition Seven- Loan Servicing that, "Every Loan insured under this Policy shall be serviced in a reasonable and prudent manner and consistent with the highest standards of servicing in use in the residential mortgage industry." Based on my experience with the residential mortgage industry, the highest standards of loan servicing in use in the Connecticut residential mortgage industry include the requirement for title insurance coverage to protect the lender's position. The Radian Lien Protection policy omits these requirements.

Mortgage guaranty corporations may not do any other line of business other than mortgage guaranty. Consistent with this mandate, the standard mortgage guaranty policy excludes any physical damage to the property resulting from any cause of loss under Condition Five F. Just as loan servicing standards require title insurance, the standards require hazard insurance on the property to protect the lender's interest. Under the Calculation of Loss provision of the standard policy, if a casualty event is the most important cause of a default, all physical damage in excess of \$1,500 is deducted from the amount of loss due under the mortgage policy. While a mortgage guaranty company may insure a default that results from a hazard loss, it excludes the physical damage cost in order not to be doing another line of business, such as fire or homeowners line of business.

With regard to Radian's comments on cost, Radian indicates the RLP cost for a \$140,000 refinance is \$465. The major title insurer in Connecticut charges \$255 for title insurance for a \$140,000 refinance within five years of issuing the title policy for the mortgage, \$306 if refinanced within five to ten years of issuing the title policy. These amounts do not support Radian's claims of dramatic savings for consumers. It appears the premium cost for Connecticut consumers would increase under Radian's program, not decrease. The indicated RLP \$60,000 equity loan premium of \$240 appears to equal the standard title premium of \$240. Again, the consumer's premium cost does not go down with the Radian policy.

The captioned filings are disapproved. Pursuant to Conn. Gen. Stat. §38a-45, the companies may not insure or guarantee titles to real estate situated in this state using the captioned policy forms.

Sincerely,



Walter Bell, Director  
Property & Casualty Division  
860-297-3867