

BURTON&BEDELL

October 1, 2019

Chief Clerk
Hobby 1, Room 1210A
MC 112-2A, P.O. Box 149104
Austin, TX 78714-9104

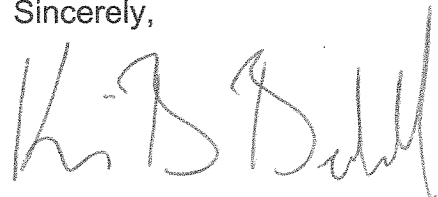
RE: Call to Identify Rules That Need Updating

Dear TDI Staff:

I am submitting this package on behalf of the Texas Land Title Association (TLTA) in response to Commissioner Sullivan's call for insurance rules and regulations that need updating. TLTA has identified 12 issues that the association recommends reviewing. Each issue is described in a separate exhibit, and includes a short description of the association's reasons for recommending these rules for review and proposed amendments to address the issue. These proposals were approved by the TLTA Board on September 25, 2019.

TLTA appreciates this opportunity to work with TDI on updating the rules and regulations that govern the business of title insurance in Texas. If you have any questions regarding these proposals or if you would like any additional information please contact me at Kergin@burtonbedell.com or (512) 800-5594. Again, we appreciate this opportunity and look forward to working with you.

Sincerely,



Kergin B. Bedell
Burton & Bedell, PLLC
Counsel for the Texas Land Title
Association

ENCLOSURES

TLTA PROPOSED RULE CHANGES

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**TLTA
PROPOSED RULE CHANGES
EXHIBIT 1
RATE RULE R-11**

CITATION

Section III, Rate Rule R-11 Loan Policy Endorsements of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

The Texas Land Title Association suggests amending Rate Rule R-11. Rate Rule R-11 establishes the premium that a title insurance agent may collect when a T-3 Endorsement (assignment of mortgage) is issued as provided in Procedural Rules P-9b(1) and P-9b(2), the T-38 Endorsement (Partial Release, Release of Additional Collateral, Modification Agreement, Reinstatement Agreement, or Release from Personal Liability) that is issued as provided in Procedural Rule P-9b(3), and the T-3 Endorsement (Down Date Endorsement) that is issued with a lender's title insurance policy. The current rates are inadequate and do not reflect the costs and risk associated with issuing these endorsements resulting in an inequitable shift of burden to the average consumer vis-à-vis the rate base.

The T-3 (Assignment of Mortgage) Endorsement updates the policy to reflect the documents recorded between the initial closing and the sale of a loan. The endorsement brings coverage forward from the original policy date to the date of the endorsement – including coverage for real property taxes – and extends the coverage to include the validity of the assignment to the new insured. Currently, under Rate Rule R-11 the premium for this endorsement is fixed at the minimum basic premium and does not differentiate between a loan that is sold within one year of the initial closing and a loan that is sold several years after the initial closing. TLTA's proposed change seeks to remedy this by increasing the rate an additional \$100 for each twelve-month period after the first anniversary of the date of the original policy. By tying any rate increase to the length of time between the original closing and the issuance of the endorsement, this proposal fairly allocates the increased premium to transactions in relation to the expenses and risks associated with issuing the assignment of mortgage endorsement.

The T-38 Endorsement (Partial Release, Release of Additional Collateral, Modification Agreement, Reinstatement Agreement, or Release from Personal Liability) are requested when lenders, or borrowers find it more advantageous to rearrange existing financing rather than refinancing the debt into a new loan. It provides that the modification of the earlier agreement has not eliminated coverage under the original title insurance policy.

Issuing this endorsement requires significant work after the initial closing has occurred. The title agent must identify, retrieve, and review the old file, and then review the modification instrument to ensure it is consistent with Procedural Rule P-9.b.3. These instruments will range from three (3) pages in a typical residential transaction, to fifty (50) or more pages in a transaction involving non-residential property. Finally, if the instrument does not meet the requirements of Procedural Rule P-9, the title agent must work with the lender's staff to amend the documents. In addition to these administrative costs the issuance of this endorsement results in the assumption of additional risk. To address these expenses, TLTA suggests increasing the premium for this endorsement to the minimum basic premium rate. Additionally, TLTA proposes increasing the additional fee of \$10.00 per year between the issuance of the endorsement and the original policy to \$25.00 per year to reflect the additional work and risk associated with the passage of time.

The T-3 Endorsement (Down Date Endorsement) that is issued with a lender's title insurance policy can be issued with a policy insuring any type of property under construction, and brings coverage forward from the original policy date or the date of a previously-issued endorsement. The endorsement provides affirmative coverage regarding the nature of three categories of documents recorded in the period between the original policy (or a previously issued endorsement) to the date of the endorsement. Currently, Rate Rule R-11 does not differentiate between the rate charged for this endorsement in transactions involving residential real property and other types of properties.

This rating scheme overlooks the significant differences between the expenses and risk associated with issuing this endorsement in a transaction involving residential real property and the expenses and risk associated with issuing this endorsement in other transactions. Construction projects involving residential real property are generally completed in less than a year and only a few documents are usually recorded during the construction period. The necessary title search is usually less complicated, and the results can typically be reviewed by an average examiner. In contrast, construction projects on non-residential property often stretch out over multiple years, during which any number of documents may be recorded. The property record search for these transactions is typically longer and the review requires more time and expertise. TLTA suggests amending the rate rule for this endorsement to differentiate between transactions involving residential real property and transactions involving other property. TLTA suggests leaving the premium for this endorsement for transactions involving residential real property unchanged and increasing the cost of the endorsement for other transactions to \$100.00.

In many instances, the current rates established under Rate Rule R-11 do not sufficiently reflect the expenses and risks associated with issuing these endorsements. TLTA suggests amending the rates for these endorsements to acknowledge common scenarios that alter the expenses and risks associated with issuing these endorsements. Revising the rates in this way allows title insurance professionals to recoup these expenses with premium from the sale of the endorsement rather than

shifting these expenses to the general expense base and impacting the premium rate for all Texas title insurance consumers.

PROPOSED REVISIONS

RATE RULE R-11: LOAN POLICY ENDORSEMENT

Applicable only as provided in rule P-9

a. Endorsement issued as provided in Rules P-9b(1) and P-9b(2)--The minimum Basic Premium Rate shall be charged for each T-3 Endorsement (Assignment of Mortgage) issued within one year after the date of the original policy. If issued after the one year period, an additional \$100.00 shall be charged for each twelve-month period thereafter, or a part thereof. In no event, however, shall such premium exceed 50% of the premium applicable to the original Loan Policy under the Schedule of Basic Rates.

b. Endorsement issued as provided in Rule P-9b(3)--~~A premium of \$100.00~~ The minimum Basic Premium Rate shall be charged for each Endorsement Form T-38 Partial Release, Release of Additional Collateral, Modification Agreement, Reinstatement Agreement, or Release from Personal Liability issued within one year after the date of the original policy. If issued after said one year period, an additional \$40.00 \$25.00 shall be charged for each twelve-month period thereafter, or a part thereof. In no event, however, shall such premium exceed 50% of the premium applicable to the original Loan Policy under the Schedule of Basic Rates. *

c. ~~Endorsement issued as provided in Rule P-9b(4) A premium of \$50.00 shall be charged for the issuance of each Endorsement Form T-3 for Down Date Endorsement provided for in Rule P-9b(4)-, a premium for each endorsement shall be charged as follows:~~

1. Residential Real Property - \$50.00
2. Other [land/real property/property] - \$100.00

d. Endorsement issued as provided in Rule P-9b(6)--A premium of \$20.00 shall be charged for the issuance of each Endorsement Form T-33 Variable Rate Mortgage Endorsement or Form T-33.1 Variable Rate Mortgage – Negative Amortization Endorsement authorized by Rule P-9b(6) except that such additional premium charge shall not be made if an additional premium charge has been made for the Loan Policy (to which the Endorsement is attached).

e. Endorsement issued as provided in Rule P-9b(7)--A premium of \$20.00 shall be charged for the issuance of Endorsement Form T-31 Manufactured Housing Endorsement as provided for in Rule P-9b(7). A premium of \$50.00 shall be charged for

the issuance of Endorsement Form T-31.1 Supplemental Coverage Manufactured Housing Unit Endorsement as provided for in Rule P-9b(7).

f. Endorsement issued as provided in Rule P-9b(8)--A premium of \$50.00 shall be charged for the issuance of each Endorsement Form T-35 Future Advance/Revolving Credit Endorsement provided for in Rule P-9b(8).

g. Endorsement issued as provided in Rule P-9b(9)--A premium of \$25.00 shall be charged for the issuance of each Endorsement Form T-36 Environmental Protection Lien provided for in Rule P-9b(9).

h. Endorsement issued as provided in Rule P-9b(10)--A premium of \$25.00 shall be charged for the issuance of the Endorsement Form T-39 Balloon Mortgage Endorsement provided for in Rule P-9b(10) if the endorsement is issued at the time of the issuance of the loan policy. A premium of \$50.00 shall be charged for the issuance of the endorsement provided for in Rule P-9b(10) if the endorsement is issued subsequent to the issuance of the loan policy.

i. Endorsement issued as provided in Rule P-9b(11)--When the First Loss Endorsement (Form T-14) is issued with a Loan Policy of Title Insurance (Form T-2) in accordance with Rule P-9b(11), the premium for the First Loss Endorsement (Form T-14) shall be \$25.00.

j. Endorsement issued as provided in Rule P-9b(13)--When the Loan Policy Aggregation Endorsement (Form T-16) is issued with a Loan Policy of Title Insurance (Form T-2) in accordance with Rule P-9b(13), the premium for the Loan Policy Aggregation Endorsement (Form T-16) shall be \$25.00.

k. Endorsement issued as provided in Rule P-9b(14)--When the Planned Unit Development Endorsement (Form T-17) is issued with a Loan Policy in accordance with Rule P-9b(14), the premium for the Planned Unit Development Endorsement (Form T-17) shall be \$25.00. If the Company issues the Planned Unit Development Endorsement (Form T-17) on two or more title insurance policies which are issued simultaneously covering the same land, then the premium for the Planned Unit Development Endorsement (Form T-17) shall be charged only for one Planned Unit Development Endorsement (Form T-17).

l. Endorsement as provided in Rule P-9b(15)--When the Condominium Endorsement (Form T-28) is issued with a Loan Policy in accordance with Rule P-9b(15), the premium for each Condominium Endorsement (Form T-28) shall be \$0.00.

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 2
RATE RULE R-15**

CITATION

Section III, Rate Rule R-15 Owner's Policy Endorsements of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

Rate Rule R-15.b. establishes the premium that a title insurance agent may collect for each T-3 Endorsement (down date endorsement) that is issued with an owner's title insurance policy. The down date endorsement brings coverage forward to the current certification date from the date of the policy or the last down date endorsement. The endorsement increases coverage by reflecting the current amount of insurance. This endorsement is issued on commercial and residential transactions where construction improvements are immediately contemplated. The expenses and risk associated with issuing this endorsement on residential real property transactions, as compared to other transactions, is significantly different. Currently, Rate Rule R-15 does not differentiate between the rate charged for this endorsement in a transaction involving residential real property and other types of property.

The Texas Land Title Association (TLTA) suggests revising Rate Rule R-15, to establish distinct rates for this endorsement in transactions involving residential real property and non-residential property. Non-residential property transactions, such as commercial construction projects, involve significantly more documents. Searching and examining these records involves substantially more time, from more experienced examiners. TLTA proposes increasing the premium for this endorsement to \$100.00 for transactions involving non-residential property, while leaving the charge for this endorsement on residential real property unchanged.

Increasing the rate in this manner appropriately compensates the title insurance agent and title insurance company for the expenses and risks associated with transactions involving more complicated and voluminous property records. The proposed amendment avoids a scenario where the cost of these expenses and risks are pushed onto residential real property consumers and shifts them appropriately to the consumers whose transactions require the additional service and involve additional risk.

PROPOSED REVISIONS

Rate Rule R-15. Owner's Policy Endorsements -

a. **Increased Value** – When requested by the Insured, and upon compliance with Rule P-9a(2), endorsement form T-34 shall be attached to the Owner's Policy upon payment of a premium for such endorsement which shall be the Basic Rate computed on the new amount less the premium paid for the Owner's Policy and any form T-34 endorsements previously attached thereto, but in no event less than the then applicable minimum policy Basic Premium Rate.

b. **Increase in Coverage During Construction** - ~~A premium of \$50.00 shall be charged for each T-3 Endorsement issued according to Instruction VIII, as provided in Rule P-9a(3).~~ – A premium for each endorsement shall be charged as follows:

1. Residential real property - \$50.00
2. Other [land/real property/property] - \$100.00

c. **Manufactured Housing Unit** - A premium of \$50.00 shall be charged for each T-31.1 Endorsement issued, as provided in Rule P-9a(4).

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 3
RATE RULE R-30**

CITATION

Section III, Rate Rule R-30 Premium for Access Endorsement (T-23) of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

Rate Rule R-30 establishes the premium that a title insurance agent may collect when a T-23 Endorsement (access endorsement) is issued pursuant to Procedural Rule P-54. The access endorsement expands coverage by confirming that the property has access to a specific street or road. Some transactions, however, may require over a hundred access endorsements. Currently, if the transaction requires one, three, or one hundred access endorsements the title agent may only charge \$100.00 for the endorsements. This choice was not deliberate, but a mistaken consequence of the original wording.

When Rate Rule R-30 was proposed, the agenda item contained a typographical error. The access endorsement was proposed and adopted at the same time as the T-25 contiguity endorsement and its corresponding Rate Rule R-32. The same rate and language was proposed for both endorsements. In the case of the contiguity endorsement, all the desired coverage may be accomplished through a single endorsement. Thus, restricting the amount charged for a contiguity endorsement on a per policy basis is reasonable. The access endorsement, however, names the specific street, road, or highway from which access to the property is gained. Therefore, a separate endorsement is necessary to confirm the property has access from each street, road, or highway. The rate provided for in Rate Rule R-30 is adequate to support the work associated with the search and examination that is necessary to issue a single access endorsement. The rate, however, is not sufficient for transactions that require multiple access endorsements.

The Texas Land Title Association (TLTA) suggests changing Rate Rule R-30 from a per policy charge to a per endorsement charge. This change would only impact transactions that require multiple access endorsements. These primarily involve large commercial projects and unplatted lots. Amending the rate rule in this way appropriately compensates the title insurance agent and title insurance company for the expenses associated with issuing multiple access endorsements. Additionally, the proposed amendment allows title insurance agents to collect the premium necessary to support

the work associated with each endorsement from the consumer that requested or needed the endorsement, rather than shift the expenses into general expenses and costs that factor into the promulgated basic rate that each Texas title insurance consumer must pay.

PROPOSED REVISIONS

R-30. Premium for Access Endorsement (T-23)

When the Access Endorsement (T-23) is issued with a Mortgagee Policy of Title Insurance (T-2) or Owner Policy (T-1) in accordance with Rule P-54, the premium for the Access Endorsement (T-23) shall be \$100 for each policy endorsement.

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 4
FORM T-1R**

CITATION

Section II, Insuring Forms, Form T-1R: Residential Owner's Policy of Title Insurance One-to-Four Family Residences of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

Section B, Item 3 of the Form T-1R: Residential Owner's Policy of Title Insurance One-to-Four Family Residences includes a parenthetical that reads "(Applies to the Owner's Policy only)." This language appears to have mistakenly been taken from Section B, Item 3 of Form T-7: Commitment for Title Insurance. The language is appropriate in Form T-7, but is unnecessary in Form T-1R.

The Texas Land Title Association ("TLTA") suggests revising Form T-1R to remove the unnecessary parenthetical.

PROPOSED REVISIONS

Form T-1R: Residential Owner's Policy of Title Insurance One-to-Four Family Residences

SCHEDULE B

EXCEPTIONS

We do not cover loss, costs, attorneys' fees and expenses resulting from:

1. The following restrictive covenants of record itemized below (We must either insert specific recording data or delete this exception.):
2. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements.
3. Homestead or community property or survivorship rights, if any, of any spouse of any insured. (~~Applies to the Owner's Policy only.~~)
4. ...

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 5
FORM T-16**

CITATION

Section II, Insuring Forms, Form T-16: Loan Policy Aggregation Endorsement of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

The current aggregation endorsement, T-16, does not adequately address the aggregation of multiple policies in various states. When Texas policies are aggregated with policies from other states, the Form T-16 does not correlate well with the ALTA 12.1-06. The language of the T-16 creates confusion and misunderstanding among insurers and consumers as to how the Texas coverage correlates with policies from other states.

The Texas Land Title Association ("TLTA") suggests that the Commissioner of Insurance adopt the ALTA 12.1-06 aggregation endorsement for multi-state transactions as Form T-16.1 for use only in multi-state situations.

PROPOSED REVISIONS

Form T-16.1: Aggregation – State Limits – Loan Policy Endorsement

AGGREGATION – STATE LIMITS – LOAN POLICY ENDORSEMENT

Issued by

Attached to Policy No.:

File No.:

1. The following policies are issued in conjunction with one another:

POLICY NUMBER	STATE	AMOUNT OF INSURANCE
		\$
		\$
		\$

2. The amount of insurance available to cover the Company's liability for loss or damage under this policy at the time of payment of loss shall be the Aggregate Amount of Insurance defined in Section 3 of this endorsement.

3. The Aggregate Amount of Insurance under this policy is either:

a. \$ _____; or.

b. If the Land is located in one of the states identified in this subsection, then the Aggregate Amount of Insurance is restricted to the amount shown below:

STATE	AGGREGATE AMOUNT OF INSURANCE
	\$
	\$

4. Section 7(a)(i) of the Conditions of this policy is amended to read:

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

a. to pay or tender payment of the lesser of the value of the Title as insured or the Aggregate Amount of Insurance applicable under this policy at the date the claim was made by the Insured Claimant, or to purchase the Indebtedness.

i. To pay or tender payment of the lesser of the value of the Title as insured at the date the claim was made by the Insured Claimant, or the Aggregate Amount of Insurance applicable under this policy, together with any cost, attorneys' fees, and 83 costs and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or

5. Section 8(a) and 8(b) of the Conditions of this policy are amended to read:

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

a. The extent of liability of the Company for loss or damage under this policy shall not exceed the least of

- i. the Aggregate Amount of Insurance for the State where the Land is located,
- ii. the Indebtedness,
- iii. the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or
- iv. if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.

b. If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured, the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as the date it is settled and paid.

6. Section 10 of the Conditions of this policy is amended to read:

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

a. All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the applicable Aggregate Amount of Insurance by the amount of the payment.

b. If this policy insures the Title to Land located in a state identified in Section 3 b. of this endorsement:

- i. all payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Aggregate Amount of Insurance by the amount of the payment; but
- ii. a payment made for loss or damage on Land insured in one of the policies identified in Section 1 on Land located outside this state shall not reduce the Aggregate Amount of Insurance in Section 3.b. of this endorsement until the Aggregate Amount of Insurance in Section 3.a. is reduced below the Aggregate Amount of Insurance in Section 3.b .

c. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Aggregate Amount of Insurance afforded under this endorsement except to the extent that the payments reduce the Indebtedness.

d. The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company under this policy, except as provided in Section 2 of these Conditions, but it will not reduce the Aggregate Amount of Insurance for the other policies identified in Section 1 of this endorsement.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

IN WITNESS WHEREOF, the Company has caused this endorsement to be issued and become valid when signed by an authorized officer or licensed agent of the Company.

Date:

By:

Authorized Countersignature

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 6
FORM T-19**

CITATION

Section II, Insuring Forms, Form T-19.2 and Form T-19.3: Minerals and Surface Damage Endorsement of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

The Texas Land Title Association suggests revising Form T-19.2 and T-19.3. These endorsements were adopted based upon the existing Form T-19 and T-19.1 endorsements. Recently, the Form T-19 and T-19.1 endorsements were updated to conform with the national ALTA T-19 and T-19.1 form equivalents. The proposed amendments to update the T-19.2 and T-19.3 reflect the changes previously made to the Form T-19 and T-19.1. Additionally, they add the term "flood" in the list of items that are excluded from coverage which is an additional update conforming to the corresponding current ALTA forms.

PROPOSED REVISIONS

FORM T-19.2: Minerals and Surface Damage Endorsement

Minerals and Surface Damage Endorsement (T-19.2)

Attached to Policy No. _____ ; Applies to Parcel(s) _____ Issued
by:
_____ TITLE INSURANCE COMPANY
Herein called the Company

The Company insures the insured against loss which the insured shall sustain by reason of damage to improvements (excluding lawns shrubbery, or trees) located on the Land on or after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the Land for the extraction or development of coal, lignite, oil, gas or other minerals excepted or excluded on Schedule A, Item 2 or excepted in Schedule B. ~~This endorsement does not insure against loss resulting from subsidence.~~

This endorsement does not insure against loss or damage (and the Company will not pay costs, attorney's fees, or expenses) resulting from:

a. contamination, explosion, fire, fracturing, vibration, earthquake, flood, or subsidence;
or

b. negligence by a person or an Entity exercising a right to extract or develop minerals
or other subsurface substances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

[Witness clause optional]

_____ TITLE INSURANCE COMPANY

By: _____
Authorized signatory

FORM T-19.3: Minerals and Surface Damage Endorsement

Minerals and Surface Damage Endorsement (T-19.3)

Attached to Policy No. _____ ; Applies to Parcel(s) _____ Issued
by:
_____ TITLE INSURANCE COMPANY
Herein called the Company

The Company insures the insured against loss which the insured shall sustain by reason of damage to permanent buildings located on the Land on or after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the Land for the extraction or development of coal, lignite, oil, gas or other minerals excepted or excluded on Schedule A, Item 2 or excepted in Schedule B. ~~This endorsement does not insure against loss resulting from subsidence.~~

This endorsement does not insure against loss or damage (and the Company will not pay costs, attorney's fees, or expenses) resulting from:

a. contamination, explosion, fire, fracturing, vibration, earthquake, flood or subsidence;
or

b. negligence by a person or an Entity exercising a right to extract or develop minerals or other subsurface substances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

[Witness clause optional]

_____ TITLE INSURANCE COMPANY

By: _____
Authorized signatory

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 7
FORM T-1, FORM T-1R, FORM T-2, FORM T-2R**

CITATION

Section II, Insuring Forms, Form T-1: Owner's Policy of Title Insurance of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

Section II, Insuring Forms, Form T-1R: Residential Owner's Policy of Title Insurance One-to-Four Family Residences of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

Section II, Insuring Forms, Form T-2: Loan Policy of Title Insurance of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

Section II, Insuring Forms, Form T-2R: Texas Short Form Residential Loan Policy of Title Insurance Addendum of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

In 2008, TDI adopted changes to Form T-1, Form T-1R, Form T-2, and Form T-2R to make the Texas forms consistent with the 2006 American Land Title forms used in other jurisdictions. These changes have upset the traditional operations of the Texas "survey coverage deletion." The Texas Land Title Association suggests amending the language of Schedule B for each form listed above to ensure that the coverage for risks described in Covered Risks paragraph 2.(c). is deleted from the policy if "survey coverage" is not obtained for that policy.

PROPOSED REVISIONS

SCHEDULE B

EXCEPTIONS FROM COVERAGE

...

2. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements. Covered Risk 2(c) is hereby deleted.

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 8
FORM T-50**

CITATION

Section V, FORM T-50: INSURED CLOSING SERVICE of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas.*

ISSUE AND JUSTIFICATION

The American Land Title Association (ALTA) has recently made significant revisions to its model Closing Protection Letter, the national equivalent to Form T-50. The Texas Land Title Association (TLTA) recommends revising Form T-50 to adopt appropriate revisions made to the ALTA Insured Closing Service Letter to maintain consistency as much as possible with the rest of the country. For example, Form T-50 currently does not include important exclusions for computer related fraud. These exclusions are, however, now included in the ALTA Insured Closing Service Letter. The proposed language incorporates many, but not all the changes adopted by ALTA.

PROPOSED REVISIONS

Please see the attached template. Please note, TLTA is still working with its members to identify the best way to merge the new ALTA language with the existing Texas Form T-50. The proposed language is TLTA's best attempt to date, but as the rule making process proceeds, TLTA may suggest additional changes.

INSURED CLOSING SERVICE LETTER (T-50)
BLANK TITLE INSURANCE COMPANY

Name and Address of Addressee:

Date:

Name of Issuing Agent (hereafter, the "Issuing Agent"):

[Name-Identity of Issuing Agent appears here.]

Transaction (the "Real Estate Transaction"):

[Includes GF No., Property, and Borrower's Name]

Re: Insured Closing Service

Dear

~~Blank Title Insurance Company (the "Company"), agrees, subject to the Conditions and Exclusions set forth below, to reimburse you for actual loss incurred by you in connection with closings of real estate transactions conducted by the Issuing Agent, provided:~~

In consideration of your acceptance of this letter, Blank Title Insurance Company (the "Company"), agrees to indemnify You for actual loss of Funds incurred by You in connection with the closings of the Real Estate Transaction conducted by the Issuing Agent on or after the date of this letter, subject to the Requirements, Conditions and Exclusions set forth below: and provided:

REQUIREMENTS

1. ~~(A)~~ title insurance of the Company is specified for your protection in connection with the closing. The Company issues or is contractually obligated to issue a Policy for Your protection in connection with the closing of the Real Estate Transaction;
2. ~~(B)~~ you are to be the lender secured by a mortgage (including any other security instrument) of an interest in land, its assignees or a warehouse lender; and You are to be a lender secured by the insured mortgage. or (ii) purchaser or lessee of the Title
3. ~~(C)~~ the aggregate of all Funds You transmit to the Issuing Agent for the Real Estate Transaction does not exceed \$ 3,000,000 [with approval of the Company, a larger number may be substituted] ; and
4. ~~(D)~~ provided the loss arises out of further, Your loss is solely caused by:
 - a. 1. ~~Failure of the Issuing Agent to comply with your written closing instructions to the extent that they relate to (a) the status of the title to that interest in land or the validity, enforceability and priority of the lien of the mortgage on that interest in land, including the obtaining of documents and the disbursement of funds necessary to establish the status of title or lien, or (b) the obtaining of any other document, specifically required by you, but only to the extent the failure to obtain the other document affects the status of the title to that interest in land or the validity, enforceability and priority of the lien of the Insured Mortgage mortgage on that interest in land, and not to the extent that your instructions require a determination of the validity, enforceability or the effectiveness of the other document, or A failure of the Issuing Agent to comply with Your written closing instructions that relate to:~~

(i) (a) the disbursement of Funds necessary to establish the status of the Title to the land or the validity, enforceability, or priority of the lien of the Insured Mortgage; or

(ii) (b) the obtaining of any document, specifically required by You, but only to the extent that the failure to obtain the document adversely affects the status of the Title to the Land or the validity, enforceability, or priority of the lien of the Insured Mortgage or to the title to the [land?]; or

- b. 2- Fraud or dishonesty of the Issuing Agent in handling your funds or documents in connections with the closing to the extent that the fraud or dishonesty relates to the status of the title to that interest in land or to the validity, enforceability, and priority of the lien of the mortgage on that interest in land. Fraud, theft, or dishonesty, or misappropriation of the Issuing Agent in handling Your funds or documents in connection with the closing, but only to the extent that the fraud, theft, dishonesty, or misappropriation relates to adversely affects the status of the Title to the Land or to the validity, enforceability, or priority of the lien of the Insured Mortgage.

~~If you are a lender protected under the foregoing paragraph, your assignee and your warehouse lender in connection with a loan secured by a mortgage shall be protected as if this letter were addressed to them.~~

Conditions and Exclusions

1. Your transmittal of Funds or documents to the Issuing Agent for the Real Estate Transaction constitutes Your acceptance of this letter.
2. For purposes of this letter:
 - a. "Commitment" means the Company's written contractual agreement to issue the Policy.
 - b. "Funds" means the money received by the Issuing Agent for the Real Estate Transaction.
 - c. "Policy" or "Policies" means the contract or contracts of title insurance, each in a form adopted for use in the State of Texas, issued or to be issued by the Company in connection with the closing of the Real Estate Transaction.
 - d. "You" or "Your" means:

The Addressee of this letter; ~~the borrower if the Land is solely improved by a one to four family residence~~ subject to all rights and defenses relating to a claim under this letter that the Company would have against the Addressee,

 - (A) the assignee of the Insured Mortgage, provided such assignment was for value and the assignee was, at the time of the of the assignment, without Knowledge of facts that reveal a claim under this letter; and
 - (B) the warehouse lender in connection with the Insured Mortgage, provided such assignment was for value and the warehouse lender was, at the time of the of the assignment, without Knowledge of facts that reveal a claim under this letter.
 - e. "Indebtedness," "Insured Mortgage," "Knowledge" or "Known," "Land," and "Title" have the same meaning given them in the Loan Policy of Title Insurance (Form T-2).

3. The Company will not be liable to you for loss arising out of: The Company shall have no liability under this insured closing service letter for any loss arising from any out of :
- Aa. Failure of the Issuing Agent to comply with your closing instructions which require title insurance protection inconsistent with that set forth in the title insurance binder or commitment issued by the Company. Instructions which require the removal of specific exceptions to title or compliance with the requirements contained in the binder or commitment shall not be deemed to be inconsistent. failure of the Issuing Agent to comply with Your closing instructions that require title insurance protection inconsistent with that set forth in the Commitment. Your written closing instructions received and accepted by the Issuing Agent after issuing the Commitment that require the removal, where allowed by state law, rule, or regulation, of specific Schedule B Exceptions from Coverage or compliance with the requirements contained in the Commitment shall not be deemed to require inconsistent title insurance protection;
 - B-b. ~~Loss or impairment of your funds in the course of collection or while on deposit with a bank due to bank failure, insolvency or suspension, except as shall result from failure of the Issuing Agent to comply with your written closing instructions to deposit the funds in a bank which you designated by name. Loss or impairment of Your funds in the course of collection or while on deposit with a bank due to bank failure, insolvency or suspension, except loss or impairment resulting from failure of the Issuing Agent to comply with Your written closing instructions to deposit the Funds in a bank that You designated by name;~~
 - C-c. ~~Defects, liens, encumbrances or other matters in connection with your loan transactions except to the extent that protection against those defects, liens, encumbrances or other matters is afforded by a policy of title insurance not inconsistent with your closing instructions. Any constitutional or statutory lien or claim of lien that arises from services, labor, materials, or equipment, if any Funds are to be used for the purpose of construction, alteration, or renovation. This Section 3.c does not affect the coverage, if any, as to any lien for services, labor, materials, or equipment afforded in the Policy;~~
 - D-d. ~~Defect, lien, encumbrance, or other matter in connection with the Real Estate Transaction. This Section 3.d does not affect the coverage afforded in the Policy;~~
 - e. ~~Fraud, dishonesty or negligence of your employee, agent, attorney or broker. Fraud, theft, misappropriation, dishonesty or negligence by You or Your employee, agent, attorney or broker;~~
 - E-f. ~~Fraud, theft, dishonesty, or misappropriation by anyone other than the Company or Issuing Agent;~~
 - g. ~~Your settlement or release of any claim without the written consent of the Company. Your settlement or release of any claim by You without the Company's written consent;~~
 - F-h. ~~Any matters created, suffered, assumed or agreed to by you or known to you. Any matters created, suffered, assumed or agreed to or actually known by You.~~
 - i. ~~Failure of the Issuing Agent to determine the validity, enforceability, or the effectiveness of a document required by Your closing instructions. This Section 3.i does not affect the coverage afforded in the Policy;~~

- i. Federal consumer financial law, as defined in 12 U.S.C. §5481 (14), actions under 12 U.S.C. §5531, or other federal or state laws relating to truth-in-lending, a borrower's ability to repay a loan, qualified mortgages, consumer protection, or predatory lending, including any failure of the Issuing Agent to comply with Your closing instructions relating to those laws;
 - k. federal or state laws establishing the standards or requirements for asset-backed securitization including, but not limited to, exemption from credit risk retention, including any failure of the Issuing Agent to comply with Your closing instructions relating to those laws;
 - l. The periodic disbursement of Funds to pay for construction, alteration, or renovation on the Land relating to the Real Estate Transaction; or
 - m. The Issuing Agent acting in the capacity of a qualified intermediary or facilitator for tax deferred exchange transactions as provided in Section 1031 of the Internal Revenue Code; or
 - n. Wire fraud, mail fraud, telephone fraud, facsimile fraud, unauthorized access to a computer, network, email, or document production system, business email compromise, identity theft, or diversion of Funds to a person or account not entitled to receive the Funds perpetrated by anyone other than the Company of Issuing Agent.
4. If the closing is to be conducted by an Issuing Agent, a Commitment in connection with the Real Estate Transaction must have been received by You prior to the transmittal of Your final closing instructions to the Issuing Agent.
25. When the Company shall have reimbursed you pursuant to this letter, it shall be subrogated to all rights and remedies which you would have had against any person or property had you not been so reimbursed. Liability of the Company for reimbursement shall be reduced to the extent that you You have knowingly and voluntarily impaired the value of this right of subrogation. When the Company shall have indemnified You pursuant to this letter, it shall be subrogated to all rights and remedies You have against any person or property had You not been indemnified. The Company's liability for indemnification shall be reduced to the extent that You have impaired the value of this right of subrogation.
6. The e Company's liability for loss under this letter shall not exceed the least of:
- a. the amount of Your Funds;
 - b. the Company's liability under the Policy at the time written notice of a claim is made under this letter;
 - c. the value of the lien of the Insured Mortgage;
 - d. the value of the Title to the Land insured or to be insured under the Policy at the time written notice of a claim is made under this letter; or
 - e. the amount stated in Section 3 of the Requirements.
7. ~~If you are not a purchaser, borrower, or lessee,~~ The Company will be liable only to the holder of the Indebtedness at the time that payment is made.
8. Payment to You or to the owner of the Indebtedness under either the Policy or Policies or from any other source shall reduce liability under this letter by the same amount.

Payment in accordance with the terms of this letter shall constitute a payment pursuant to the Conditions of the Policy.

39. The Issuing Agent is the Company's agent only for the limited purpose of issuing title insurance policies. The Issuing Agent is not the Company's agent for the purpose of providing other closing or settlement services. The Company's liability for your losses arising from those other closing or settlement services is strictly limited to the protection expressly provided in this letter. Any liability of the Company for loss does not include liability for loss resulting from the negligence, fraud or bad faith of any party to a real estate transaction other than an Issuing Agent, the lack of creditworthiness of any borrower connected with a real estate transaction, or the failure of any collateral to adequately secure a loan connected with a real estate transaction. However, this letter does not affect the Company's liability with respect to its title insurance binders, commitments or policies. The Issuing Agent is the Company's agent only for the limited purpose of issuing Policies. The Issuing Agent is not the Company's agent for the purpose of providing closing or settlement services. The Company's liability for Your loss arising from closing or settlement services is strictly limited to the contractual protection expressly provided in this letter. Other than as expressly provided in this letter, the Company shall have no liability for loss resulting from the fraud, theft, dishonesty, misappropriation, or negligence of any party to the Real Estate Transaction, the lack of creditworthiness of any borrower connected with the Real Estate Transaction, the failure of any collateral to adequately secure a loan connected with the Real Estate Transaction, or the failure of any collateral to adequately secure a loan connected with the Real Estate Transaction.
10. In no event shall the Company be liable for a loss if the written notice of a claim is not received by the Company within two years one year from the date of the transmittal of Funds. The condition that the Company must be provided with written notice under this provision shall not be excused by lack of prejudice to the Company;
511. You must promptly send written notice of a claim under this letter to the Company at its principal office at _____ The Company is not liable for a loss if the written notice is not received within two years from the date of the closing. If the Company is prejudiced by Your failure to provide prompt notice, the Company's liability to You under this letter shall be reduced to the extent of the prejudice.
12. Whenever requested by the Company, You, at the Company's expense, shall:
- (a) give the Company all reasonable aid in:
 - (i) securing evidence, obtaining witnesses, prosecuting, or defending any action or proceeding, or effecting any settlement; and
 - (ii) any other lawful act that in the opinion of the Company may be necessary to enable the Company's investigation and determination of its liability under this letter;
 - (b) deliver to the Company any records, in whatever medium maintained, that pertain to the Real Estate Transaction or any claim under this letter; and
 - (c) submit to an examination under oath by any authorized representative of the Company with respect to any such records, the Real Estate Transaction, any claim under this letter or any other matter reasonably deemed relevant by the Company.

13. The Company shall have no liability under this letter if:
- a. the Real Estate Transaction has not closed within one year from the date of this letter; or
 - b. at any time after the date of this letter, but before the Real Estate Transaction closes, the Company provides written notice of termination of this letter to the Addressee at the address set forth above.
614. The protection herein offered extends only to real property transactions in Texas. The protection of this letter extends only to real estate in Texas, and any court or arbitrator shall apply the law of the jurisdiction where the Land is located to interpret and enforce the terms of this letter. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law. Any litigation or other proceeding under this letter must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.
15. There shall be no right for any claim under this letter to be arbitrated or litigated on a class action basis.
716. Either the Company or you may demand that any claim arising under this letter be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association, unless you have a policy of title insurance for the applicable transaction with an Amount of Insurance greater than \$2,000,000. If you have a policy with title insurance for the applicable transaction with an Amount of Insurance greater than \$2,000,000, a claim arising under this letter may be submitted to arbitration only when agreed to by both the Company and you. Either the Company or You may demand that any claim arising under this letter be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association, unless You have a Policy for the Real Estate Transaction with an Amount of Insurance greater than \$2,000,000. There shall be no right for any claim under this letter to be arbitrated or litigated on a class action basis. If You have a Policy for the Real Estate Transaction with an Amount of Insurance greater than \$2,000,000, a claim arising under this letter may be submitted to arbitration only when agreed to by both the Company and You. If the Real Estate Transaction solely involves a one to four family residence and You are the purchaser or borrower, the Company will pay the costs of arbitration.

Any previous closing protection letter or similar agreement is hereby cancelled, except for closings of your real estate transactions for which you have previously sent (or within 30 days hereafter send) written closing instructions to the Issuing Agent. This closing protection letter supersedes and cancels any previous letter or similar agreement for closing protection that applies to the Real Estate Transaction.

BLANK TITLE INSURANCE COMPANY

BY: _____

Authorized Signatory

(The name of a particular issuing agent may be inserted in lieu of reference to Issuing Agent contained in this letter and the words "Underwritten Title Company" may be inserted in lieu of Issuing Agent.)

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 9
PROCEDURAL RULE P-20**

CITATION

Section IV, Procedural Rules, Procedural Rule P-20: Standard Exception Relating to Taxes of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

Procedural Rule P-20: Standard Exception Relating to Taxes does not address the realities of many transactions. The language of subsection (b) does not allow for coverage for a “full tax deletion” for certain consumers in rural areas. The language of subsection (c), “not yet due and payable,” does not adequately accommodate the mechanics of property tax liability in Texas for certain parts of the year.

The Texas Land Title Association suggests amending Procedural Rule P-20 to better address these situations. The proposed change will more adequately describe the assurances consumers are requesting.

PROPOSED REVISIONS

PROCEDURAL RULE P-20: Standard Exception Relating to Taxes

A. Taxes for the Current Year

1. In connection with the issuance or amendment (after issuance) of any Owner's Policy, Loan Policy, or of any Loan Title Policy Binder on Interim Construction Loan (Interim Binder), an exception must be shown on Schedule B to taxes and assessments for the current tax year by any taxing authority, and the Company may not insure that taxes for the current tax year are paid, unless:

a. Taxes are Paid or Collected at Closing. A company may insure that taxes for the current tax year are paid if:

1. All of the taxes for the current tax year have been assessed by the taxing authorities;
2. The Company has satisfactory evidence in its file that the assessed taxes for the current year have been paid by the owner or
3. If all of the taxes for the current year have not been paid:

- i. The unpaid taxes are collected at closing by the Company; and
 - ii. The Company will pay the taxes in the ordinary course of business.
 - b. Owner's Tax Reserve/Escrow Account With Payoff Lender. A Company may insure that taxes are paid for the current tax year if:
 1. The Company has satisfactory evidence in its file that the assessed taxes for the current year have been paid by the current lender from the owner's Reserve/Escrow Account held by lender, or
 2. In the absence of satisfactory evidence in (1) above, a Company may accept:
 - i. A sufficient Indemnity executed by a responsible party,
 - ii. Together with a deposit of funds in an amount sufficient to pay the assessed taxes.
 3. When following provision (2) above, the Company shall:
 - i. Pay the assessed taxes according to the terms of the Indemnity and before they become delinquent, or
 - ii. Upon receipt of satisfactory evidence that the assessed taxes for the current year have been paid, promptly pay the escrowed funds to the proper party.
2. If all taxes for the current year have not been assessed by the taxing authorities, the Company may not insure that taxes for the current year are paid.

B. ROLLBACK TAXES

1. In connection with the issuance or amendment (after issuance) of any Loan Policy or of any Loan Title Policy Binder on Interim Construction Loan (Interim Binder), and upon payment of the premium required under Rate Rule R-19, the words: "and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership", as contained in the standard tax exception may be deleted by:
 - a. Deletion of such words upon the policy or binder form, either by checking the appropriate box on a Form T-2 or T-2R or by lining through the words or by producing an electronic form with the words; or
 - b. By attachment to the policy or binder of endorsement form T-30.

The deletion of the above phrase from the standard tax exception is hereafter referred to as "insure or insuring against rollback taxes".

2. A Company may not insure against rollback taxes unless:

a. The Company has satisfactory evidence in its file that the assessed taxes for the current year are not based on an agriculture or open-space valuation; or

b. The transaction represents a loan that fully takes up, renews, extends, or satisfies one or more existing liens secured by real property which has improvements thereon designed principally for the occupancy of from one to four families and consists of not more than 25 acres that has an agricultural or open-space valuation by individual insureds and that the new loan amount is limited to satisfaction of the existing indebtedness plus reasonable closing costs and does not involve a change in land usage or ownership; or

c. (i) The rollback taxes have been assessed by all of the taxing authorities; (ii) The rollback taxes are collected at closing by the Company, and (iii) The Company will pay the roll back taxes in the ordinary course of business.

C. TAXES NOT YET DUE AND PAYABLE

In connection with the issuance of a Loan Policy or Loan Title Policy Binder on Interim Construction Loan (Interim Binder), upon payment of the premium in R-24, a Company may:

1. If satisfied that all taxes, standby fees and assessments by any taxing authority for the year ~~of the issuance of the Loan Policy or Interim Binder~~ specified in the standard tax exception are not yet due and payable, add the following ~~after the standard tax exception year~~: "Company insures that standby fees, taxes and assessments by any taxing authority for the year _____ are not yet due and payable." The addition may be made either by checking the appropriate box on a Form T-2 or by otherwise inserting the additional words into the form.

2. If a Company determines that some, but not all of the taxes are not yet due and payable for the year specified in the standard tax exception, the Company may add the following after the standard tax exception: "Company insures that standby fees, taxes and assessments by any taxing authority for the year _____ are not yet due and payable, as to [insert name of applicable taxing authority/authorities] only."

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 10
FORM T-54**

CITATION

Section II, Insuring Forms, Form T-54: Severable Improvements Endorsement of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

Currently *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas* does not include a promulgated rate for Form T-54. Since the Commissioner of Insurance adopted Form T-54, the American Land Title Association (ALTA) has created more specific and transaction tailored endorsements to address the scenarios Form T-54 was intended to cover.

The Texas Land Title Association (TLTA) suggests repealing Form T-54 and replacing it with the six ALTA endorsements. Additionally, TLTA suggest adopting a corresponding Rate Rule for each endorsement. TLTA recommends a rate of 5% of the premium for each endorsement.

PROPOSED REVISIONS

PLEASE SEE ATTACHED FORMS

ENERGY PROJECT – LEASEHOLD/EASEMENT OWNER’S ENDORSEMENT (Form T-)

Attached to Policy No. _____

Issued by _____

[Title Company]

1. The insurance provided by this endorsement is subject to the exclusions in Section 6 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.

2. For purposes of this endorsement only:

a. “Constituent Parcel” means one of the parcels of Land described in Schedule A that together constitute one integrated project.

b. “Easement” means each easement described in Schedule A.

c. “Easement Interest” means the right of use granted in the Easement for the Easement Term.

d. “Easement Term” means the duration of the Easement Interest, as set forth in the Easement, including any renewal or extended term if a valid option to renew or extend is contained in the Easement.

e. “Electricity Facility” means an electricity generating facility which may include one or more of the following: a substation; a transmission, distribution or collector line; an interconnection, inverter, transformer, generator, turbine, array, solar panel, or module; a circuit breaker, footing, tower, pole, cross-arm, guy line, anchor, wire, control system, communications or radio relay system, safety protection facility, road, and other building, structure, fixture, machinery, equipment, appliance and item associated with or incidental to the generation, conversion, storage, switching, metering, step-up, step-down, inversion, transmission, conducting, wheeling, sale or other use or conveyance of electricity, on the Land at Date of Policy or to be built or constructed on the Land in the locations according to the Plans, that by law constitutes real property.

f. “Evicted” or “Eviction” means (a) the lawful deprivation, in whole or in part, of the right of possession or use insured by this policy, contrary to the terms of any Lease or Easement or (b) the lawful prevention of the use of the Land or any Electricity Facility or Severable Improvement for the purposes permitted by the Lease or the Easement, as applicable, in either case as a result of a matter covered by this policy.

g. “Lease” means each lease described in Schedule A.

h. “Leasehold Estate” means the right of possession granted in the Lease for the Lease Term.

i. “Lease Term” means the duration of the Leasehold Estate, as set forth in the Lease, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.

j. “Plans” means the survey, site and elevation plans or other depictions or drawings prepared by (insert name of architect or engineer) dated _____, last revised _____, designated as (insert name of project or project number) consisting of _____ sheets.

k. “Remaining Term” means the portion of the Easement Term or the Lease Term remaining after the Insured has been Evicted.

l. “Severable Improvement” means property affixed to the Land at Date of Policy or to be affixed in the locations according to the Plans, that would constitute an Electricity Facility but for its characterization as personal property, and that by law does not constitute real property because (a) of its character and manner of attachment to the Land and (b) the property can be severed from the Land without causing material damage to the property or to the Land.

3. Valuation of Title as an Integrated Project:

a. If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Eviction, then, as to that portion of the Land from which the Insured is Evicted, that value shall consist of (i) the value of (A) the Leasehold Estate or the Easement Interest for the Remaining Term, as applicable, (B) any Electricity Facility existing on the date of the Eviction, and, if applicable, (ii) any reduction in value of another insured Lease or Easement as computed in Section 3(b) below.

b. A computation of loss or damage resulting from an Eviction affecting any Constituent Parcel shall include loss or damage to the integrated project caused by the covered matter affecting the Constituent Parcel from which the Insured is Evicted.

c. The Insured Claimant shall have the right to have the Leasehold Estate, the Easement Interest, and any Electricity Facility affected by a defect insured against by this policy valued either as a whole or separately. In either event, this determination of value shall take into account any rent or use payments no longer required to be paid for the Remaining Term.

d. The provisions of this Section 3 shall not diminish the Insured's rights under any other endorsement to the policy; however, the calculation of loss or damage pursuant to this endorsement shall not allow duplication of recovery for loss or damage calculated pursuant to Section 8 of the Conditions or any other endorsement to the policy.

4. Valuation of Severable Improvements:

a. In the event of an Eviction, the calculation of the loss shall include (but not to the extent that these items of loss are included in the valuation of the Title determined pursuant to Section 8 of the Conditions or any other provision of this or any other endorsement) the diminution in value of the Insured's interest in any Severable Improvement resulting from the Eviction, reduced by the salvage value of the Severable Improvement.

b. The policy does not insure against loss or damage (and the Company will not pay any costs, attorneys' fees or expenses) relating to:

i. the attachment, perfection or priority of any security interest in any Severable Improvement;

ii. the vesting or ownership of title to or rights in any Severable Improvement;

iii. any defect in or lien or encumbrance on the title to any Severable Improvement; or

iv. the determination of whether any specific property is real or personal in nature.

5. Additional items of loss covered by this endorsement:

If the Insured is Evicted, the following items of loss, if applicable to that portion of the Land from which the Insured is Evicted, shall be included, without duplication, in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 3 of this endorsement, the valuation of Severable Improvements pursuant to Section 4 of this endorsement, or Section 8(a)(ii) of the Conditions.

a. The reasonable cost of: (i) disassembling, removing, relocating and reassembling any

Severable Improvement that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, to the extent necessary to restore and make functional the integrated project; (ii) transportation of that Severable Improvement for the initial one hundred miles incurred in connection with the restoration or relocation; and (iii) restoring the Land to the extent damaged as a result of the disassembly, removal and relocation of the Severable Improvement and required of the Insured solely because of the Eviction.

b. Rent, easement payments or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate or the Easement Interest, as applicable, may be obligated to pay to any person having paramount title to that of the lessor in the Lease or the grantor in the Easement, as applicable.

c. The amount of rent, easement payments or damages that, by the terms of the Lease or the Easement, as applicable, the Insured must continue to pay to the lessor or grantor after Eviction with respect to the portion of the Leasehold Estate or Easement Interest, as applicable, from which the Insured has been Evicted.

d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease, sublease or easement specifically permitted by the Lease or Easement, as applicable, and made by the Insured as lessor or grantor of all or part of the Leasehold Estate or Easement Interest, as applicable.

e. Damages caused by the Eviction that the Insured is obligated to pay to lessees or sublessees or easement or subeasement grantees on account of the breach of any lease or sublease or easement or subeasement specifically permitted by the Lease or the Easement, as applicable, and made by the Insured as lessor or grantor of all or part of the Leasehold Estate or Easement Interest, as applicable.

f. The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a replacement leasehold reasonably equivalent to the Leasehold Estate or a replacement easement reasonably equivalent to the Easement Interest, as applicable.

g. If any Electricity Facility is not substantially completed at the time of Eviction, the actual cost incurred by the Insured up to the time of Eviction, less the salvage value, for the Electricity Facility located on that portion of the Land from which the Insured is Evicted. Those costs include costs incurred to construct and fabricate the Electricity Facility, obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping, and cancellation fees related to the foregoing.

6. This endorsement does not insure against loss, damage or costs of remediation (and the Company will not pay costs, attorneys' fees, or expenses) resulting from environmental damage or

contamination.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

[Witness clause optional]

[Title Company]

ENERGY PROJECT – LEASEHOLD/EASEMENT – LOAN ENDORSEMENT (Form T- .1)

Attached to Policy No. _____

Issued by _____

[Title Company]

1. The insurance provided by this endorsement is subject to the exclusions in Section 6 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.

2. For purposes of this endorsement only:
 - a. “Constituent Parcel” means one of the parcels of Land described in Schedule A that together constitute one integrated project.

 - b. “Easement” means each easement described in Schedule A.

 - c. “Easement Interest” means the right of use granted in the Easement for the Easement Term.

 - d. “Easement Term” means the duration of the Easement Interest, as set forth in the Easement, including any renewal or extended term if a valid option to renew or extend is contained in the Easement.

 - e. “Electricity Facility” means an electricity generating facility which may include one or more of the following: a substation; a transmission, distribution or collector line; an interconnection, inverter, transformer, generator, turbine, array, solar panel, or module; a circuit breaker, footing, tower, pole, cross-arm, guy line, anchor, wire, control system, communications or radio relay system, safety protection facility, road, and other building, structure, fixture, machinery, equipment, appliance and item associated with or incidental to the generation, conversion, storage, switching, metering, step-up, step-down, inversion, transmission, conducting, wheeling, sale or other use or conveyance of electricity, on the Land at Date of Policy or to be built or constructed on the Land in the locations according to the Plans, that by law constitutes real property.

f. “Evicted” or “Eviction” means (a) the lawful deprivation, in whole or in part, of the right of possession or use insured by this policy, contrary to the terms of any Lease or Easement or (b) the lawful prevention of the use of the Land or any Electricity Facility or Severable Improvement for the purposes permitted by the Lease or the Easement, as applicable, in either case as a result of a matter covered by this policy.

g. “Lease” means each lease described in Schedule A.

h. “Leasehold Estate” means the right of possession granted in the Lease for the Lease Term.

i. “Lease Term” means the duration of the Leasehold Estate, as set forth in the Lease, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.

j. “Plans” means the survey, site and elevation plans or other depictions or drawings prepared by (insert name of architect or engineer) dated _____, last revised _____, designated as (insert name of project or project number) consisting of _____ sheets.

k. “Remaining Term” means the portion of the Easement Term or the Lease Term remaining after the Insured has been Evicted.

l. “Severable Improvement” means property affixed to the Land at Date of Policy or to be affixed in the locations according to the Plans, that would constitute an Electricity Facility but for its characterization as personal property, and that by law does not constitute real property because (a) of its character and manner of attachment to the Land and (b) the property can be severed from the Land without causing material damage to the property or to the Land.

m. “Tenant” means the tenant under the Lease or a grantee under the Easement, as applicable, and, after acquisition of all or any part of the Title in accordance with the provisions of Section 2 of the Conditions of the policy, the Insured Claimant.

3. Valuation of Title as an Integrated Project:

a. If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Eviction, then, as to that portion of the Land from which the Tenant is Evicted, that value shall consist of (i) the value of (A) the Leasehold Estate or the Easement Interest for the Remaining Term, as applicable, (B) any Electricity Facility existing on the date of the Eviction, and, if applicable, (ii) any reduction in value of another insured Lease or Easement as computed in Section 3(b) below.

b. A computation of loss or damage resulting from an Eviction affecting any Constituent Parcel shall include loss or damage to the integrated project caused by the covered matter affecting the Constituent Parcel from which the Insured is Evicted.

c. The Insured Claimant shall have the right to have the Leasehold Estate, the Easement Interest, and any Electricity Facility affected by a defect insured against by the policy valued either as a whole or separately. In either event, this determination of value shall take into account any rent or use payments no longer required to be paid for the Remaining Term.

d. The provisions of this Section 3 shall not diminish the Insured's rights under any other endorsement to the policy; however, the calculation of loss or damage pursuant to this endorsement shall not allow duplication of recovery for loss or damage calculated pursuant to Section 8 of the Conditions or any other endorsement to the policy.

4. Valuation of Severable Improvements:

a. In the event of an Eviction, the calculation of the loss shall include (but not to the extent that these items of loss are included in the valuation of the Title determined pursuant to Section 8 of the Conditions or any other provision of this or any other endorsement) the diminution in value of the Insured's interest in any Severable Improvement resulting from the Eviction, reduced by the salvage value of the Severable Improvement.

b. The policy does not insure against loss or damage (and the Company will not pay any costs, attorneys' fees or expenses) relating to:

i. the attachment, perfection or priority of any security interest in any Severable Improvement;

ii. the vesting or ownership of title to or rights in any Severable Improvement;

iii. any defect in or lien or encumbrance on the title to any Severable Improvement; or

iv. the determination of whether any specific property is real or personal in nature.

5. Additional items of loss covered by this endorsement:

If the Insured acquires all or any part of the Title in accordance with the provisions of Section 2 of the Conditions of the policy and thereafter is Evicted, the following items of loss, if applicable to that portion of the Land from which the Insured is Evicted shall be included, without duplication, in

computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 3 of this endorsement, the valuation of Severable Improvements pursuant to Section 4 of this endorsement, or Section 8(a)(iii) of the Conditions:

a. The reasonable cost of: (i) disassembling, removing, relocating and reassembling any Severable Improvement that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, to the extent necessary to restore and make functional the integrated project; (ii) transportation of that Severable Improvement for the initial one hundred miles incurred in connection with the restoration or relocation; and (iii) restoring the Land to the extent damaged as a result of the disassembly, removal and relocation of the Severable Improvement and required of the Insured solely because of the Eviction.

b. Rent, easement payments or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate or the Easement Interest, as applicable, may be obligated to pay to any person having paramount title to that of the lessor in the Lease or the grantor in the Easement, as applicable.

c. The amount of rent, easement payments or damages that, by the terms of the Lease or the Easement, as applicable, the Insured must continue to pay to the lessor or grantor after Eviction with respect to the portion of the Leasehold Estate or Easement Interest, as applicable, from which the Insured has been Evicted.

d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease, sublease or easement specifically permitted by the Lease or Easement, as applicable, and made by the Tenant as lessor or grantor of all or part of the Leasehold Estate or Easement Interest, as applicable.

e. Damages caused by the Eviction that the Insured is obligated to pay to lessees or sublessees or easement or subeasement grantees on account of the breach of any lease or sublease or easement or subeasement specifically permitted by the Lease or the Easement, as applicable, and made by the Tenant as lessor or grantor of all or part of the Leasehold Estate or Easement Interest, as applicable.

f. The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a replacement leasehold reasonably equivalent to the Leasehold Estate or a replacement easement reasonably equivalent to the Easement Interest, as applicable.

g. If any Electricity Facility is not substantially completed at the time of Eviction, the actual cost

incurred by the Insured up to the time of Eviction, less the salvage value, for the Electricity Facility located on that portion of the Land from which the Insured is Evicted. Those costs include costs incurred to construct and fabricate the Electricity Facility, obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping, and cancellation fees related to the foregoing.

6. This endorsement does not insure against loss, damage or costs of remediation (and the Company will not pay costs, attorneys' fees, or expenses) resulting from environmental damage or contamination.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

[Witness clause optional]

[Title Company]

ENERGY PROJECT – LEASEHOLD – OWNER’S ENDORSEMENT (Form T .2)

Attached to Policy No. _____

Issued by

[Title Company]

1. The insurance provided by this endorsement is subject to the exclusions in Section 6 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.

2. For purposes of this endorsement only:
 - a. “Constituent Parcel” means one of the parcels of Land described in Schedule A that together constitute one integrated project.

 - b. “Electricity Facility” means an electricity generating facility which may include one or more of the following: a substation; a transmission, distribution or collector line; an interconnection, inverter, transformer, generator, turbine, array, solar panel, or module; a circuit breaker, footing, tower, pole, cross-arm, guy line, anchor, wire, control system, communications or radio relay system, safety protection facility, road, and other building, structure, fixture, machinery, equipment, appliance and item associated with or incidental to the generation, conversion, storage, switching, metering, step-up, step-down, inversion, transmission, conducting, wheeling, sale or other use or conveyance of electricity, on the Land at Date of Policy or to be built or constructed on the Land in the locations according to the Plans, that by law constitutes real property.

 - c. “Evicted” or “Eviction” means (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of any Lease or (b) the lawful prevention of the use of the Land or any Electricity Facility or Severable Improvement for the purposes permitted by the Lease, in either case as a result of a matter covered by this policy.

 - d. “Lease” means each lease described in Schedule A.

- e. "Leasehold Estate" means the right of possession granted in the Lease for the Lease Term.
- f. "Lease Term" means the duration of the Leasehold Estate, as set forth in the Lease, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.
- g. "Plans" means the survey, site and elevation plans or other depictions or drawings prepared by (insert name of architect or engineer) dated _____, last revised _____, designated as _____ (insert name of project or project number) consisting of _____ sheets.
- h. "Remaining Term" means the portion of the Lease Term remaining after the Insured has been Evicted.
- i. "Severable Improvement" means property affixed to the Land at Date of Policy or to be affixed in the locations according to the Plans, that would constitute an Electricity Facility but for its characterization as personal property, and that by law does not constitute real property because (a) of its character and manner of attachment to the Land and (b) the property can be severed from the Land without causing material damage to the property or to the Land.

3. Valuation of Title as an Integrated Project:

- a. If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Eviction, then, as to that portion of the Land from which the Insured is Evicted, that value shall consist of (i) the value of (A) the Leasehold Estate for the Remaining Term, (B) any Electricity Facility existing on the date of the Eviction, and, if applicable, (ii) any reduction in value of another insured Lease as computed in Section 3(b) below.
- b. A computation of loss or damage resulting from an Eviction affecting any Constituent Parcel shall include loss or damage to the integrated project caused by the covered matter affecting the Constituent Parcel from which the Insured is Evicted.
- c. The Insured Claimant shall have the right to have the Leasehold Estate and any Electricity Facility affected by a defect insured against by this policy valued either as a whole or separately. In either event, this determination of value shall take into account any rent no longer required to be paid for the Remaining Term.
- d. The provisions of this Section 3 shall not diminish the Insured's rights under any other endorsement to the policy; however, the calculation of loss or damage pursuant to this endorsement shall not allow duplication of recovery for loss or damage calculated pursuant to Section 8 of the Conditions or any other endorsement to the policy.

4. Valuation of Severable Improvements:

a. In the event of an Eviction, the calculation of the loss shall include (but not to the extent that these items of loss are included in the valuation of the Title determined pursuant to Section 8 of the Conditions or any other provision of this or any other endorsement) the diminution in value of the Insured's interest in any Severable Improvement resulting from the Eviction, reduced by the salvage value of the Severable Improvement.

b. The policy does not insure against loss or damage (and the Company will not pay any costs, attorneys' fees or expenses) relating to:

i. the attachment, perfection or priority of any security interest in any Severable Improvement;

ii. the vesting or ownership of title to or rights in any Severable Improvement;

iii. any defect in or lien or encumbrance on the title to any Severable Improvement; or

iv. the determination of whether any specific property is real or personal in nature.

5. Additional items of loss covered by this endorsement:

If the Insured is Evicted, the following items of loss, if applicable to that portion of the Land from which the Insured is Evicted shall be included, without duplication, in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 3 of this endorsement, the valuation of Severable Improvements pursuant to Section 4 of this endorsement, or Section 8(a)(ii) of the Conditions.

a. The reasonable cost of: (i) disassembling, removing, relocating and reassembling any Severable Improvement that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, to the extent necessary to restore and make functional the integrated project; (ii) transportation of that Severable Improvement for the initial one hundred miles incurred in connection with the restoration or relocation; and (iii) restoring the Land to the extent damaged as a result of the disassembly, removal and relocation of the Severable Improvement and required of the Insured solely because of the Eviction.

b. Rent or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate may be obligated to pay to any person having paramount title to that of the lessor in the Lease.

c. The amount of rent or damages that, by the terms of the Lease , the Insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate from which the Insured has been Evicted.

d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease or sublease specifically permitted by the Lease and made by the Insured as lessor of all or part of the Leasehold Estate.

e. Damages caused by the Eviction that the Insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease specifically permitted by the Lease and made by the Insured as lessor of all or part of the Leasehold Estate.

f. The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a replacement leasehold reasonably equivalent to the Leasehold Estate.

g. If any Electricity Facility is not substantially completed at the time of Eviction, the actual cost incurred by the Insured up to the time of Eviction, less the salvage value, for the Electricity Facility located on that portion of the Land from which the Insured is Evicted. Those costs include costs incurred to construct and fabricate the Electricity Facility, obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping, and cancellation fees related to the foregoing.

6. This endorsement does not insure against loss, damage or costs of remediation (and the Company will not pay costs, attorneys' fees, or expenses) resulting from environmental damage or contamination.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

[Witness clause optional]

[Title Company]

ENERGY PROJECT – LEASEHOLD LOAN – LOAN ENDORSEMENT (Form T- .3)

Attached to Policy No. _____

Issued by

[Title Company]

1. The insurance provided by this endorsement is subject to the exclusions in Section 6 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.

2. For purposes of this endorsement only:

a. “Constituent Parcel” means one of the parcels of Land described in Schedule A that together constitute one integrated project.

b. “Electricity Facility” means an electricity generating facility which may include one or more of the following: a substation; a transmission, distribution or collector line; an interconnection, inverter, transformer, generator, turbine, array, solar panel, or module; a circuit breaker, footing, tower, pole, cross-arm, guy line, anchor, wire, control system, communications or radio relay system, safety protection facility, road, and other building, structure, fixture, machinery, equipment, appliance and item associated with or incidental to the generation, conversion, storage, switching, metering, step-up, step-down, inversion, transmission, conducting, wheeling, sale or other use or conveyance of electricity, on the Land at Date of Policy or to be built or constructed on the Land in the locations according to the Plans, that by law constitutes real property.

c. “Evicted” or “Eviction” means (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of any Lease or (b) the lawful prevention of the use of the Land or any Electricity Facility or Severable Improvement for the purposes permitted by the Lease, in either case as a result of a matter covered by this policy.

d. “Lease” means each lease described in Schedule A.

- e. “Leasehold Estate” means the right of possession granted in the Lease for the Lease Term.
- f. “Lease Term” means the duration of the Leasehold Estate, as set forth in the Lease, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.
- g. “Plans” means the survey, site and elevation plans or other depictions or drawings prepared by
(insert name of architect or engineer) dated , last revised , designated as (insert
name of project or project number) consisting of sheets.
- h. “Remaining Term” means the portion of the Lease Term remaining after the Insured has been Evicted.
- i. “Severable Improvement” means property affixed to the Land at Date of Policy or to be affixed in the locations according to the Plans, that would constitute an Electricity Facility but for its characterization as personal property, and that by law does not constitute real property because (a) of its character and manner of attachment to the Land and (b) the property can be severed from the Land without causing material damage to the property or to the Land.
- j. “Tenant” means the tenant under the Lease and, after acquisition of all or any part of the Title in accordance with the provisions of Section 2 of the Conditions of the policy, the Insured Claimant.

3. Valuation of Title as an Integrated Project:

- a. If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Eviction, then, as to that portion of the Land from which the Tenant is Evicted, that value shall consist of (i) the value of (A) the Leasehold Estate for the Remaining Term, (B) any Electricity Facility existing on the date of the Eviction, and, if applicable, (ii) any reduction in value of another insured Lease as computed in Section 3(b) below.
- b. A computation of loss or damage resulting from an Eviction affecting any Constituent Parcel shall include loss or damage to the integrated project caused by the covered matter affecting the Constituent Parcel from which the Insured is Evicted.
- c. The Insured Claimant shall have the right to have the Leasehold Estate and any Electricity Facility affected by a defect insured against by the policy valued either as a whole or separately. In either event, this determination of value shall take into account any rent no longer required to be paid for the Remaining Term.

d. The provisions of this Section 3 shall not diminish the Insured's rights under any other endorsement to the policy; however, the calculation of loss or damage pursuant to this endorsement shall not allow duplication of recovery for loss or damage calculated pursuant to Section 8 of the Conditions or any other endorsement to the policy.

4. Valuation of Severable Improvements:

a. In the event of an Eviction, the calculation of the loss shall include (but not to the extent that these items of loss are included in the valuation of the Title determined pursuant to Section 8 of the Conditions or any other provision of this or any other endorsement) the diminution in value of the Insured's interest in any Severable Improvement resulting from the Eviction, reduced by the salvage value of the Severable Improvement.

b. The policy does not insure against loss or damage (and the Company will not pay any costs, attorneys' fees or expenses) relating to:

i. the attachment, perfection or priority of any security interest in any Severable Improvement;

ii. the vesting or ownership of title to or rights in any Severable Improvement;

iii. any defect in or lien or encumbrance on the title to any Severable Improvement; or

iv. the determination of whether any specific property is real or personal in nature.

5. Additional items of loss covered by this endorsement:

If the Insured acquires all or any part of the Title in accordance with the provisions of Section 2 of the Conditions of the policy and thereafter is Evicted, the following items of loss, if applicable to that portion of the Land from which the Insured is Evicted shall be included, without duplication, in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 3 of this endorsement, the valuation of Severable Improvements pursuant to Section 4 of this endorsement, or Section 8(a)(iii) of the Conditions:

a. The reasonable cost of: (i) disassembling, removing, relocating and reassembling any Severable Improvement that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, to the extent necessary to restore and make functional the integrated project; (ii) transportation of that Severable Improvement for the initial one hundred miles incurred in connection with the restoration or relocation; and (iii) restoring the Land to the extent damaged

as a result of the disassembly, removal and relocation of the Severable Improvement and required of the Insured solely because of the Eviction.

b. Rent or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate may be obligated to pay to any person having paramount title to that of the lessor in the Lease.

c. The amount of rent or damages that, by the terms of the Lease, the Insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate from which the Insured has been Evicted.

d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease or sublease specifically permitted by the Lease and made by the Tenant as lessor of all or part of the Leasehold Estate.

e. Damages caused by the Eviction that the Insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease specifically permitted by the Lease and made by the Tenant as lessor of all or part of the Leasehold Estate.

f. The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a replacement leasehold reasonably equivalent to the Leasehold Estate.

g. If any Electricity Facility is not substantially completed at the time of Eviction, the actual cost incurred by the Insured up to the time of Eviction, less the salvage value, for the Electricity Facility located on that portion of the Land from which the Insured is Evicted. Those costs include costs incurred to construct and fabricate the Electricity Facility, obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping, and cancellation fees related to the foregoing.

6. This endorsement does not insure against loss, damage or costs of remediation (and the Company will not pay costs, attorneys' fees, or expenses) resulting from environmental damage or contamination.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

[Witness clause optional]

[Title Company]

ENERGY PROJECT – FEE ESTATE – OWNER’S ENDORSEMENT (Form T- .4)

Attached to Policy No. _____

Issued by _____

[Title Company]

1. The insurance provided by this endorsement is (a) only effective for the parcel or those parcels of the Land as to which the Title is fee simple and (b) subject to the exclusions in Section 6 of this endorsement and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.

2. For purposes of this endorsement only:

(a) “Constituent Parcel” means one of the parcels of Land described in Schedule A that together with any other parcel or parcels of Land described in Schedule A constitute one integrated project.

(b) “Electricity Facility” means an electricity generating facility which may include one or more of the following: a substation; a transmission, distribution or collector line; an interconnection, inverter, transformer, generator, turbine, array, solar panel, or module; a circuit breaker, footing, tower, pole, cross-arm, guy line, anchor, wire, control system, communications or radio relay system, safety protection facility, road, and other building, structure, fixture, machinery, equipment, appliance and item associated with or incidental to the generation, conversion, storage, switching, metering, step-up, step-down, inversion, transmission, conducting, wheeling, sale or other use or conveyance of electricity, on the Land at Date of Policy or to be built or constructed on the Land in the locations according to the Plans, that by law constitutes real property.

(c) “Ejected” or “Ejection” means (a) the lawful divestment, in whole or in part, of the Title to the Land or (b) the lawful prevention of the use of the Land or any Electricity Facility or Severable Improvement, as applicable, in either case as a result of a matter covered by this policy.

(d) “Plans” means the survey, site and elevation plans or other depictions or drawings prepared

by (insert name of architect or engineer) dated _____, last revised _____, designated as (insert name of project or project number) consisting of _____ sheets.

(e) "Severable Improvement" means property affixed to the Land at Date of Policy or to be affixed in the locations according to the Plans, that would constitute an Electricity Facility but for its characterization as personal property, and that by law does not constitute real property because (a) of its character and manner of attachment to the Land and (b) the property can be severed from the Land without causing material damage to the property or to the Land.

3. Valuation of Title as an integrated project:

(a) If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Ejection, then, as to that portion of the Land from which the Insured is Ejected, that value shall consist of (i) the value of the fee estate including any Electricity Facility existing on the date of the Ejection, and, if applicable, (ii) any reduction in value of another insured Constituent Parcel as computed in Section 3(b) below.

(b) A computation of loss or damage resulting from an Ejection affecting any Constituent Parcel shall include loss or damage to the integrated project caused by the covered matter affecting the Constituent Parcel from which the Insured is Ejected.

(c) The Insured Claimant shall have the right to have the fee estate, any Constituent Parcel, and any Electricity Facility affected by a defect insured against by this policy valued either as a whole or separately.

(d) The provisions of this Section 3 shall not diminish the Insured's rights under any other endorsement to the policy; however, the calculation of loss or damage pursuant to this endorsement shall not allow duplication of recovery for loss or damage calculated pursuant to Section 8 of the Conditions or any other endorsement to the policy.

4. Valuation of Severable Improvements:

(a) In the event of an Ejection, the calculation of the loss shall include (but not to the extent that these items of loss are included in the valuation of the Title determined pursuant to Section 8 of the Conditions or any other provision of this or any other endorsement) the diminution in value of the Insured's interest in any Severable Improvement resulting from the Ejection, reduced by the salvage value of the Severable Improvement.

(b) The policy does not insure against loss or damage (and the Company will not pay any costs, attorneys' fees, or expenses) relating to:

(i) the attachment, perfection or priority of any security interest in any Severable Improvement;

(ii) the vesting or ownership of title to or rights in any Severable Improvement;

(iii) any defect in or lien or encumbrance on the title to any Severable Improvement; or

(iv) the determination of whether any specific property is real or personal in nature.

5. Additional items of loss covered by this endorsement:

If the Insured is Ejected, the following items of loss, if applicable to that portion of the Land from which the Insured is Ejected, shall be included, without duplication, in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 3 of this endorsement, the valuation of Severable Improvements pursuant to Section 4 of this endorsement, or Section 8(a)(ii) of the Conditions.

(a) The reasonable cost of: (i) disassembling, removing, relocating and reassembling any Severable Improvement that the Insured has the right to remove and relocate, situated on the Land at the time of Ejection, to the extent necessary to restore and make functional the integrated project; (ii) transportation of that Severable Improvement for the initial one hundred miles incurred in connection with the restoration or relocation; and (iii) restoring the Land to the extent damaged as a result of the disassembly, removal and relocation of the Severable Improvement and required of the Insured solely because of the Ejection.

(b) Payments or damages for use and occupancy of the Land prior to the Ejection that the Insured may be obligated to pay to any person having paramount title to that of the Insured.

(c) The fair market value, at the time of the Ejection, of the estate or interest of the Insured in any lease or easement, as applicable, made by the Insured as lessor or grantor of all or part of the Title.

(d) Damages caused by the Ejection that the Insured is obligated to pay to lessees or easement grantees on account of the breach of any lease or easement, as applicable, made by the Insured as lessor or grantor of all or part of the Title.

(e) The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a fee estate in a replacement parcel of land reasonably equivalent to the parcel that is the subject of the

Ejection.

(f) If any Electricity Facility is not substantially completed at the time of Ejection, the actual cost incurred by the Insured up to the time of Ejection, less the salvage value, for the Electricity Facility located on that portion of the Land from which the Insured is Ejected. Those costs include costs incurred to construct and fabricate the Electricity Facility, obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping, and cancellation fees related to the foregoing.

6. This endorsement does not insure against loss, damage, or costs of remediation (and the Company will not pay costs, attorneys' fees, or expenses) resulting from environmental damage or contamination.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

[Witness clause optional]

[Title Company]

ENERGY PROJECT – FEE ESTATE – LOAN ENDORSEMENT (Form T- .5)

Attached to Policy No. _____

Issued by _____

[Title Company]

1. The insurance provided by this endorsement is (a) only effective for the parcel or those parcels of the Land as to which the Title is fee simple and (b) subject to the exclusions in Section 6 of this endorsement and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.

2. For purposes of this endorsement only:

(a) "Constituent Parcel" means one of the parcels of Land described in Schedule A that together with any other parcel or parcels of Land described in Schedule A constitute one integrated project.

(b) "Electricity Facility" means an electricity generating facility which may include one or more of the following: a substation; a transmission, distribution or collector line; an interconnection, inverter, transformer, generator, turbine, array, solar panel, or module; a circuit breaker, footing, tower, pole, cross-arm, guy line, anchor, wire, control system, communications or radio relay system, safety protection facility, road, and other building, structure, fixture, machinery, equipment, appliance and item associated with or incidental to the generation, conversion, storage, switching, metering, step-up, step-down, inversion, transmission, conducting, wheeling, sale, or other use or conveyance of electricity, on the Land at Date of Policy or to be built or constructed on the Land in the locations according to the Plans, that by law constitutes real property.

(c) "Ejected" or "Ejection" means (a) the lawful divestment, in whole or in part, of the Title to the Land or (b) the lawful prevention of the use of the Land or any Electricity Facility or Severable Improvement, as applicable, in either case as a result of a matter covered by this policy.

(d) "Plans" means the survey, site and elevation plans or other depictions or drawings prepared

by
(insert name of architect or engineer) dated _____, last revised _____, designated as _____ (insert name of project or project number) consisting of _____ sheets.

(e) "Severable Improvement" means property affixed to the Land at Date of Policy or to be affixed in the locations according to the Plans, that would constitute an Electricity Facility but for its characterization as personal property, and that by law does not constitute real property because (a) of its character and manner of attachment to the Land and (b) the property can be severed from the Land without causing material damage to the property or to the Land.

(f) "Vestee" means the party in which the Title is vested as stated in Schedule A and, after acquisition of all or any part of the Title in accordance with the provisions of Section 2 of the Conditions of the policy, the Insured Claimant.

3. Valuation of Title as an integrated project:

(a) If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Ejection, then, as to that portion of the Land from which the Vestee is Ejected, that value shall consist of (i) the value of the fee estate including any Electricity Facility existing on the date of the Ejection, and, if applicable, (ii) any reduction in value of another insured Constituent Parcel as computed in Section 3(b) below.

(b) A computation of loss or damage resulting from an Ejection affecting any Constituent Parcel shall include loss or damage to the integrated project caused by the covered matter affecting the Constituent Parcel from which the Insured is Ejected.

(c) The Insured Claimant shall have the right to have the fee estate, any Constituent Parcel, and any Electricity Facility affected by a defect insured against by this policy valued either as a whole or separately.

(d) The provisions of this Section 3 shall not diminish the Insured's rights under any other endorsement to the policy; however, the calculation of loss or damage pursuant to this endorsement shall not allow duplication of recovery for loss or damage calculated pursuant to Section 8 of the Conditions or any other endorsement to the policy.

4. Valuation of Severable Improvements:

(a) In the event of an Ejection, the calculation of the loss shall include (but not to the extent that these items of loss are included in the valuation of the Title determined pursuant to Section 8 of the Conditions or any other provision of this or any other endorsement) the diminution in value of the Insured's interest in any Severable Improvement resulting from the Ejection, reduced by

the salvage value of the Severable Improvement.

(b) The policy does not insure against loss or damage (and the Company will not pay any costs, attorneys' fees, or expenses) relating to:

(i) the attachment, perfection or priority of any security interest in any Severable Improvement;

(ii) the vesting or ownership of title to or rights in any Severable Improvement;

(iii) any defect in or lien or encumbrance on the title to any Severable Improvement; or

(iv) the determination of whether any specific property is real or personal in nature.

5. Additional items of loss covered by this endorsement:

If the Insured acquires all or any part of the Title in accordance with the provisions of Section 2 of the Conditions of the policy and thereafter is Ejected, the following items of loss, if applicable to that portion of the Land from which the Insured is Ejected, shall be included, without duplication, in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 3 of this endorsement, the valuation of Severable Improvements pursuant to Section 4 of this endorsement, or Section 8(a)(iii) of the Conditions:

(a) The reasonable cost of: (i) disassembling, removing, relocating and reassembling any Severable Improvement that the Insured has the right to remove and relocate, situated on the Land at the time of Ejection, to the extent necessary to restore and make functional the integrated project; (ii) transportation of that Severable Improvement for the initial one hundred miles incurred in connection with the restoration or relocation; and (iii) restoring the Land to the extent damaged as a result of the disassembly, removal and relocation of the Severable Improvement and required of the Insured solely because of the Ejection.

(b) Payments or damages for use and occupancy of the Land prior to the Ejection that the Insured may be obligated to pay to any person having paramount title to that of the Insured.

(c) The fair market value, at the time of the Ejection, of the estate or interest of the Insured in any lease or easement, as applicable, made by the Vestee as lessor or grantor of all or part of the Title.

(d) Damages caused by the Ejection that the Insured is obligated to pay to lessees or easement grantees on account of the breach of any lease or easement, as applicable, made by the Vestee as lessor or grantor of all or part of the Title.

(e) The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a fee estate in a replacement parcel of land reasonably equivalent to the parcel that is the subject of the Ejection.

(f) If any Electricity Facility is not substantially completed at the time of Ejection, the actual cost incurred by the Insured up to the time of Ejection, less the salvage value, for the Electricity Facility located on that portion of the Land from which the Insured is Ejected. Those costs include costs incurred to construct and fabricate the Electricity Facility, obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping, and cancellation fees related to the foregoing.

6. This endorsement does not insure against loss, damage, or costs of remediation (and the Company will not pay costs, attorneys' fees, or expenses) resulting from environmental damage or contamination.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

[Witness clause optional]

[Title Company]

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 11
FORM T-26.1 (NEW)
RATE RULE R-33.1 (NEW)
PROCEDURAL RULE P-57.1 (NEW)**

CITATION

Section II, Insuring Forms of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

Section III, Rate Rules of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

Section IV, Procedural Rules of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

Texans use a variety of estate planning strategies to preserve family ownership of land and lessen the impact of federal estate taxes. These strategies frequently include utilizing a variety of entities to own all or a portion of land. Although the current owner's policy forms (T-1 and T-1R) contemplate several situations where coverage is extended, practitioners of estate planning and elder law have requested an endorsement that specifically deals with the newer estate planning tools they are using with their clients. The Texas Land Title Association (TLTA) suggests adding an insuring form, rate rule, and procedural rule to address this need.

TLTA developed this proposal in coordination with estate planning practitioners. Based on comments TLTA repeatedly heard from these practitioners, the proposal is intended to allow for greater flexibility in tax planning, address three common conveyances, allow the endorsement to be issued up to 90 days after the conveyance, and in many respects, replace the need for the family to obtain an opinion letter from an attorney to determine if a conveyance would void coverage.

The proposed endorsement provides that a named family limited partnership or family limited partnership can be added to the named insured and that the company will not deny liability for coverage simple because of the conveyance of all or a portion of the land from the named insured to an estate planning entity. TLTA's proposal addresses three common scenarios: (1) adding coverage for a contribution of land by the named insured in the policy to a family limited partnership or family limited liability company; (2) Adding coverage of a gift by the named insured in the policy to a trust

whose beneficiaries are defined as family members; and (3) Adding coverage for distributions from a family limited partnership or family limited liability company which are gifts or reallocations of ownership in the named insured as long as the beneficiaries are defined as family members.

TLTA suggests a rate of the greater of 5% of the premium or \$50.00 for this endorsement through a new Rate Rule. In addition to meeting a demonstrated consumer need, title agents and companies will incur additional costs and assume more risk by issuing this endorsement. The review of documents and statements from the insured establishing that the entities are composed of family members will add time and expense to the underwriting and claims handling process.

PROPOSED REVISIONS

ESTATE PLANNING ENDORSEMENT (Form T-26.1)

Attached to and Made a Part of Policy No. _____

Issued by:

BLANK TITLE INSURANCE COMPANY

The policy is hereby amended by adding to the named insured: {insert here name of family limited partnership, Family Limited liability Company or Trust added}. This endorsement does not change the Date of Policy, nor does it impose any liability on the Company for loss or damage resulting from (1) failure of such added insured to acquire an insurable estate or interest in the land, or (2) any defect, lien or encumbrance attaching by reason of the acquisition of an estate or interest in the land by such added insured.

Capital Contributions to Family Limited Partnerships or Family Limited Liability Companies: [if box is checked]

The Company hereby agrees that, notwithstanding anything to the contrary contained in this policy, in the event of loss or damage insured under this policy, the Company shall not deny liability under this policy or raise a defense to any claim made under this policy solely on the ground that, after the Date of Policy, the Insured contributes the Land to the Family Limited Partnership or the Family Limited Liability Company provided that all of the interests of the named insured as set out on Schedule A of the policy are held by parents and the children of a parent or by grandparents and their children, and their grandchildren existing at the time of the conveyance.

[] Gifts to a trust for the primary benefit of children and grandchildren [if box is checked]

The Company hereby agrees that, notwithstanding anything to the contrary contained in this policy, in the event of loss or damage insured under this policy, the Company shall not deny liability under this policy or raise a defense to any claim made under this policy solely on the ground that, after the Date of Policy, the Insured set out on Schedule A of the policy gives the Land to a Trust provided that initial trustees are the parents or an institutional trustee and beneficiaries of the trust are the parents the children of a parent or by grandparents for the benefit of their children, and grandchildren existing at the time of the conveyance

[] Distributions from a Family Partnership or Family Limited Liability Company or Trust [if box is checked]

The Company hereby agrees that, notwithstanding anything to the contrary contained in this policy, in the event of loss or damage insured under this policy, the Company shall not deny liability under this policy or raise a defense to any claim made under this policy solely on the ground that, after the Date of Policy the Managing Partners of a family partnership or limited liability company or the trustee(s) of a Trust named on Schedule A of the policy make gifts of or reallocation of ownership interest in the entity provided that initial Managing Partners or trustees are the parents or an institutional trustee and the beneficiaries of the trust are the parents, the children of a parent or are grandparents for the benefit of their children, and grandchildren existing at the time of the conveyance.

The Company reserves all rights and defenses under this policy which the Company would have had against the named insured or its constituent members before or after any capital contribution, gift, transfer, or reallocation of ownership interests.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

R-33.1 PREMIUM FOR ESTATE PLANNING ENDORSEMENT (T-26.1)

The premium for the ESTATE PLANNING Endorsement (T-26.1) shall be 5% of the current Basic Rate for the policy to which it is attached provided that the minimum premium shall be not less than \$50.00.

P-57.1 ESTATE PLANNING ENDORSEMENT (Form T-26.1)

A. Company may issue its Estate Planning Endorsement (Form T-26.q) to an Owner's Policy of Title Insurance (Form T-1 or Form T-1R) by naming (i) a Family Partnership or Family Limited Liability Company, or (ii) a trust for the primary benefit children and grandchildren as an additional insured in the endorsement, if:

(i) its underwriting requirements are met,

(ii) it is paid the premium, prescribed in Rate Rule R-33.1, and

(a) all of the interests are held by parents and the children of the parent or by grandparents and their children and grandchildren, existing at the time of the conveyance; or

(b) initial trustees are the parents or an institutional trustee and beneficiaries of the trust are the parents the children of a parent or by grandparents for the benefit of their children and their grandchildren, existing at the time of the conveyance, and

(iii) the conveyance must be made by gift and not a sale.

B. The Estate Planning Endorsement can be issued any time within 90 days after the conveyance document is recorded.

C. The estate planning instrument must contain a warranty of title.

D. To issue the Estate Planning Endorsement, the Company may rely on a statement from the named insured in the policy that the beneficiaries of the various interests are children and grandchildren as the case may be. However, a claimant asserting that it is an additional insured must provide proof of family connections as well as trust and entity documents as requested by the Company if a claim is made.

Any matter covered in the Estate Planning Endorsement (Form T-26.1) may be insured only by the use of this endorsement.

**TLTA
PROPOSED RULE CHANGES
EXHIBIT 12
PROCEDURAL RULE P-28**

CITATION

Section IV, Procedural Rules, Procedural Rule P-28: Requirements For Continuing Education For Licensees and Professional Training for Management Personnel of *The Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

ISSUE AND JUSTIFICATION

Recently, the Commissioner adopted revisions to P-28 as part of a licensing rule overhaul. Since the adoption, certain issues have been identified that are creating hardship for education providers and the licensees. The Texas Land Title Association (TLTA) suggests amending Procedural Rule P-28 to address these issues. Often there is a significant lag between the certification date and the date of presentation or publication. The proposed change provides for the term of the course offering and associated credit to be two years as intended by the rule without losing months due to this operational lag. Additionally, it is necessary to educate licensees on proper marketing behavior as well as teach them how best to educate the consumer about the nature, benefits, and mechanics of title insurance. Currently, the rule as interpreted has the effect of not allowing credit for this important educational material and subject matter. The proposed changes specifically allow for this subject matter to be a part of the continuing education of the licensee. Thirdly, oftentimes continuing education programs consist of multiple days. Yet, the course content can be divided up into meaningful hour segments. The ability to provide for partial credit of a given program on a per hour basis should be reinstated.

PROPOSED REVISIONS

PROCEDURAL RULE P-28: REQUIREMENTS FOR CONTINUING EDUCATION FOR LICENSEES AND PROFESSIONAL TRAINING FOR MANAGEMENT PERSONNEL

I. GENERAL

A. DEFINITIONS. In this rule:

1. "Licensee" means any individual required to complete continuing education under Texas Insurance Code §2651.204 or §2652.058.

2. "Management personnel" means each individual who is a designated on-site manager or who is responsible for the management of the day-to-day operations of the title insurance agent or direct operation in Texas.

3. "Provider" means an entity, association, or individual that offers title insurance continuing education or professional training courses and is:

a. a statewide title insurance association, statewide title insurance agents' association or professional association, or a local chapter of a statewide title insurance or title insurance agents' association or professional association;

b. an accredited college or university;

c. a career school or college as defined by Texas Education Code §132.001;

d. the State Bar of Texas;

e. an educational publisher;

f. a title insurance company authorized to do business in Texas, or a company owning one or more title insurance companies authorized to do business in Texas;

g. a Texas public school system; or

h. an individual appointed as an instructor by an entity or association described in this paragraph.

4. "TDI" means the Texas Department of Insurance.

5. "TDI Administrator" means an independent contractor contracted by TDI under Texas Insurance Code §2652.058 and §4004.104.

B. FORMS. All of the forms referred to in this rule are available on the TDI website and on request from TDI. Forms may be submitted electronically if such submission is available.

C. FEES. TDI or the TDI Administrator collects the nonrefundable fees established in 28 Texas Administrative Code §19.1012(b).

II. COURSES AND PROVIDERS

A. PROVIDER REGISTRATION.

1. A provider applicant seeking initial registration or renewal of a registration as a provider of title insurance courses must submit to TDI or the TDI Administrator an application on a form provided by TDI and the applicable provider original registration or renewal fee under 28 Texas Administrative Code §19.1012(b)(1). TDI may require the following items in order to approve or disapprove a provider's registration application:

- a. the provider applicant's name, federal tax identification number, physical address, mailing address, and website address;
- b. the name, telephone number, and email address of the provider applicant's designated authorized provider representative;
- c. the name of the provider applicant's state of incorporation, domicile, or residence if the provider applicant is a corporation, partnership, limited liability company, or other legal entity not otherwise licensed or regulated by TDI;
- d. all names used by the provider applicant to provide insurance related education courses in Texas;
- e. a description of the provider applicant's student record system, including a description of the methods of documenting attendance;
- f. the method used by the provider applicant for evaluating instructors;
- g. a statement as to whether or not the provider applicant has had any certification or approval for a professional continuing education course, prelicensing education course, or a certification course revoked, suspended, or placed on probation, whether by agreement or as ordered in an administrative or judicial proceeding, by a court, financial or insurance regulator, or other agency of Texas, another state, or the United States;

h. a statement certifying that the provider applicant will comply with all provider and course requirements set forth in Procedural Rule P-28; and

i. other information as specified by TDI.

2. Failure to submit a completed application and all of the requested items will result in the rejection of the application.

3. Providers may only obtain one registration and may, but are not required to, certify and offer continuing education courses.

4. A provider registration expires two years after the date of issuance. The provider may renew its registration by complying with Procedural Rule P-28.II.A.1 up to 90 days in advance of the expiration date.

5. Within 150 calendar days from the effective date of this rule, providers who are currently offering certified title insurance continuing education courses, but are not registered as providers, must apply for registration. Providers may not apply for the certification of a continuing education course until the provider has applied for registration and been approved.

B. COURSE CERTIFICATION.

1. Providers must certify each title insurance continuing education course prior to offering the course by submitting to TDI or the TDI Administrator an application on a form provided by TDI and the applicable submission fee under 28 Texas Administrative Code §19.1012(b)(2). TDI may require the following items in order to approve or disapprove a course's certification application:

a. a certification by the provider that the course meets the minimum requirements of Procedural Rule P-28;

b. a statement identifying the knowledge, skills, or abilities the licensee is expected to obtain through completion of the course;

c. instruction method and instructional medium;

d. a detailed course outline with major topics and sub-topics, including the amount of time spent on each major topic;

- e. the method of evaluation by which the provider measures how effectively the course meets its objectives and provides for student input;
- f. the total number of course hours requested for approval, including:
 - i. the number of hours included in the total number of course hours requested for approval that will cover ethics topics;
 - ii. the method the applicant is using to determine the number of course hours;
 - iii. if using the method specified in Procedural Rule P-28.II.I.2.a, a list of the licensees and the time it took each licensee to complete the course; and
 - iv. if using the method specified in Procedural Rule P 28.II.I.2.b, a list of approved times in all other applicable states;
- g. a sample of the certificate of completion providers will issue to students under Procedural Rule P-28.II.H.1;
- h. if applying for certification of a classroom course that will consist of other than classroom instruction, lectures, or seminars, an explanation of how the course complies with Procedural Rule P-28.II.F.1;
- i. if applying for certification of a classroom equivalent course, an explanation of how the course complies with Procedural Rule P-28.II.F.2 and II.G.2.
- j. if applying for certification of a self-study course, a copy of one exam;
- k. a copy of the provider's refund policy; and
- l. any other information requested by TDI or the TDI Administrator.

2. Failure to submit a completed application and all of the requested items will result in the rejection of the application.

3. Providers must notify TDI or the TDI Administrator when a course is discontinued or no longer active, and when there is a change in the provider's name, address, or telephone number, in order for TDI or the TDI Administrator to maintain an up-to-date registry of courses and to prepare, if courses are to be available to the public, a list of such courses on request.

4. A course certification expires two years after the date of ~~certification~~ publication or presentation. If more than 25 percent of the course is changed, or if any change affects the course content breakdown as previously certified by TDI or the TDI Administrator, the course is considered revised and the provider must submit the course to TDI or the TDI Administrator for certification as a new course.

C. COURSE ASSIGNMENT.

1. A registered provider may request that a certified course be assigned to another registered provider by completing and submitting to TDI or the TDI Administrator a course assignment agreement form provided by TDI. TDI may require the following items in order to approve or disapprove a course's assignment:

- a. the assignee and assignor providers' names and registration numbers;
- b. the certified course's name, certification number, and expiration date;
- c. a statement regarding whether there will be any of the following changes to the certified course:
 - i. a change of more than 25 percent of the certified course's content;
 - ii. a change to the number of certified course credit hours;
 - iii. a change to the type of certified course credit hours; or
 - iv. if for a self-study course, using an examination different from the examination developed by the assignor;

- d. the effective date of the assignment;
 - e. the termination date of the assignment; and
 - f. any other information requested by TDI or the TDI Administrator.
2. A certified course may not be assigned, unless:
- a. both assignee and assignor are registered providers under Procedural Rule P-28.II.A;
 - b. the course is not modified by:
 - i. changing more than 25 percent of the certified course content;
 - ii. changing the number of certified course credit hours;
 - iii. changing the type of certified course credit hours; or
 - iv. if a self-study course, using an examination different from the examination developed by the assignor; and
 - c. the assignment term is for not more than two years.
3. The assignor must deliver all information required for the certification of the course under Procedural Rule P-28.II.B to the assignee. The assignee must maintain all information required for the certification of the course for the period of assignment and must submit such information to TDI or the TDI Administrator on request.
4. Assignment of a certified course does not affect the certification period of the course.
5. Assigned courses are considered courses of the assignee for purposes of Procedural Rule P-28 and the assignee must comply with all requirements of Procedural Rule P 28 in relation to the assigned course, except that an assignee may not assign an assigned course.
6. TDI may not act on behalf of, or at the request of, any party in any dispute over a course assignment.
7. TDI will consider an assignment terminated only on the following events:

- a. the date the assignment terminates as specified in the course assignment agreement form;
- b. the written and signed request of both the assignor and assignee, which may be granted or given to an assignor by the assignee in advance or as a condition of assignment;
- c. termination of the assignee's registration as a provider;
- d. expiration of the course certification; or
- e. the order of a court of competent jurisdiction finding that the assignee is not authorized to present the course or that the assignment agreement is terminated.

8. Assignees may not offer an assigned course after the course's certification expires, unless the originating assignor recertifies the course.

D. COURSE CRITERIA.

1. The purpose of continuing education is to increase the licensee's professional competence with regard to title insurance.

2. The course must have a stated purpose that reflects the goal(s) or the overall intent of the course.

3. The course must have specific written learning objectives, which support the achievement of the stated purpose of the course. The learning objectives are the desired outcomes for the learning process and identify the knowledge, skills, or aptitudes the licensee is expected to obtain.

4. The course must have a method of evaluation that measures how effectively the course meets its objectives.

5. Persons conducting a course should be knowledgeable and well versed on the topic(s), and when conducting a classroom course be able to conduct/instruct a class and provide appropriate feedback on questions.

6. The course content must be designed to increase the licensee's knowledge and understanding of one or more of the following:

- a. title insurance principles and coverages;
- b. title insurance law, rules, and regulations;

- c. recent and prospective changes in coverages, law, regulations, and practice;
- d. mortgage lending and closing transactions;
- e. land title search or examination;
- f. management of the licensee's title insurance business; ~~or~~
- g. duties and responsibilities of the title insurance agent or escrow officer, including ethical conduct; or
- h. marketing rules and conduct and consumer education on title insurance.

7. A State Bar of Texas or State Board of Public Accountancy course is acceptable as a title insurance continuing education course as long as the course includes material pertaining to the business of title insurance, real property, surveys, mortgage lending, ethical conduct, or transfer of land titles.

8. Each course must be reviewed every two years by the provider and updated to remain relevant to the professional development of a licensee.

E. INSTRUCTOR REQUIREMENTS.

1. Providers must certify that course instructors are experienced and qualified in the subject to be taught, and certify that the instructors meet at least one of the following instructor criteria:

- a. has been in the practice of teaching or co-teaching title insurance courses for at least three of the last five years and has the knowledge and experience in the subject the instructor will teach;
- b. has been properly licensed as a licensee subject to continuing education requirements under the Texas Title Insurance Act or similar statutes of another state or jurisdiction for at least five years;
- c. is the holder of a designation certification recognized by TDI which relates directly to the subject the instructor will teach;
- d. has been engaged in a recognized profession that is pertinent to the subject areas to be taught, including, but not limited to, Certified Public Accountants or members of a state bar; or

e. is or has been employed by a title insurance company, title insurance agent, or direct operation for the last five years and has knowledge and experience in the subject the instructor will teach.

2. A provider must maintain, as a part of the provider's records, a written statement from each instructor certifying that the instructor is qualified as an instructor, the basis of qualification, and that the instructor will comply with all applicable course requirements.

F. TYPES OF COURSES. Continuing education courses must consist of one of the following:

1. Classroom Courses. Classroom courses may include real time lectures, seminars, audio, video, computer-based instruction, webinars, and teleconferences that meet the following requirements:

a. A disinterested third party attendant, an instructor, or a disinterested third party using visual observation technology must visually monitor attendance either inside or at all exits to the course presentation area at all times during the course presentation.

b. At least three students and an instructor must be involved in each presentation of the course; however, in circumstances involving remote presentations, all students and the instructor do not need to be in the same location. In the case of presenting recorded or text materials, the instructor making the live course presentation does not have to be the same instructor included on the recorded presentation or who prepared the text materials. Student attendees are not required to be licensees.

c. Question and answer and discussion periods must be provided by:

i. an instructor making a live presentation of the course to licensees in the same room or via real-time live audio or audio-visual connection, which must allow for immediate

student inquiries and responses with the presenting instructor;
or

ii. an instructor who is present for the entire remote, recorded, or computer-based course presentation to students in the same room, which must allow for immediate inquiries and responses of students to the instructor.

d. The course pace is set by the instructor.

e. The course does not allow for independent completion of the course by students.

2. Classroom Equivalent Course. This type of course may consist of a digital media presentation, including internet or other computer-based presentations, that may be completed independently or in a group setting.

3. Self-study Courses. This type of course is primarily a text-based course, but may include audio, video, computer-based instruction, or any combination of these, in an independent study setting designed in such a manner as to ensure that the course cannot be completed by the typical enrollee in less time than the period for which the course is certified.

G. COURSE REQUIREMENTS FOR SUCCESSFUL COMPLETION.

1. For classroom courses, providers must use, at a minimum, attendance rosters or attendance forms to certify attendance and completion of a course. Each student must attend at least 90 percent of the course. Providers must establish a means to ensure that each student attended at least 90 percent of the course to receive credit. Attendance records must include, at a minimum, sign-in and sign-out sheets or signed attendance forms, and the legible names, addresses, and TDI license number of each student in attendance.

2. Credit for any course may be issued for less than the number of hours the course was assigned (i) to an instructor teaching a portion of the course who does not attend the full course and (ii) to a licensee for attending only a portion of the course. Providers must certify the actual number of hours taught or attended

on the certificates of completion or the certified transcripts it issues to teachers or licensees.

~~2.~~ 3. For classroom equivalent courses, providers must use a method to reasonably authenticate a student's identity and demonstrate participation to determine completion of a course. Methods of demonstrating participation may include, but are not limited to:

- a. multiple-choice questions at the end of the course that reasonably cover the topics presented;
- b. the display of unique keys, passwords, or symbols during the presentation that must be provided by the student at the end of a course; or
- c. technological elements that ensure a student has watched and listened to an entire video and audio recording.

~~3.~~ 4. For self-study courses, providers must use a written, online, or computer-based examination as a means of completion for the course. Providers are not required to monitor the final examination. Course records for each examination attempt must include, at a minimum, the date the exam was taken, the final examination score, the examination version used, the legible name, address, and the TDI license number of each enrollee. A final examination must meet the following criteria:

- a. Final examination questions may not be the same or substantially the same questions the enrollee previously encountered in the course materials or review exams.
- b. Security measures must be in place to maintain the security and integrity of the examination and ensure that the enrollee is the individual who took the examination.
- c. Answers to the examination may not be given to the enrollees at any time before, during, or after the course.
- d. Examinations must be graded by an authorized staff member.

e. Enrollees are allowed to retake an examination if a 70 percent passing score is not achieved. The retest must be an alternate examination consisting of different questions from the original examination.

f. Final examinations must consist of three exams which are distributed alternatively to enrollees of the course, and are revised/updated every two years by the provider consistent with the course update/revision.

g. The final examination must be a comprehensive examination of the course and thoroughly test the enrollee's knowledge of the content of the course.

h. The final examination must consist of questions that do not give or indicate an answer or correct response and are the following types:

i. short essay questions requiring a response of five or more words;

ii. fill in the blank questions requiring a response from memory and not from an indicated list of potential alternatives;
or

iii. multiple choice questions stemming from an inquiry with at least four appropriate potential responses and for which "all of the above" or "none of the above," or similar response, is not an appropriate option.

i. Each final examination must consist of at least 10 questions for each hour of credit. Providers may, at their discretion, have a greater number of final examination questions.

j. During final examinations, enrollees may use course materials or personal notes, but may not use another person's notes, answers, or otherwise receive assistance in answering the questions from another person.

- k. Enrollees must mail or deliver the completed final examination directly to the provider.

H. PROOF OF COURSE COMPLETION.

1. Providers must issue certificates of completion to students who successfully complete a certified course within 30 calendar days of the completion of the course if requested by the student. The provider must ensure that the person receiving the certificate is the student who took the course. Only the provider of the course or a third-party vendor of the provider may prepare, print, or complete a certificate of completion. A certificate of completion must include the following:

- a. a statement that the course is for title insurance continuing education;
- b. the provider's name and provider number;
- c. assignee's name and provider number, if applicable;
- d. course name;
- e. total number of approved credit hours and the number of approved ethics credit hours;
- f. date of course completion; and
- g. the TDI license number, if applicable, and name of the student completing the course.

2. The provider must report course completions in electronic format to TDI or the TDI Administrator within 30 calendar days of course completion.

I. CALCULATION OF CREDIT HOURS.

1. For a classroom course or classroom equivalent course, TDI will award up to 10 hours of credit for any one course. TDI will award credit at a rate of one hour for every 50 minutes of actual instruction time. All classroom courses must be at least one hour of credit in length. TDI will award additional partial hours of credit in half-hour increments with all periods of less than 25 minutes awarded no additional credit and periods of less than 50 minutes awarded one half-hour of additional credit. Actual instruction time is considered the amount of time devoted to the actual instruction/reading of the topic, and does not include breaks, meals,

introductions of speakers, explanatory or preparatory instructions, or evaluations of the course.

2. For a self-study course, TDI will award up to five hours of credit for any one course. A self-study course must be at least one hour of credit, 50 minutes, in length. TDI will award additional partial hours of credit in half-hour increments with all periods of less than 25 minutes awarded no additional credit and periods of less than 50 minutes awarded one half-hour of additional credit. Providers may not use the final examination or pre-tests for determining course hours. The provider must determine the number of credit hours using one of the following methods:

a. The average completion time of the individual course completion times of at least five licensees. The licensees used to calculate the average must be randomly selected. If the provider uses this method to determine the number of credit hours, the provider must retain the names, current TDI license numbers, and completion times of all licensees that were used by the provider.

b. The average number of hours of the credit hours assigned by all other states in which the course is certified or approved. A provider may not use this method to determine the number of credit hours unless the course is approved in at least three other states. ~~Providers may not include any hours allowed by other states for sales and marketing topics in calculating the average.~~

3. For applicable State Bar of Texas or State Board of Public Accountancy courses, TDI will award up to 10 credit hours for any one course. The number of awarded credit hours is determined by the number of credit hours approved by the State Bar of Texas or the State Board of Public Accountancy, but only those hours that pertain to title insurance, real property, surveys, mortgage lending, ethical conduct, or transfer of land titles. TDI will award ethics credit hours for courses or portions of courses approved by either the State Bar of Texas or the State Board of Public Accountancy for ethics credit. No self-study hours approved

by the State Bar of Texas or the State Board of Public Accountancy will be accepted.

4. TDI will award credit hours for the successful completion of accredited college, university, or law school courses. TDI will award eight credit hours per semester hour approved for the course by the college, university, or law school, but only for the portion of those hours which pertain to title insurance, real property, surveys, mortgage lending, ethical conduct, or the transfer of land titles.

5. TDI will award credit hours for licensees who instruct any portion of a certified continuing education course. The number of credit hours awarded is determined by the number of hours of course instruction up to a maximum of the number of credit hours approved for the course, plus an equal number of credit hours is awarded for course preparation. The provider is responsible for reporting the number of hours of course instruction.

6. TDI will not award credit hours for instructing or completing the same continuing education course more than once within the same reporting period.

III. CONTINUING EDUCATION COMPLIANCE

A. APPLICABILITY AND REQUIRED CREDIT HOURS.

1. Licensees must complete 10 credit hours of continuing education for each reporting period, unless otherwise exempt. Of the 10 required credit hours, licensees must earn at least two ethics credit hours. Credit hours may only be applied to a single reporting period and excess hours may not be carried forward to the next reporting period.

2. The reporting period is from the license issue date or last renewal date to the license expiration date.

3. New licensees with initial reporting periods of less than 24 months must complete a prorated amount of continuing education credit hours as follows:

LICENSE PERIOD	TOTAL REQUIRED HOURS	ETHICS
Less than 6 months	0	0
6 months up to and including 7 months	2	2

LICENSE PERIOD	TOTAL REQUIRED HOURS	ETHICS
8 months up to and including 9 months	3	2
10 months up to and including 11 months	4	2
12 months up to and including 14 months	5	2
15 months up to and including 16 months	6	2
17 months up to and including 19 months	7	2
20 months up to and including 21 months	8	2
22 months up to and including 23 months	9	2
(INCREMENTS ARE IN FULL MONTHS - DO NOT COUNT PARTIAL MONTHS)		

4. If a licensee is unable to attend classroom or classroom equivalent courses with reasonable convenience due to the remote location of the licensee's residence or business, the licensee may complete up to 50 percent of the required continuing education credit hours through self-study courses.

5. Licensees must complete at least 50 percent of their required continuing education credit hours in classroom or classroom equivalent courses, regardless of any other license type held by the licensee.

B. CONTINUING EDUCATION EXEMPTIONS AND EXTENSIONS.

1. Licensees who meet the criteria of illness, medical disability, or circumstances beyond the control of the licensee may apply for an extension of time for the licensee to comply with the continuing education requirements or an exemption from all or part of the requirements. Business reasons do not constitute circumstances beyond the control of the licensee. TDI will establish the duration of an extension when it is granted. If the circumstances supporting an extension

continue beyond the granted extension period, the licensee may reapply for an exemption or extension. The licensee's application must include the following:

- a. a written statement of the exact nature of the illness, medical disability, or other extenuating circumstances beyond the control of the licensee that have prevented or will prevent the licensee from completing the required hours within the reporting period;
- b. evidence regarding the illness, medical disability, or circumstances beyond the control of the licensee;
- c. a written assessment of whether the condition is temporary or permanent, or if it is unknown whether the condition is temporary or permanent;
- d. a written statement as to whether the licensee will be able to perform activities including any acts of a title insurance agent or escrow officer during the exemption or extension period being requested;
- e. the estimated date when the licensee will be able to perform any activities including any acts of a title insurance agent or escrow officer in accordance with the medical reports or other documents pertaining to circumstances beyond the control of the licensee; and
- f. any other information that may be of assistance in evaluating the request.

2. A military service member, military veteran, or military spouse, as defined by Texas Occupations Code §55.001, may apply under 28 Texas Administrative Code §19.803 for, and be granted, an extension to or exemption from the continuing education requirements of Procedural Rule P-28.III.A.

C. EVIDENCE OF COMPLIANCE.

1. If a course completion is not reported to TDI by the provider and reflected in TDI's records, licensees must maintain evidence that the licensee completed the course for a period of at least four years from the date of course completion for purposes of investigation or audit and must continue to maintain

evidence of compliance during any period in which the licensee has been notified by TDI or the TDI Administrator that the records or the licensee's compliance is the subject of an investigation or audit. Evidence of licensee compliance is subject to the review of TDI at any time.

2. Evidence of course completion may include a certificate of completion from a provider or a transcript from a college, university, or law school.

3. Providers must maintain all continuing education records, course certification records, attendance records, and course materials, including final examinations, for a period of at least four years. TDI or the TDI Administrator may review these records at any time. Providers must notify TDI if there is a change to the provider's information of record.

4. At the request of TDI or the TDI Administrator, providers must furnish course completion information in an acceptable electronic format to TDI or the TDI Administrator.

5. TDI or the TDI Administrator may conduct audits of any certified course or provider without prior notice to the provider. Staff from TDI or the TDI Administrator may attend courses without identifying themselves as employees or representatives of TDI. If compliance records are audited or reviewed and the validity or completeness of the records are questioned, the provider is allowed 30 calendar days from the date of notice to correct discrepancies or submit new documentation.

6. TDI will rely on provider submitted course completion records for determining and publishing continuing education compliance. A licensee must inform TDI of any inaccuracy in the licensee's compliance record.

D. FAILURE TO COMPLY.

1. A licensee's failure to comply with the requirements of Procedural Rule P-28 in the absence of a valid exemption or extension, or falsification of records of compliance by the licensee, may subject the licensee to disciplinary action after notice and hearing. Disciplinary action may include a fine, suspension,

revocation, or cancellation of a license in accordance with Texas Insurance Code Chapter 82, and any other applicable laws or statutes.

2. A provider's failure to comply with the requirements of Procedural Rule P-28, or falsification of records of compliance by the provider, may subject the courses of the provider to be removed from the list of certified courses. A provider may also be subject to disciplinary action after notice and hearing. Disciplinary action may include a fine, suspension, or revocation of the provider's registration in accordance with Texas Insurance Code Chapter 82, and any other applicable laws or statutes.

3. If a licensee does not meet the licensee's continuing education requirements by the 90th day after the licensing renewal date, the licensee's license is not eligible for renewal.

IV. PROFESSIONAL TRAINING PROGRAM FOR MANAGEMENT PERSONNEL

A. MANAGEMENT PERSONNEL REQUIREMENTS.

1. Except as provided in Procedural Rule P-28.IV.A.2 below, title insurance agent and direct operation management personnel must complete a professional training course that meets the requirements of Procedural Rule P-28.IV.B within 12 months immediately preceding the date of filing of the title insurance agent or direct operation license application.

2. An individual is exempt from the professional training requirements of Procedural Rule P-28.IV.A, if the individual has held in Texas for at least five years a position as management personnel with a title insurance agent, direct operation, or a comparable position.

3. Management personnel who are not exempt under the provisions of Procedural P-28.IV.A.2 must submit a provider-issued certificate of completion demonstrating compliance with Procedural Rule P-28.IV.A.1 with their license application.

4. Management personnel who are not exempt under the provisions of Procedural Rule P-28.IV.A.2 must maintain proof of completion of a professional training course for a period of four years from the date of completion of the course.

On request, management personnel must provide proof of completion of the professional training course to TDI or the TDI Administrator.

B. PROVIDER AND COURSE REQUIREMENTS.

1. Providers of professional training courses must comply with the registration requirements under Procedural Rule P-28.II.A before offering a professional training course for management personnel.
2. The provider must comply with the course certification requirements in Procedural Rule P-28.II.B.
3. A professional training course must be at least eight hours in length.
4. A professional training course must cover the following subjects:
 - a. the basic principles and coverages related to title insurance;
 - b. recent and prospective changes in those principles and coverages;
 - c. applicable rules and laws;
 - d. proper conduct, including ethical conduct, of the licensee's title insurance business;
 - e. accounting principles and practices and financial responsibilities and practices relevant to title insurance; and
 - f. the duties and responsibilities of a title insurance agent or direct operation.
5. Providers of professional training courses may assign courses under Procedural Rule P-28.II.C.
6. Providers of professional training courses must comply with Procedural Rules P-28.II.E and G.
7. Providers of professional training courses must issue certificates of completion to all students in compliance with Procedural Rule P-28.II.H.1, except the certificate of completion must include a statement that the course is for professional training for title insurance agent or direct operation management personnel.

8. Professional training course credit hours will be calculated under Procedural Rule P-28.1.