Minimum Capitalization Compliance Schedule

How much unencumbered assets must be maintained?

Based on the size of the most populous county where an agent maintains a “principal office.”
(Texas Insurance Code Section 2651.012)

<table>
<thead>
<tr>
<th>Population of County (2010 Census)</th>
<th>Unencumbered Asset Amount</th>
<th># of Counties in Category</th>
<th># of Agencies in Category*</th>
<th>% of Title Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10,000</td>
<td>$0- (exempt)</td>
<td>86</td>
<td>63</td>
<td>11.0%</td>
</tr>
<tr>
<td>10,000 – 49,999</td>
<td>$25,000</td>
<td>106</td>
<td>172</td>
<td>30.0%</td>
</tr>
<tr>
<td>50,000 – 199,999</td>
<td>$50,000</td>
<td>40</td>
<td>88</td>
<td>15.4%</td>
</tr>
<tr>
<td>200,000 – 999,999</td>
<td>$100,000</td>
<td>17</td>
<td>78</td>
<td>13.6%</td>
</tr>
<tr>
<td>1,000,000 or more</td>
<td>$150,000</td>
<td>5</td>
<td>171</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

*Based on 572 licensed title agents as of 12/1/13.

How much time do I have to comply?

Based on how long the agent has been licensed relative to September 1, 2013.
(Administrative Rule S.1 – Part II)

<table>
<thead>
<tr>
<th># of Years License Held</th>
<th>Deadline for Full Compliance</th>
<th># of Yrs. to Reach Full Compliance</th>
<th>% of Asset Amount Needed Each Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3*</td>
<td>July 3, 2014</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>&gt;3 but &lt;4</td>
<td>November 1, 2016</td>
<td>3</td>
<td>33%</td>
</tr>
<tr>
<td>&gt;4 but &lt;5</td>
<td>November 1, 2017</td>
<td>4</td>
<td>25%</td>
</tr>
<tr>
<td>&gt;5 but &lt;6</td>
<td>November 1, 2018</td>
<td>5</td>
<td>20%</td>
</tr>
<tr>
<td>&gt;6 but &lt;7</td>
<td>November 1, 2019</td>
<td>6</td>
<td>16.66%</td>
</tr>
<tr>
<td>&gt;7 but &lt;8</td>
<td>November 1, 2020</td>
<td>7</td>
<td>14.29%</td>
</tr>
<tr>
<td>&gt;8 but &lt;9</td>
<td>November 1, 2021</td>
<td>8</td>
<td>12.5%</td>
</tr>
<tr>
<td>&gt;9 years</td>
<td>November 1, 2022</td>
<td>9</td>
<td>11.11%</td>
</tr>
</tbody>
</table>

*If you were licensed after September 1, 2010, you fall into this category.

How do I comply?

There are four methods that can be utilized to comply. If you use the “Deposit Plan” (solvency account) then you do not need to have the full percentage collected per the above timetable. You must elect which method of compliance you will utilize by notifying the Department using Form T-S1. These new requirements go into effect July 3, 2014. (Administrative Rule S.1 – Part III)

- Solvency Account “Deposit Plan” – Per policy, $5 or one percent of the title agent’s portion of the Basic Premium for the policy of title insurance retained by that title agent for each policy, including loan and owner’s policies. Deposits are made quarterly.
- Letter of Credit
- Surety Bond
- Specified assets:
  - Cash or Cash Equivalents
  - Liquid Assets
  - Real Estate (in excess of encumbrances)
  - Investments (bonds, mutual funds etc.)

For questions, please contact Aaron Day at (512) 472-6593
Minimum Capitalization Compliance Dates

The minimum capitalization amounts and schedule go into effect July 3, 2014. (S.1, II. D.)

However, there are two (2) key aspects of compliance with minimum capitalization requirements of Administrative Rule S.1. The first is notice to the Texas Department of Insurance of how you plan to comply, which is done with Form T-S1. The second is asset compliance by setting aside funds or otherwise identifying assets, which meet the requirement, or using a solvency account.

It is important to note that in some cases you may be required to have asset compliance prior to your having to give notice to the Department per the rules. The timing of your asset compliance and your giving notice will depend on a few factors, which are specific to your agency.

Asset Compliance
For the sake of this guide, “asset compliance” is described as having the minimum capitalization in place. For the purpose of compliance, assets can be in the form of a bond, letter of credit, cash, a solvency account, or any of the statutorily recognized assets.

If you were licensed after September 1, 2010, you must attain 100% capitalization by July 3, 2014 (S.1, II. D.). This deadline is waived if you establish a solvency account, in which case your first quarterly installments will be due by November 1, 2014.

If you were licensed before September 1, 2010, the first installment of unencumbered assets must be in place by November 1, 2014. Each subsequent installment must be in place on November 1 of each year until 100% of the required capitalization is reached (S.1, II. A.). If you establish a solvency account, your first quarterly installments will be due by November 1, 2014.

Exemption
If you are located in counties where the population is less than 10,000 people, you are exempt from the minimum capitalization requirement. You do not need to comply or file a Form T-S1 (Texas Insurance Code Section 2651.012, (d)).

Notice
The initial Certification T-S1 form that gives notice to the Department and describes how you plan to comply must be submitted to TDI along with your annual audit of escrow accounts between September 1, 2014 and August 31, 2015, depending on when your fiscal year ends. (S.1, III. B.) Your annual audit of escrow accounts must be submitted within 90 days of the end of your fiscal year (P-49, A.)

Each subsequent T-S1 forms must be submitted annually between September 1 and September 30 of each year, starting in 2015. (S.1, III. C.)

If your license renews between July 3, 2014 and your next annual escrow audit due date, then you are required to submit the T-S1 notice along with your renewal application.

Please note: After your asset compliance date, regardless of when you submit your T-S1 notice, you should be prepared to demonstrate compliance in the event of a TDI audit.
Minimum Capitalization Compliance Guide

When must I notify TDI with the Form T-S1?

| Year One | Annual Escrow Audit or License Renewal (whichever comes first) | Year Two and Thereafter | During September each year |

When must I take action to comply?

1. **Were you licensed before or after September 1, 2010?**
   - **Before**
     - No funds need to be set aside or solvency account deposits need to be made until **November 1, 2014**.
   - **After**
     - Do you plan to use a solvency account?
       - **Yes**
         - First quarterly installments to the solvency account must be made by **November 1, 2014**.
       - **No**
         - Must have 100% of unencumbered assets set aside by **July 3, 2014**.

*Note, this installment amount will be based on transactions beginning on July 3, 2014.*
Title Agent’s Unencumbered Assets Certification (Form T-S1)

Title Agent’s Name       Reporting for Year

Date of Review       TDI Agent’s Company ID Number

The title agent meets the requirements of Insurance Code §2651.012 by the following means:

☐ solvency account in accordance with Insurance Code §2651.0121
☐ letter of credit
☐ surety bond in accordance with Insurance Code §2651.012(c)(1) - (4)
☐ items contained in Insurance Code §2651.012(a)(2)(A) - (D)

The management of _______________________________ [name of title agent] has reviewed the condition of the title agent’s unencumbered assets as of the date of review set forth above. The review includes the documents evidencing the title agent’s unencumbered assets and account information maintained by _______________________________ [name of title agent]. The documents evidencing the title agent’s unencumbered assets and account information are the responsibility of the title agent’s management. It is the title agent’s management’s responsibility to certify as to the financial condition of the title agent’s unencumbered assets.

The undersigned officer of the title agent specified above hereby certifies that:

I am legally authorized to make this certification. The examination by the management of the title agent of the documents evidencing the title agent’s unencumbered assets and account information has determined, as of the date of review set forth above, that the unencumbered assets of the title agent exceed its liabilities, exclusive of the value of its abstract plants, as required by Insurance Code §2651.012.

The title agent ☐ maintains/ ☐ does not maintain a solvency account with a Financial Institution in this state. For fiscal year 20____, the principal balance of the title agent’s solvency account, if maintained, ☐ exceeds / ☐ does not exceed the amount that would have been required to be maintained if the title agent had no solvency account and fell under the schedule established by the commissioner by rule under §2651.012(g) of the Insurance Code. As of the date of review set forth above, the amount of the overage/excess, if any, is $__________________________.

Signature       Printed Name

Title       Date

Address       Phone Number       Extension

City/State/Zip Code       E-mail Address

Form T-S1
I. Minimum Capitalization Standards.

A. A title insurance agent must maintain unencumbered assets with a market value in excess of liabilities, exclusive of abstract plants, as specified in Insurance Code §2651.012(c)(1) - (c)(4).

B. In accordance with Insurance Code §2651.012(a)(2), unencumbered assets are defined as follows:

1. cash or cash equivalents;
2. liquid assets that have a readily determinable market value and that do not have any lien against them;
3. real estate, in excess of any encumbrances;
4. investments, such as mutual funds, certificates of deposit, and stocks and bonds;
5. a surety bond, the form and content of which shall be prescribed by the commissioner in accordance with this code;
6. a deposit made in accordance with Insurance Code §2651.102;
7. a letter of credit that meets the requirements of Insurance Code §493.104(b)(2)(C); and
8. a solvency account that meets the requirements of Insurance Code §2651.0121.

II. Schedule for Compliance With Minimum Capitalization Standards.

(A) A title agent that holds a license on September 1, 2013, and that has held the license for at least three years as of that date is not required to comply with the minimum capitalization standards specified in subsection I of this rule on September 1, 2013. However, the title agent shall increase the unencumbered assets held by the agent, or make and increase the required deposit, until the agent is in compliance with the required capitalization amounts in accordance with the schedule established under this subsection. The agent must hold unencumbered assets, or make a deposit in an amount, such that:
(1) If, on September 1, 2013, the agent has been licensed less than four years:

(a) the agent has at least 33 percent of the required capitalization amount on November 1, 2014;

(b) the agent has at least 66 percent of the required capitalization amount on November 1, 2015; and

(c) the agent has at least 100 percent of the required capitalization amount on November 1, 2016;

(2) if, on September 1, 2013, the agent has been licensed at least four years but less than five years:

(a) the agent has at least 25 percent of the required capitalization amount on November 1, 2014;

(b) the agent has at least 50 percent of the required capitalization amount on November 1, 2015;

(c) the agent has at least 75 percent of the required capitalization amount on November 1, 2016; and

(d) the agent has at least 100 percent of the required capitalization amount on November 1, 2017;

(3) if, on September 1, 2013, the agent has been licensed at least five years but less than six years:

(a) the agent has at least 20 percent of the required capitalization amount on November 1, 2014;

(b) the agent has at least 40 percent of the required capitalization amount on November 1, 2015;

(c) the agent has at least 60 percent of the required capitalization amount on November 1, 2016;

(d) the agent has at least 80 percent of the required capitalization amount on November 1, 2017; and

(e) the agent has at least 100 percent of the required capitalization amount on November 1, 2018;

(4) if, on September 1, 2013, the agent has been licensed at least six years but less than seven years:
(a) the agent has at least 16.66 percent of the required capitalization amount on November 1, 2014;

(b) the agent has at least 33.32 percent of the required capitalization amount on November 1, 2015;

(c) the agent has at least 49.98 percent of the required capitalization amount on November 1, 2016;

(d) the agent has at least 66.64 percent of the required capitalization amount on November 1, 2017;

(e) the agent has at least 83.3 percent of the required capitalization amount on November 1, 2018; and

(f) the agent has at least 100 percent of the required capitalization amount on November 1, 2019;

(5) if, on September 1, 2013, the agent has been licensed at least seven years but less than eight years:

(a) the agent has at least 14.29 percent of the required capitalization amount on November 1, 2014;

(b) the agent has at least 28.58 percent of the required capitalization amount on November 1, 2015;

(c) the agent has at least 42.87 percent of the required capitalization amount on November 1, 2016;

(d) the agent has at least 57.16 percent of the required capitalization amount on November 1, 2017;

(e) the agent has at least 71.45 percent of the required capitalization amount on November 1, 2018;

(f) the agent has at least 85.74 percent of the required capitalization amount on November 1, 2019; and

(g) the agent has at least 100 percent of the required capitalization amount on November 1, 2020;

(6) if, on September 1, 2013, the agent has been licensed at least eight years but less than nine years:

(a) the agent has at least 12.5 percent of the required capitalization amount on November 1, 2014;
(b) the agent has at least 25 percent of the required capitalization amount on November 1, 2015;

(c) the agent has at least 37.5 percent of the required capitalization amount on November 1, 2016;

(d) the agent has at least 50 percent of the required capitalization amount on November 1, 2017;

(e) the agent has at least 62.5 percent of the required capitalization amount on November 1, 2018;

(f) the agent has at least 75 percent of the required capitalization amount on November 1, 2019;

(g) the agent has at least 87.5 percent of the required capitalization amount on November 1, 2020; and

(h) the agent has at least 100 percent of the required capitalization amount on November 1, 2021; and

(7) if, on September 1, 2013, the agent has been licensed at least nine years:

(a) the agent has at least 11.11 percent of the required capitalization amount on November 1, 2014;

(b) the agent has at least 22.22 percent of the required capitalization amount on November 1, 2015;

(c) the agent has at least 33.33 percent of the required capitalization amount on November 1, 2016;

(d) the agent has at least 44.44 percent of the required capitalization amount on November 1, 2017;

(e) the agent has at least 55.55 percent of the required capitalization amount on November 1, 2018;

(f) the agent has at least 66.66 percent of the required capitalization amount on November 1, 2019;

(g) the agent has at least 77.77 percent of the required capitalization amount on November 1, 2020;

(h) the agent has at least 88.88 percent of the required capitalization amount on November 1, 2021; and
(i) the agent has at least 100 percent of the required capitalization amount on November 1, 2022.

B. On or after the effective date of this rule, a title agent that applies for its first license and that does not elect to utilize a solvency account shall be required to hold unencumbered assets or make a deposit in an amount such that the agent has 100% of the required capitalization specified in subsection I of this rule as a condition precedent to the issuance of a new license.

C. With respect to the schedule for compliance with the minimum capitalization amounts, the start date for the time that a title agent has been licensed is the date on which the title agent was first assigned a Title Agent Company Identification Number by the Department in connection with the issuance of the title agent's initial license.

(1) When a person acquires a title agent by inheritance, resulting in a change of ownership or control of a title agent as specified in Administrative Rule L-1 V, Change in Operations, paragraph B, which requires a new license, the start date of the new license is the date of the Title Agent Company Identification Number of the acquired title agent.

(2) In a non-inheritance transfer, when there is a change of ownership or control of a title agent as specified in Administrative Rule L-1 V, Change in Operations, paragraph B, and a new license is issued, the commissioner may, upon petition of the acquiring title agent, order that the start date of the new license be the date of the Title Agent Company Identification Number of the acquired title agent. The acquiring agent's petition must make and support the following assertions:

   (i) that the title agent to be acquired is financially distressed or reasonably likely to become financially distressed; and

   (ii) that the acquiring title agent has the means to rehabilitate the distressed title agent and is worthy of the public trust to accomplish that goal. Support for this provision includes evidence that the acquiring title agent has ample funds and experience to accomplish the rehabilitation, and that the acquiring title agent has never before owned or operated a failed title agent.

(3) In the event of the merger, consolidation, or other combination of two or more title agents, the start date of the survivor of or new entity resulting from the combination is the date on which the survivor or oldest entity was first assigned a Title Agent Company Identification Number by the Department in connection with the issuance of the survivor's or oldest entity's initial license before the consummation of the merger, consolidation, or other combination.

D. The minimum capitalization amounts specified in subsection I of this administrative
rule and the schedule for attaining the required capitalization amounts specified in subsection II of this administrative rule shall take effect on July 3, 2014. If the scheduled dates set forth in subsection II of this rule occur before July 3, 2014, those scheduled dates shall be extended so as to give effect to this paragraph.

E. If a title agent utilizes a solvency account in accordance with §2651.0121 of the Insurance Code and Administrative Rule S.2, then the required capitalization may be accumulated in accordance with Administrative Rule S.2.

III. Filing Requirements and Forms for Certification of Unencumbered Assets.

A. Unless a title agent has elected to make a deposit with the Department under Insurance Code §2651.012(f), the agent shall submit to the Department with the annual audit of escrow accounts a certification that the title agent has the appropriate unencumbered assets as specified in subsection IA of this rule on the Title Agent's Unencumbered Assets Certification (Form T-S1).

B. The initial Certification (Form T-S1) must be submitted to the Department with the title agent's annual audit of escrow accounts that is filed with the Department between September 1, 2014, and August 31, 2015.

C. The subsequent annual Certification (Form T-S1) must be submitted annually between September 1 and September 30 of each year to the Department for the preceding calendar year beginning in 2015.

D. Form T-S1 may be obtained from the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701, or from the Department’s website at www.tdi.texas.gov.

E. Any certification form submitted pursuant to this subsection should be filed with the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701 or may be filed electronically with the Department.

F. An agent that has made a deposit with the Department under §2651.012(f) of the Insurance Code is exempt from the certification requirement of this subsection. If an agent elects to utilize a deposit with the Department as the method of complying with the title agent's capitalization requirement, then the agent must at the time of license renewal provide written notice to the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701 that such deposit has been made and that such deposit meets the title agent's statutory capitalization requirement.
S.2. SOLVENCY ACCOUNT FOR CAPITALIZATION STANDARDS

Pursuant to §2651.012, Insurance Code, a title agent may hold unencumbered assets in a solvency account which may be established by an initial deposit in an amount less than the amount provided by §2651.012(c) and Administrative Rule S.1.

A. A solvency account must be:

1. maintained in a financial institution in this state that is insured by an agency of the United States
2. accessible only to the Department of Insurance, on order of the Commissioner of Insurance; and
3. audited in the same manner provided for trust funds by §2651.151, Insurance Code.

B. The solvency account is established after the title agent and the financial institution enter into a Tripartite Agreement (Form T-S2) with the commissioner. The title agent shall submit to the Department three original Tripartite Agreement forms executed by both the title agent and the financial institution. After the commissioner executes the Tripartite Agreement forms, one signed original will be returned to the title agent and one signed original will be sent to the financial institution.

C. The solvency account must be funded with a minimum deposit in the amount for each policy of title insurance issued by the agent that is equal to the greater of $5 or one percent of the title agent's portion of the Basic Premium for the policy of title insurance retained by that title agent, after remittance of the title insurance company’s portion, rounded to the nearest whole dollar. The Basic Premium does not include premiums for endorsements or amendments to the policy of title insurance.

D. Deposits to the solvency account must be made quarterly and must be made from and based on policies of title insurance with a date of policy occurring during that calendar quarter. The deposits shall be made pursuant to the following schedule:

<table>
<thead>
<tr>
<th>Calendar Quarter Ending</th>
<th>Deposit Installment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31</td>
<td>May 1</td>
</tr>
<tr>
<td>June 30</td>
<td>August 1</td>
</tr>
<tr>
<td>September 30</td>
<td>November 1</td>
</tr>
<tr>
<td>December 31</td>
<td>February 1</td>
</tr>
</tbody>
</table>

E. Interest that accrues in a solvency account, the principal balance of which is less than the amount provided by §2651.012(c), Insurance Code, must be retained in the account. Interest
that accrues in a solvency account the principal balance of which is greater than the amount provided by §2651.012(c), Insurance Code, may be paid to the title agent maintaining the account.

F. The commissioner may issue an order to access or release funds held in an account under this rule if any of the events described by §2651.012(b) occur. Execution of the Tripartite Agreement by the commissioner constitutes an order to authorize the release of funds in the solvency account as provided in the Tripartite Agreement.

G. An account established, funded, and maintained as provided by this rule complies with the requirement for maintenance of unencumbered assets under §2651.012(c), Insurance Code, and Administrative Rule S.1 regardless of whether the amount required by that rule is fully accrued.

H. In a home office issue transaction in which a title insurance company issues a policy of title insurance, a title agent who closes the transaction and remits premium to the title insurance company shall make the deposit required by this rule. If a title agent does not close the home office issue transaction or does not remit premium to the title insurance company, no deposit is required to be made by that title agent for that transaction.

Version Date 1/3/2014
S.3. TITLE AGENT REQUIREMENTS, PROCEDURES, AND FORMS FOR OBTAINING RELEASE OF ASSETS IN ACCORDANCE WITH INSURANCE CODE §2651.012(B) OR §2651.0121.

A. In this rule, “title agent” and “agent” have the same meaning as “title insurance agent” in Procedural Rule P-1h.

B. A title agent may request that the Commissioner authorize release of unencumbered assets by filing a written request for release of the assets with the Department. The request may be made when:

1. The title agent has voluntarily ceased to engage in business and has surrendered the agent’s license. The title agent must have completed the following actions:
   a) Conducted a final audit of the agent’s trust fund accounts, the records pertaining thereto and the unused forms in agent’s/direct operation’s possession, in accordance with §§2651.151-157 and 2651.251-253, Insurance Code.
   b) Surrendered all pending files and outstanding commitments to the appropriate Companies.
   c) Sent written notice to all interested parties in pending transactions that the appropriate Companies have custody and control of such files.
   d) Transferred all escrow accounts and investment accounts, which have not been fully disbursed, to the appropriate Companies for the benefit of the parties to pending transactions and the general public.

2. The title agent is being liquidated and has completed the actions set forth in Section 1 (a)-(d) above.

3. The title agent has merged or consolidated or effected the equivalent of a merger or consolidation with another title agent which maintains the amount of unencumbered assets that would be required for the survivor title agent.

C. In accordance with §2651.0121(j), Insurance Code, the Commissioner shall issue an order authorizing the financial institution in which a solvency account is held to release all or part of the account balance to the agent or the agent’s principal office within 60 days of the receipt of a Solvency Account Release Request (Form T-S3). Title agent shall submit two executed originals of the Solvency Account Release Request (T-S3) to the Department. The Department shall acknowledge receipt of the request and return one copy of the acknowledged request to the title agent. If the Commissioner does not enter the order within the prescribed period, the application is denied and the title agent may
seek immediate equitable relief from a court of competent jurisdiction.

D. Funds held in a solvency account under a Tripartite Agreement (Form T-S2) may be transferred or released in accordance with the terms of the Tripartite Agreement.

*Version Date 1/3/2014*
S.4. TITLE COMPANY REQUIREMENTS, PROCEDURES, AND FORMS FOR PROVIDING PRIVILEGED TITLE AGENT FINANCIAL SOLVENCY INFORMATION TO THE DEPARTMENT PURSUANT TO §2651.011

A title insurance company may provide information to the Department about a financial matter that would reasonably call into question the solvency of a title agent that the title insurance company appointed. The following requirements apply to a title insurance company that is providing information to the commissioner:

A. Pursuant to Insurance Code §2651.011(b), each title insurance company shall provide annually to the Department a list of officers authorized to provide to the Department the information specified under this administrative rule. The list of authorized officers must be submitted on Form T-S4.

1. The initial Form T-S4 must be submitted to the Department within 30 days of the effective date of this rule and the subsequent Form T-S4 must be submitted annually between January 1 and January 31 of each year for the calendar year beginning in 2014.

2. Form T-S4 may be obtained from the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701, or from the Department’s website www.tdi.texas.gov.

3. Form T-S4 should be submitted to the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701.

B. All information provided under this administrative rule shall be submitted on the Financial Matter Disclosure Report (Form Number T-S4-A) and is subject to the disclosure requirements in §2651.011(b).

1. Form Number T-S4-A may be obtained from the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701, or from the Department’s website www.tdi.texas.gov.

2. Form Number T-S4-A should be submitted to the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701.
S.5. FILING OF TITLE AGENT’S QUARTERLY WITHHOLDING TAX REPORT

I. In accordance with §2651.011(c) of the Insurance Code, all title insurance agents shall submit to the Department on a quarterly basis a copy of the agent’s quarterly withholding tax report or its equivalent that the title agent filed with the United States Internal Revenue Service (IRS) and evidence that the taxes have been paid. The agent may redact the salaries of individual employees from the quarterly withholding tax report or its equivalent.

II. The copy of the agent’s quarterly withholding tax report or its equivalent and evidence that the taxes have been paid (such as a cancelled check or a debit on a bank statement that clearly indicates that funds were paid to the United States Treasury for taxes) must be submitted to the Department no later than 45 days after the end of the quarter. The schedule for filing is as follows:

<table>
<thead>
<tr>
<th>Quarter Ending</th>
<th>TDI Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31</td>
<td>May 15</td>
</tr>
<tr>
<td>June 30</td>
<td>August 15</td>
</tr>
<tr>
<td>September 30</td>
<td>November 15</td>
</tr>
<tr>
<td>December 31</td>
<td>February 15</td>
</tr>
</tbody>
</table>

III. The agent’s quarterly withholding tax report or its equivalent and evidence that the taxes have been paid should be submitted to the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701 or may be submitted electronically to the Department.

IV. Form T-S5 may be obtained from the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701, or from the Department’s website www.tdi.texas.gov.

V. A title agent that does not have employees shall certify to the Department that there has not been a material change in the agent’s financial condition in accordance with the schedule specified in subsection II of this administrative rule to the address specified in subsection III of this administrative rule using Form T-S5.

VI. If an agent is part of a professional employer organization, it may submit a copy of the report of payroll tax the agent receives from the professional employer organization as the equivalent of a quarterly withholding tax report.

Version Date 1/3/2014
S.6. REQUIREMENTS FOR TITLE AGENT EXAMINATION REPORTS PURSUANT TO §2651.206

(A) A report of an audit, review, or examination of a title agent or direct operation conducted under Chapter 2602 or 2651 of the Insurance Code shall be subject to all of the following procedures and requirements:

(1) Before the report from an examination, review, or audit becomes final, the Department shall furnish to the title agent or direct operation a copy of the draft report and any evidence on which the report relies.

(2) A title agent or direct operation that wishes to respond to the draft report must respond within 14 days of receiving the draft report and evidence on which the report relies from the Department. The Department may extend this period if it is reasonable to do so. The Department will review the response before issuing the final exam report.

(3) A title agent or direct operation that wishes to appeal the final exam report must follow the procedure contained in §7.83 of Title 28 of the Texas Administrative Code for appealing financial examination reports.

(4) The report and any evidence regarding the report are confidential and not subject to disclosure under the Insurance Code or Chapter 552 of the Government Code, and may be transmitted only to designated representatives of the title agent or direct operation previously specified in writing by the title agent.

(B) If the Department requests a meeting with a title agent or direct operation regarding a report, the commissioner shall furnish the title agent or direct operation with a copy of the draft or final report, as applicable, and a copy of any evidence on which the report relies not later than the 10th day before the scheduled date of a meeting, if when it requests the meeting, the Department has not provided the title agent or direct operation a copy of the report and evidence.

(C) Section 2651.206 does not require the Department to turn over work papers. Work papers as specified in §2651.206(c) of the Insurance Code include work programs, analyses, memoranda, letters of confirmation and representation, abstracts of company documents and schedules, and commentaries prepared or obtained by the auditor or examiner that support the opinions of the auditor or examiner.

Version Date 1/3/2014
S.7. SURETY BOND FOR TITLE AGENTS TO COMPLY WITH MINIMUM CAPITALIZATION STANDARDS

I. Procedures for Use of the Surety Bond.

A. Filing

A title insurance agent may file a surety bond with the Department to comply with the minimum capitalization requirements set forth in Insurance Code §2651.012(c)(1) - (4).

B. Conditions of Bond

The bond shall be:

(1) in the amount that a title insurance agent requests to comply with the minimum capitalization requirements set forth in Insurance Code §2651.012(c)(1) - (4);

(2) executed by a surety company authorized to do business in the State of Texas; and

(3) payable to the Commissioner of Insurance.

C. Bond Proceeds

(1) The commissioner makes a claim under the bond solely on behalf of: (i) a supervisor or conservator appointed by the commissioner; (ii) a court-appointed receiver, rehabilitator or liquidator; or (iii) the Texas Title Insurance Guaranty Association.

(2) Bond proceeds:

   (a) shall be used, as permitted by the commissioner, by the supervisor, conservator, receiver, rehabilitator, liquidator, or the Texas Title Insurance Guaranty Association for contingencies, including the payment of administrative expenses, incurred or that may be incurred by or on behalf of a title agent that has been declared impaired, either before or after the date of impairment; and

   (b) shall not be considered funds of the state.

D. Expiration or cancellation of bond.
The bond shall not expire or be subject to cancellation until the 30th day after written notice of expiration or cancellation has been served on the Department either personally or by certified mail. Unless the title agent provides the Department with
evidence of compliance with Insurance Code §2651.012(c)(1) - (4) on or before the expiration of the 30 day period, the title agent shall not perform the acts of a title insurance agent after notice of cancellation is issued.

E. If an agent elects to utilize a surety bond as the method of complying with the title agent's capitalization requirement, then the agent must at the time of license renewal provide written notice to the Texas Department of Insurance, Title Examinations, P.O. Box 149104, Austin, Texas 78714-9104 or 333 Guadalupe, Austin, Texas 78701 that such surety bond has been purchased and that such surety bond meets the title agent's statutory capitalization requirements.

II. Form and Content of Bond. The Texas Department of Insurance prescribes the form and content of the surety bond in Section V Exhibits and Forms of the Basic Manual.

Version Date 1/3/2014
TEXAS TITLE INSURANCE AGENT’S MINIMUM CAPITALIZATION BOND

Bond No. _______________________

KNOW ALL PERSONS BY THESE PRESENTS;

That subject to the terms, conditions and limitations of this bond, ______________________________, as Principal, whose address is ________________________________ and ____________________________, as Surety, being a surety company authorized to do business in the State of Texas, are held and firmly bound unto the Commissioner of Insurance in the sum of _______________________________, (bond amount determined by §2651.012(c)(1) - (4) of the Insurance Code) payable to the Texas Department of Insurance, the payment of which Principal and Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, by these presents.

The conditions of the above obligations are such that:

WHEREAS, the above-named Principal is licensed by the Texas Department of Insurance as a Title Insurance Agent and engaged in the business of a Title Insurance Agent, in accordance with the provisions of "The Texas Title Insurance Act" of the State of Texas.

NOW, THEREFORE, the conditions of this obligation are such that the Principal shall pay to the Commissioner of Insurance such pecuniary losses as a result of the above bound Principal being not in compliance with the minimum capitalization standards set forth in Insurance Code §2651.012 declared impaired, then this obligation shall be null and void, otherwise to remain in full force and effect, subject to the following:

1. This bond shall be effective as of the beginning of the ______ day of _______________, 20_______, and shall continue until liability hereunder is terminated as provided herein below.

2. The Surety may at any time cancel this bond by giving sixty (60) days’ written notice to the Texas Department of Insurance by certified mail at the following address: Texas Department of Insurance, Personal and Commercial Lines Office – Title, Property and Casualty Section, P.O. Box 149104, Austin, Texas 78714-9104. The Surety, however, remains liable for any obligations under this bond committed prior to the expiration of such sixty (60) day period.

3. In no event shall the aggregate liability of the Surety under this bond exceed the penal sum of this bond.

IN WITNESS WHEREOF said Principal and Surety have executed this bond this ______ day of _______________, 20______, to be effective on the ______ day of _______________, 20______.

____________________________________________
Principal

By:_________________________________________

Address:_____________________________________

____________________________________________
Surety

By: _______________________________________

Address: ___________________________________