

UNDERWRITING BULLETIN - TEXAS

No. 06

DATE: December 22, 2010

RE: TDI Commissioner's Order of November 2, 2010, Effective January 1, 2011

The Commissioner's Order of November 2, 2010, becomes effective on January 1, 2011. Please be aware of the changes discussed below. The Order can be downloaded from the TLTA website, www.TLTA.com.

1. R-5. Simultaneous Issuance of Owner's and Loan Policies

This rule has been re-organized, mostly as a matter of form. All references to "Mortgage" policy have been changed to "Loan" policy.

Text of New Rule

THIS RULE MAY NOT BE APPLIED in connection with the issuance of a series of Loan Policies issued by reason of notes being apportioned to individual units in connection with a master policy covering the aggregate indebtedness, including improvements. Individual Loan Policies must be issued at the Basic Rate.

- A. Except as otherwise provided in this rule, when an Owner's Policy and Loan Policy(ies) are issued simultaneously, bearing the same date, and covering the same land, or a portion thereof, covered by the Owner's Policy and covering no other land, the Owner's Policy showing the lien(s) as an exception therein shall be issued at the Basic Rate, and the premium for the Loan Policy(ies) shall be \$100.00 each.
- B. Should the amount of the Loan Policy(ies) exceed the amount of the Owner's Policy, the Basic Rate shall be charged for the Owner's Policy and the premium for the Loan Policy(ies) shall be at the Basic Rate plus \$100.00 for each Loan Policy, less the Basic Rate for the Owner's Policy.
- C. If an Owner's Policy or Policies were previously issued:
 1. Covering the identical property to be covered by the Owner's Policy to be issued and
 2. The Owner's Policy is to be issued in accordance with P-8a and
 3. Within four (4) years after the date of the previously issued Owner's Policy or Policies and
 4. There has been no change in ownership of such property,



credit shall be given against the premium of the Owner's Policy to be issued as provided in Rate Rule R-3; however, in no event shall the premium collected for such Owner's Policy be less than the regular minimum promulgated rate for an Owner's Policy.

- D. An insured under an existing Owner's Policy or Policies not issued in accordance with P-8a may, after completion of improvements on the property insured, receive credit as provided in Rate Rule R-3 toward a new Owner's Policy in an amount greater than the existing Owner's Policy or Policies; however, in no event may the Owner's Policy be issued for less than the minimum promulgated basic premium rate.

This subsection applies only if, in addition to the criteria established in R-5.C. above, the land is residential property.

- E. When an Owner's Policy meeting the requirements of Rule R-2(b) is issued in the manner provided in Rule P-8a, and is issued simultaneously with a Loan Policy described in Rule R-2(a), bearing the same date, and covering the same land covered by the Loan Policy, or a portion thereof, and covering no other land, the premium for the Owner's Policy shall be \$100.00. Should the amount of the Owner's Policy exceed the amount of the Loan Policy, the premium for the Owner's Policy shall be at the Basic Rate plus \$100.00 less the Basic Rate (to be paid as provided in Rule R-2(a)) for the Loan Policy.

In the application of this rule, if an Owner's Policy or Policies were previously issued covering the identical property to be covered by the Owner's Policy to be issued and provided there has been no change in ownership of such property, credit shall be given against the premium for the Loan Policy to be issued as provided in R-3.

2. R-11. Loan Policy Endorsement

There are no substantive changes in R-11. Each reference to "Mortgage" Policy has been changed to "Loan" Policy. Since the Last Dollar (T-15) Endorsement has been eliminated, old subsection j has been dropped from the Rule. Subsections k, l and m are now subsections j, k and l.

3. R-35. Texas Limited Coverage Residential Chain of Title

The premium for the Texas Limited Coverage Residential Chain of Title Policy has been set at \$15.00.

4. R-15. Owner Policy Endorsement

Section c of the Rule has been amended to delete the reference to the T-31, which is not an Owner's Policy Endorsement.



Text of New Rule

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

5. R-31. Premium for Non Imputation Endorsement (T-24, T-24.1)

The Rule has been amended as follows to include the Non-Imputation Endorsement (Mezzanine Financing (T-24.1); the premium is unchanged.

Text of New Rule

When the Non-Imputation Endorsement (T-24) or Non-Imputation Endorsement (Mezzanine Financing (T-24.1) is issued with an Owner's Policy (T-1) in accordance with Rule P-55, the premium for the Non-Imputation Endorsement (T-24) or Non-Imputation Endorsement Mezzanine Financing(T-24.1) shall be 5% of the Basic Rate for the applicable Owner's Policy. The minimum premium for the Non-Imputation Endorsement shall be not less than \$25.00.

6. P-66. Determination of Amount of Insurance (Policy Amount)

Each reference to "Mortgagee" Policy has been changed to "Loan" Policy. New Subsection 6 has been added as follows:

A. Owner's Policy

Text of New Rule

6. Multiple Tracts: When multiple tracts of land are conveyed pursuant to separate contracts to a single purchaser and a single Owner's Policy is issued covering all the land conveyed, the conveyances shall be treated as separate transactions and the premiums shall be charged accordingly.

Note: This rule which was previously found in State Board of Insurance Bulletin No. 120, issued in 1969. When a single buyer is purchasing multiple tracts from multiple sellers under separate contracts, the premiums for each purchase are computed separately, then are combined to determine the total premium. Additionally, if a Loan Policy covering the same property, or less, is issued, and the other requirements of R-5 are met, the Loan Policy will be issued at the simultaneous rate.

7. R-3. Owner's Policy

New Subsection B has been added as follows:

Text of New Rule

B. Single Owner's Policy for Separate Purchases

1) When multiple tracts of land are conveyed pursuant to separate contracts to a single purchaser and a single Owner's Policy is issued covering all the land conveyed for the aggregate of the separate sales prices, the premium for the single



Owner's Policy shall be the aggregate of the Basic Premium Rate as applied to each sales price.

2) Additional Chains of Title, as Defined by Rate Rule R-9

1) No "additional chain of title" charge shall be made as a result of the aggregating of multiple tracts according to this rule; however

2) Should the land covered by a single contract constitute more than one "chain of title", the applicable "additional chain of title" charge(s) shall be added to the aggregated premium.

3) Immediately Contemplated Improvements – When the cost of immediately contemplated improvements is to be included, the premium shall be increased by the Basic Premium rate as applied to the cost of improvements.

Note: These changes bring P-66 in line with R-3 regarding insuring multiple purchases by the same seller in a single Owner's Policy.

Note: The mere fact that multiple purchases are insured in a single Owner's Policy does not, by itself, trigger additional chain charges. However, additional chain charges may be justified within any of the individual sales.

8. R-36. Credit for Exclusion of or General Exception for Minerals

This is a new Rule.

Text of New Rule

Unless a conveyance or other document limits or reserves the mineral estate or the Company specifically excepts to inclusion of the mineral estate in the manner authorized in Rule P-5, if the Company excludes the mineral estate from the interest in land being insured in Schedule A, or makes a general exception to the mineral estate in Schedule B, of the Owner's Policy as authorized in Rule P-5.1, the premium shall be at the basic rate, but a credit shall reduce the premium by the following amount: 2%.

Note: The 2% credit applies only to the premium for the policy itself; it does not affect the charge for any endorsements issued with the policy.

Note: The premium for some endorsements is a percentage of the premium of the underlying policy. For those endorsements, the premium should be computed as a percentage of the Basic Rate for the Owner's Policy, without regard to the 2% credit mandated by R-36.

Note: R-36 only applies if you use either the Schedule A or Schedule B language of P-5.1, and you do not itemize specific mineral exceptions.



Stat Codes

R-36 Credit for Exclusion of or General Exception to Minerals

Stat Code is 9001. It will be titled "Credit for Exclusion of or General Exception for Minerals".

R-35 Texas Limited Residential Chain of Title

Stat Code is 6000.

R-5 Simultaneous Issuance of Owner's and Loan Policies

Stat Code for R-5d and R-5e is 1230.

Bruce L. Goldston
Vice President and Regional Counsel