No. 2019- 5980

Official Order
of the
Texas Commissioner of Insurance

Date: JUN 11 2019

Petition and Filing Numbers:
TLTA Original Petition T-0219-02
TLTA Amended Petition T-0219-02A

Subject Considered:

Rate and rate rule changes for title insurance.

General remarks and official action taken:

The Commissioner of Insurance considers the petition filed by the Texas Land Title Association (TLTA) on February 11, 2019, and the amended petition filed by TLTA on May 14, 2019, under Insurance Code Section 2703.202. The petitions are about title insurance premium rates and rate rules. The Commissioner sets title insurance rates and rate rules by order following a public hearing. The Texas Department of Insurance (TDI) published notice of the hearing to consider TLTA's petition in the March 15, 2019, issue of the *Texas Register* (44 TexReg 1470).

After considering TLTA's petition and exhibits, and all other written and oral testimony and comments, the Commissioner adopts the following findings of fact and conclusions of law.

Findings of Fact

1. On November 19, 2018, TLTA submitted an informal draft proposal asking that TDI revise the rates and rate rules in the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas* (Basic Manual). TLTA proposed:
    - a decrease of 3.4 percent to the basic premium rates, and
    - revisions to rate rules for:
        - the simultaneous issuance of policies (Rate Rule R-5)
        - the refinance credit (Rate Rule R-8), and

- the time to receive a reduced premium for an owner's policy issued after a large construction project (Rate Rule R-20).

2. To streamline the ratemaking process and promote transparency, TDI staff gave public notice and held two informal public meetings to discuss and receive stakeholder input on TLTA's proposal.

3. The informal public meetings to discuss TLTA's proposal occurred on December 18, 2018, and January 30, 2019.

    a. At the December 18, 2018, public meeting, TLTA presented its analysis and proposal. The resulting discussion ranged from the current state of the Texas title industry to how and why TLTA arrived at the assumptions in its analysis.

    b. At the January 30, 2019, public meeting, TLTA revisited its analysis and proposal after addressing concerns raised in the first public meeting. TLTA also discussed concerns about the analysis of total revenues and expenses of the title industry. Following the discussion, TLTA changed its proposed rate decrease from 3.4 percent to 4.9 percent.

4. On February 11, 2019, TLTA submitted its formal petition requesting a hearing to change title rates and rate rules.

5. On May 14, 2019, TLTA submitted an amended petition to address an inconsistency between the proposed Rate Rule R-5 and Rate Rule R-20. TLTA also filed a revised actuarial report to add support for its provision for catastrophic claims.

6. On May 23, 2019, the Commissioner's designee conducted the public hearing, as required by Insurance Code Section 2703.202(b), under Docket No. 2812. In accordance with Insurance Code Section 2703.202(c), the hearing was not a contested case hearing under Government Code Chapter 2001. Interested persons attended the hearing and had the opportunity to present written and oral testimony. TLTA testified and presented exhibits, analyses, and rate calculations at the hearing. The Office of Public Insurance Counsel testified about its participation in the public meetings and support of TLTA's proposed decrease of 4.9 percent, stating the proposed decrease would be beneficial to Texas consumers.

TLTA Petition

7. TLTA proposed changing the current schedule of basic premium rates to:
   - Decrease the rates in the schedule by 4.9 percent.
   - Increase the lowest rate tier for policies with face values up to $10,000 to face values up to $25,000. This effectively increases the minimum basic premium rate from $238 to $328.
   - Increase the number of rate tiers for policies with face values from $25,000,001 and above to:
     - $25,000,001 to $50,000,000,
     - $50,000,001 to $100,000,000, and
     - more than $100,000,000.

8. TLTA proposed changing Rate Rule R-5, *Simultaneous Issuance of Owner's and Loan Policies*, to extend the time in which a simultaneous issue premium applies to loan policies of $5 million or more. The simultaneous issue premium would apply if the loan policy is issued within 90 days of the owner's policy for the same property, provided the ownership has not changed.

9. TLTA proposed changing Rate Rule R-8, *Mortgagee Policy, on a Loan to Take Up, Renew, Extend or Satisfy an Existing Lien(s)*, to simplify and increase the credit for a policy on a loan to take up, renew, extend, or satisfy an existing mortgage that is already insured by an existing loan policy. This credit is referred to as the "refinance credit."

10. TLTA proposed changing Rate Rule R-20, *Owner's Policy After Construction Period*, to extend the time to get a reduced premium for an owner's policy after construction of improvements. When an owner's policy was issued in the amount of $5 million or more and included the cost of immediately contemplated improvements, a new policy could be issued at a reduced premium up to two years after completing the improvements. TLTA also proposed changing Rate Rule R-20 to more clearly allow a simultaneous issue premium for loan policies.

11. Insurance Code Section 2703.152 requires that premium rates be reasonable as to the public and nonconfiscatory as to title insurance companies and title insurance agents. When fixing the rates, the Commissioner must consider all relevant income

and expenses of title insurance companies and title insurance agents attributable to engaging in the business of title insurance in Texas.

12. TLTA's petition included support for its proposed changes to the rate schedule based on the following title industry data sources from TDI:
    - Annual Statement experience from 2003 through 2016,
    - Texas Title Insurance Agent Experience Report Compilations, and
    - Texas Title Insurance Industry Experience Report Compilations for data provided by underwriting companies.

Overview of Proposed Changes to the Schedule of Basic Premium Rates

13. The *Schedule of Basic Premium Rates* shows the rates for policies by face value.

14. TLTA proposed decreasing the rates in the schedule by 4.9 percent.

15. TLTA used historical income, expense, and loss experience to develop rate indications that varied based on the number of years of experience.

16. TLTA developed two rate indications using 10 and 15 years of recent historical data. TLTA's indication using 10 years of historical data is -8.1 percent. TLTA's indication using 15 years of historical data is -4.4 percent.

17. The formula TLTA used for its rate indication is:

$$I = \text{Indication} = (L + E) / (1 - P) - 1$$

where:

L = Loss ratio = Losses / Premium

E = Expense ratio = Expenses / Premium

P = Underwriting profit provision = Profit / Premium

18. The loss ratio is the expected losses and loss adjustment expenses (LAE) divided by premium.

19. TLTA separated losses into catastrophic and noncatastrophic losses. Catastrophic losses are unusually large and do not typically occur on a regular basis.

20. TLTA based its noncatastrophic projected loss and LAE on the average of historical noncatastrophic loss ratios over 10 and 15 years. The resulting loss ratios were 2.80 percent and 2.87 percent, respectively.

21. TLTA added a provision for catastrophic claims of 1 percent based on an analysis of the loss and LAE ratios over the past 32 years. The portion of the loss and LAE ratio greater than 5 percent in a given year was considered in the provision for catastrophic claims. While there are no catastrophic claim years in the recent 15 years of data, the savings and loan crisis in the late 1980s and early 1990s resulted in loss and LAE ratios more than 5 percent.

22. The expense ratio provides for all reasonable costs associated with a title insurance policy other than profits and losses.

23. The expense ratio is the expected expenses divided by premium.

24. The title insurance industry reports income and expense data to TDI annually. TLTA used this data as the basis of its analyses.

25. TLTA excluded damages arising from bad faith claims, fines and penalties, donation and lobbying expenses, and trade association fees from expenses used to calculate the expense ratio.

26. TLTA excluded both recording fees and tax certificates, which are pass-through items.

27. TLTA adjusted the income and expenses used in its projections to eliminate double counting of income and expenses when underwriters or agents pay another agent for title services.

28. The title industry generates revenue not only from title insurance premiums, but also from furnishing abstracts of title, escrow fees, and other miscellaneous sources. Industry expense data is not broken down by these same sources. Title insurance rates should reflect only revenue and expenses from title insurance premiums. To consider only the expenses associated with title insurance premiums in the rate indications, TLTA allocated the expenses by using the ratio of revenue from title insurance premiums to total industry revenue.

29. TLTA based its projected expense ratios on the average of historical expense ratios over 10 and 15 years. The resulting ratios were 78.64 and 81.92 percent, respectively.

30. Determining the underwriting profit provision requires first determining the target cost of capital.

31. To calculate the cost of capital, TLTA used two widely accepted methods – a Discounted Cash Flow approach and a Capital Asset Pricing Model. TLTA's estimated cost of capital ranged from 12.99 percent to 13.18 percent.

32. TLTA selected an annual cost of capital of 13.1 percent.

33. To determine the underwriting profit provision, TLTA subtracted the return from investments from the annual cost of capital and adjusted it for the industry's premium-to-capital leverage ratio. TLTA then used a 21 percent tax rate to estimate a pretax underwriting profit provision of 8.5 percent.

34. TLTA adjusted the loss and expense ratio in its rate indications for the impact of:

- increasing the face value for policies in the lowest rate tier,
- adding more rate tiers for policies with higher face values, and
- changing the refinance credit in Rate Rule R-8.

TLTA estimates these changes will decrease premium by almost 2 percent.

Overview of Proposed Changes to Rate Rule R-5

35. Under Rate Rule R-5, *Simultaneous Issuance of Owner's and Loan Policies*, the simultaneous issue premium for loan policies is typically $100. The premium typically applies when an owner's policy and loan policy are issued at the same time for the same land. The owner's policy is purchased at the full basic rate while the loan policy is purchased for $100.

36. TLTA proposed changing Rate Rule R-5 to extend the time to receive the simultaneous issue premium for loan policies of $5 million or more. The simultaneous issue premium would apply if ownership of the property has not changed and the loan policy is issued:

- within 90 days of the owner's policy, and

- for the same property.

37. TLTA noted that the Texas real estate market often demands quick closings, especially for high-value properties. Sellers choose buyers based on their ability to close quickly. Buyers close with cash and finance the property later. Extending the simultaneous issue period to 90 days will give buyers enough time to complete the financing.

38. With the change, buyers of high-value properties can pay $100 for a loan policy if purchased within 90 days. They will not have to pay the full basic rate, which is more than $20,000 for policies of this size.

39. TLTA also proposed revising the structure and language of Rate Rule R-5 to make it easier to read without changing its substantive meaning.

Overview of Proposed Changes to Rate Rule R-8

40. Under Rate Rule R-8, *Mortgagee Policy, on a Loan to Take Up, Renew, Extend or Satisfy an Existing Lien(s)*, borrowers refinancing a recent mortgage can pay a reduced premium for their new loan policy (the refinance credit). The amount of reduction depends on the age of the existing loan policy.

41. TLTA proposed changes to Rate Rule R-8 that simplify and increase the premium reduction. The following table shows the current and proposed premium reductions based on the age of the existing loan policy.

<table>
<tr><th>Age of Existing Loan Policy (in Years)</th><th>Current Reduction to the Basic Premium</th><th>Proposed Reduction to the Basic Premium</th></tr>
<tr><td>0-2</td><td>40%</td><td rowspan="3">50%</td></tr>
<tr><td>3</td><td>35%</td></tr>
<tr><td>4</td><td>30%</td></tr>
<tr><td>5</td><td>25%</td><td rowspan="4">25%</td></tr>
<tr><td>6</td><td>20%</td></tr>
<tr><td>7</td><td>15%</td></tr>
<tr><td>8</td><td>None</td></tr>
</table>

42. TLTA proposed the changes to Rate Rule R-8 in response to concerns about the complexity of the current refinance credit. The proposed changes also increase the amount of the refinance credit and make it available for another year.

43. TLTA also proposed revising the structure and language of Rate Rule R-8 to make it easier to read without changing its substantive meaning.

Overview of Proposed Changes to Rate Rule R-20

44. Rate Rule R-20, *Owner's Policy After Construction Period*, allows a reduced rate for certain owner's policies issued after construction of improvements. When an owner's policy of at least $5 million is issued and includes the cost of immediately contemplated improvements, a new policy can be issued at the minimum basic premium rate after completion of the improvements. Currently, for that rate to apply, the new policy must be issued within one year of completion of the improvements.

45. TLTA proposed changing Rate Rule R-20 to extend the time to get the reduced premium on a new policy. The owner would have two years after improvements are completed, not one year. TLTA also proposed a change to more clearly allow a simultaneous issue premium for loan policies.

46. TLTA noted that two years after construction of a high-value property is a more reasonable time to:

- prepare the property for sale,
- market the property,
- manage lease-up activity, and
- complete the sale.

TLTA also noted that the changes will resolve uncertainty about whether the simultaneous issue premium for loan policies can apply in this situation.

47. TLTA also proposed revising the structure and language of Rate Rule R-20 to make it easier to read without changing its substantive meaning.

Public Comments

48. The Commissioner received one written comment. The commenter asked that the Commissioner not increase the minimum basic premium for the lowest policy values. Currently, the lowest policy amount on the schedule of basic premium rates is $10,000, which makes the minimum premium $238. TLTA proposed increasing the lowest scheduled policy amount to $25,000, which would make the minimum premium $328. At this higher price, the commenter expects some consumers will not buy title insurance, will not perform proper title searches, and may write their own deeds. This will make it harder to determine clear title to such properties in the future.

49. A commenter at the hearing testified that small transactions typically have more title issues, such as deceased people in the chain of title, missing heirs, and a lack of a good legal description.

50. Both commenters pointed out that the costs and labor for the title research is the same, regardless of the size of the transaction, and that the current minimum basic premium may not cover the costs of the research in several cases.

51. The lowest policy amount on the schedule of basic premium rates has been $10,000 since 1988. The minimum premium was $223 at that time.

Conclusions of Law

1. The Commissioner has jurisdiction over this matter under Insurance Code §§ 31.021, 2501.001–2501.008, 2551.003, and 2703.001–2703.208.

2. TDI gave proper and timely notice of the May 23, 2019, public hearing required by Insurance Code § 2703.203.

3. Insurance Code § 2703.151 requires the Commissioner to fix and promulgate the premium rates to be charged by title insurance companies and title insurance agents.

4. The following changes to the Basic Manual are reasonable to the public and nonconfiscatory to title insurance companies:

- changing the schedule of basic premium rates as proposed in Finding of Fact 7,
- changing Rate Rule R-5 as proposed in Finding of Fact 36,
- changing Rate Rule R-8 as proposed in Finding of Fact 41, and
- changing Rate Rule R-20 as proposed in Finding of Fact 45.

Order

The Commissioner of Insurance orders that, effective September 1, 2019, title insurance companies and title insurance agents must use the basic premium rates in Exhibit A and the revised rate rules in Exhibits B, C, and D.

Kent Sullivan
Commissioner of Insurance

Recommended by:

Mark Worman, Deputy Commissioner

Reviewed by:

Richard Gober, Staff Attorney

2019- 5980

EXHIBIT A

TEXAS TITLE INSURANCE BASIC PREMIUM RATES

Rates Effective September 1, 2019

Policy Face Amount Up to And Including	Basic Premium	Policy Face Amount Up to And Including	Basic Premium	Policy Face Amount Up to And Including	Basic Premium	Policy Face Amount Up to And Including	Basic Premium
$25,000	$328	$44,000	$456	$63,000	$583	$82,000	$711
25,500	331	44,500	459	63,500	587	82,500	716
26,000	335	45,000	463	64,000	591	83,000	720
26,500	338	45,500	466	64,500	594	83,500	722
27,000	340	46,000	469	65,000	597	84,000	725
27,500	343	46,500	473	65,500	600	84,500	729
28,000	347	47,000	475	66,000	604	85,000	732
28,500	350	47,500	478	66,500	609	85,500	735
29,000	355	48,000	483	67,000	612	86,000	738
29,500	358	48,500	487	67,500	613	86,500	743
30,000	361	49,000	490	68,000	617	87,000	747
30,500	364	49,500	493	68,500	621	87,500	749
31,000	368	50,000	496	69,000	624	88,000	752
31,500	371	50,500	499	69,500	627	88,500	756
32,000	374	51,000	501	70,000	631	89,000	760
32,500	378	51,500	505	70,500	635	89,500	762
33,000	381	52,000	510	71,000	639	90,000	765
33,500	385	52,500	514	71,500	641	90,500	769
34,000	388	53,000	516	72,000	644	91,000	773
34,500	392	53,500	520	72,500	648	91,500	777
35,000	395	54,000	523	73,000	651	92,000	779
35,500	398	54,500	526	73,500	654	92,500	783
36,000	401	55,000	529	74,000	658	93,000	786
36,500	405	55,500	532	74,500	662	93,500	790
37,000	408	56,000	537	75,000	666	94,000	791
37,500	412	56,500	540	75,500	668	94,500	796
38,000	416	57,000	543	76,000	671	95,000	801
38,500	419	57,500	547	76,500	674	95,500	804
39,000	421	58,000	551	77,000	678	96,000	805
39,500	425	58,500	553	77,500	681	96,500	809
40,000	428	59,000	556	78,000	685	97,000	813
40,500	433	59,500	560	78,500	689	97,500	817
41,000	435	60,000	564	79,000	693	98,000	820
41,500	439	60,500	568	79,500	694	98,500	824
42,000	442	61,000	571	80,000	698	99,000	827
42,500	446	61,500	573	80,500	702	99,500	830
43,000	448	62,000	577	81,000	706	100,000	832
43,500	452	62,500	581	81,500	708		

Title Basic Premium Calculation for Policies in Excess of $100,000

Using the table below, apply these steps to determine basic premium for policies above $100,000:

Step 1 In column (1), find the range that includes the policy's face value.
Step 2 Subtract the value in column (2) from the policy's face value.
Step 3 Multiply the result in Step 2 by the value in column (3), and round to the nearest dollar.
Step 4 Add the value in column (4) to the result of the value from Step 3.

(See examples following the table.)

Title Basic Premium Calculation for Policies in Excess of $100,000

(1) Policy Range	(2) Subtract	(3) Multiply by		(4) Add
[$100,001 - $1,000,000]	100,000	0.00527	$	832
[$1,000,001 - $5,000,000]	1,000,000	0.00433	$	5,575
[$5,000,001 - $15,000,000]	5,000,000	0.00357	$	22,895
[$15,000,001 - $25,000,000]	15,000,000	0.00254	$	58,595
[$25,000,001 - $50,000,000]	25,000,000	0.00152	$	83,995
[$50,000,001 - $100,000,000]	50,000,000	0.00138	$	121,995
[Greater than $100,000,000]	100,000,000	0.00124	$	190,995

Examples for Policies in Excess of $100,000

Example 1:
(1) Policy is $268,500
(2) Subtract $100,000 ==> $268,500 - $100,000 ==> Result = $168,500
(3) Multiply by 0.00527 ==> $168,500 x 0.00527 ==> $888.00 ==> Result = $888
(4) Add $832 ==> $888 + $832 ==> Final Result = $1,720

Example 2:
(1) Policy is $4,826,600
(2) Subtract $1,000,000 ==> $4,826,600 - $1,000,000 ==> Result = $3,826,600
(3) Multiply by 0.00433 ==> $3,826,600 x 0.00433 ==> $16,569.18 ==> Result = $16,569
(4) Add $5,575 ==> $16,569 + $5,575 ==> Final Result = $22,144

Example 3:
(1) Policy is $10,902,800
(2) Subtract $5,000,000 ==> $10,902,800 - $5,000,000 ==> Result = $5,902,800
(3) Multiply by 0.00357 ==> $5,902,800 x 0.00357 ==> $21,073.00 ==> Result = $21,073
(4) Add $22,895 ==> $21,073 + $22,895 ==> Final Result = $43,968

Example 4:
(1) Policy is $17,295,100
(2) Subtract $15,000,000 ==> $17,295,100 - $15,000,000 ==> Result = $2,295,100
(3) Multiply by 0.00254 ==> $2,295,100 x 0.00254 ==> $5,829.55 ==> Result = $5,830
(4) Add $58,595 ==> $5,830 + $58,595 ==> Final Result = $64,425

Example 5:
(1) Policy is $39,351,800
(2) Subtract $25,000,000 ==> $39,351,800 - $25,000,000 ==> Result = $14,351,800
(3) Multiply by 0.00152 ==> $14,351,800 x 0.00152 ==> $21,814.74 ==> Result = $21,815
(4) Add $83,995 ==> $21,815 + $83,995 ==> Final Result = $105,810

Example 6:
(1) Policy is $75,300,200
(2) Subtract $50,000,000 ==> $75,300,200 - $50,000,000 ==> Result = $25,300,200
(3) Multiply by 0.00138 ==> $25,300,200 x 0.00138 ==> $34,914.28 ==> Result = $34,914
(4) Add $121,995 ==> $34,914 + $121,995 ==> Final Result = $156,909

Example 7:
(1) Policy is $151,250,300
(2) Subtract $100,000,000 ==> $151,250,300 - $100,000,000 ==> Result = $51,250,300
(3) Multiply by 0.00124 ==> $51,250,300 x 0.00124 ==> $63,550.37 ==> Result = $63,550
(4) Add $190,995 ==> $63,550 + $190,995 ==> Final Result = $254,545

EXHIBIT B

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

A. An Owner's Policy must be issued at the Basic Rate, and the premium for each Loan Policy must be $100.00, if:

   1. all policies are issued simultaneously;

   2. all policies bear the same date;

   3. each Loan Policy covers the same land—or part of the land—covered by the Owner's Policy and covers no other land;

   4. the Owner's Policy shows the lien(s) insured by each Loan Policy as an exception; and

   5. the amount of the Loan Policy(ies) does not exceed the amount of the Owner's Policy.

B. When the amount of the Loan Policy(ies) exceeds the amount of the Owner's Policy:

   1. the Basic Rate must be charged for the Owner's Policy; and

   2. the premium charged for the Loan Policy(ies) must be:

      a. the Basic Rate for the combined Loan Policy amounts; minus

      b. the Basic Rate for the Owner's Policy; plus

      c. $100.00 for each Loan Policy.

C. When there is an existing Owner's Policy(ies) and improvements are now immediately contemplated:

   1. the premium for the new Owner's Policy must be reduced by a credit as provided in Rate Rule R-3, if the new policy:

      a. covers the identical property covered by the existing Owner's Policy(ies);

b. is dated within four years of the existing Owner's Policy(ies); and

c. includes the exception and liability paragraph provided in Procedural Rule P-8.a.

2. The credit applies only when the ownership of the property has not changed.

3. The premium for the Owner's Policy must not be less than the minimum Basic Rate.

D. When there is an existing Owner's Policy(ies) insuring residential property that did not include the exception and liability paragraph provided in Procedural Rule P-8.a and improvements are now completed:

1. The premium for a new Owner's Policy(ies) must be reduced by a credit as provided in Rate Rule R-3, if the new Owner's Policy:

a. is in an amount greater than the existing Owner' Policy(ies);

b. covers the identical property covered by the existing Owner's Policy(ies); and

c. is dated within four years of the existing Owner's Policy(ies);

2. The credit only applies when the ownership of the property has not changed; and

3. The premium collected for the Owner's Policy must not be less than the minimum Basic Rate.

E. When an Owner's Policy is issued as provided in Rate Rule R-2.b, and the Loan Policy is issued as provided in Rate Rule R-2.a,

1. the premium for the Owner's Policy must be $100.00, and the premium for the Loan Policy must be the Basic Rate, if:

a. both policies are issued simultaneously;

b. both policies bear the same date;

c. the amount of the Owner's Policy(ies) does not exceed the amount of the Loan Policy;

d. the Owner's Policy covers the same land—or part of the land—covered by the Loan Policy and covers no other land; and

e. both policies include the exception and the liability paragraph or the pending disbursement paragraph, as applicable, provided in Procedural Rule P-8.

2. When the amount of the Owner's Policy(ies) exceeds the amount of the Loan Policy, the premium charged for the Owner's Policy must be:

   a. the Basic Rate; plus

   b. $100.00; minus

   c. the Basic Rate for the Loan Policy to be paid as provided in Rate Rule R-2.a.

3. The credit provided in Rate Rule R-3 must be given against the premium for the new Loan Policy, if:

   a. the existing Owner's Policy(ies) covers the identical property to be covered by the new Owner's Policy; and

   b. ownership of the property has not changed.

F. When an Owner's Policy is issued with a policy amount of $5,000,000.00 or more and bears the date and time of recording of the insured instrument:

1. the premium for each Loan Policy must be $100.00, if:

   a. the Loan Policy(ies) is issued within 90 days after the date of the Owner's Policy;

b. the Loan Policy(ies) covers the same land—or part of the land—covered by the Owner's Policy and covers no other land;

c. ownership of the property has not changed; and

d. the amount of the Loan Policy(ies) does not exceed the amount of the Owner's Policy, and

2. if the conditions in paragraphs F.1.a, F.1.b, and F.1.c are met, but the amount of the Loan Policy(ies) exceeds the amount of the Owner's Policy, the premium charged for the Loan Policy(ies) must be:

   a. the Basic Rate for the combined Loan Policy amounts; minus

   b. the Basic Rate for the Owner's Policy; plus

   c. $100.00 for each Loan Policy.

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. Except as otherwise provided in this rule, individual Loan Policies must be issued at the Basic Rate.

EXHIBIT C

R-8. Loan Policy on a Loan to Take Up, Renew, Extend, or Satisfy an Existing Lien(s)

When a Loan Policy is issued on a loan that fully takes up, renews, extends, or satisfies one or more existing liens that are already insured by one or more existing Loan Policies, the new Loan Policy must be in the amount of the note of the new loan. The premium for the new Loan Policy is reduced by a credit. The credit is calculated as follows:

A. Calculate the Basic Premium on the written payoff balance of the existing loan or the original amount of that loan, whichever is less; and

B. Multiply by the percentage below for the time from the existing Loan Policy date to the new Loan Policy date:

   1. 50% when four years or less;

   2. 25% when more than four years but less than eight years; or

After eight years from the date of the Loan Policy insuring the existing loan, the Basic Rate must apply.

The premium for the new Loan Policy is the Basic Premium less the credit; but not less than the minimum Basic Premium.

The credit does not apply if any property not covered in the existing Loan Policy(ies) is included in the new Loan Policy.

When the existing Loan Policy(ies) included more than one chain of title, and the new Loan Policy also includes one or more of the original chains of title, the minimum Basic Premium must be charged for each additional chain of title. (See Rate Rule R-9 for the definition of "additional chain.")

When two or more new Loan Policies are issued on multiple loans to fully take up, renew, extend, or satisfy an existing lien insured by a single Loan Policy, the premium for each new Loan Policy, is the Basic Premium. The credit calculated above must be applied to the premium for the largest Loan Policy. A credit must be given even if not all of the new loans are insured or if only one of the new loans is insured.

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. Except as otherwise provided in this rule, individual Loan Policies must be issued at the Basic Rate.

EXHIBIT D

R-20. Owner's Policy After Construction Period

A. When a new Owner's Policy is being issued by the Company that issued the existing Owner's Policy, and:

1. the existing Owner's Policy amount was $5,000,000.00 or more;
2. the existing Owner's Policy was issued as provided in Procedural Rule P-8.A;
3. the premium for the existing Owner's Policy is paid in full;
4. the improvements have been completed;
5. the owners have accepted the improvements;
6. the Company has received satisfactory evidence that all bills for labor and materials have been paid in full;
7. the new Owner's Policy is issued within two years after the completion of improvements; and
8. the new Owner's Policy covers the same land—or a part of the land—covered by the existing Owner's Policy and covers no other land; then a new Owner's Policy must be issued at the following rates:
    a. the minimum Basic Premium; or
    b. if the amount of the new Owner's Policy exceeds the amount of the existing Owner's Policy, the premium for the new Owner's Policy must be:
        i. the Basic Rate; plus
        ii. the minimum Basic Premium; minus
        iii. the premium for the existing Owner's Policy, or if the existing Owner's Policy was issued for a simultaneous issue rate under Rate Rule R-5.E, the current premium for the Loan Policy referred to in Rate Rule R-5.E.

B. If a new Owner's Policy is issued as provided in this rule, the premium for each Loan Policy must be $100, if:

1. all policies are issued simultaneously;
2. all policies bear the same date;
3. each Loan Policy covers the same land—or part of the land—covered by the new Owner's Policy and covers no other land;

4. the new Owner's Policy shows the lien(s) insured by each Loan Policy as an exception; and
5. the amount of the Loan Policy(ies) does not exceed the amount of the new Owner's Policy.

C. When the amount of the Loan Policy(ies) exceeds the amount of the new Owner's Policy and:

1. all policies are issued simultaneously;
2. all policies bear the same date;
3. each Loan Policy covers the same land—or part of the land—covered by the new Owner's Policy and covers no other land; and
4. the new Owner's Policy shows the lien(s) insured by each Loan Policy as an exception; then
    a. the Basic Rate must be charged for the new Owner's Policy; and
    b. the premium charged for the Loan Policy(ies) must be:
        i. the Basic Rate for the combined Loan Policy amounts; minus
        ii. the Basic Rate for the new Owner's Policy; plus
        iii. $100.00 for each Loan Policy.

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. Except as otherwise provided in this rule, individual Loan Policies must be issued at the Basic Rate.