



**TEXAS DEPARTMENT OF INSURANCE / FINANCIAL REGULATION DIVISION  
FINANCIAL EXAMINATIONS / TITLE EXAMINATIONS**

**SUMMARY OF OPERATIONS FOR THE 4TH QUARTER, FY 2023  
JUNE 2023 – AUGUST 2023**

*for presentation to the*  
**Texas Title Insurance Guaranty Association Board of Directors  
October 23, 2023**

**COMPLIANCE AUDITS AND ESCROW AUDIT REPORTS**

|   | Qtr | FY23 | FY22 | FY 21 | FY 20 | FY 19 |
|---|-----|------|------|-------|-------|-------|
| Field audits completed                  | 93  | 324  | 272  | 255   | 235   | 286   |
| Field audit reports processed           | 91  | 318  | 239  | 250   | 240   | 269   |
| Section 2651.151 audit reports received | 106 | 740  | 678  | 643   | 596   | 596   |
| Section 2651.151 audit reports reviewed | 106 | 740  | 678  | 651   | 589   | 624   |

**Analysis of Title Insurance Agencies licensed as of 08/31/2023**

| Region         | # of Agencies | Last Comprehensive Audit Status      |   |   |                           |
|----------------|---------------|--------------------------------------|---|---|---------------------------|
|                |               | Agencies Audited within last 2 years | Agencies last audit was 2 - 3 years ago | Agent's last audit was over 3 years ago | # of Agents never audited |
| NTX            | 317           | 283                                  | 33                                      | 0                                       | 1                         |
| CTX            | 152           | 137                                  | 14                                      | 0                                       | 1                         |
| WTX            | 101           | 90                                   | 9                                       | 0                                       | 2                         |
| HOU            | 179           | 154                                  | 19                                      | 0                                       | 6                         |
| STX            | 39            | 39                                   | 0                                       | 0                                       | 0                         |
| <b>Totals:</b> | <b>788</b>    | <b>703</b>                           | <b>75</b>                               | <b>0</b>                                | <b>10</b>                 |
|                | % of Total:   | 89.2%                                | 9.5%                                    | 0.0%                                    | 1.3%                      |

Goal: Audit each agency once every 2 years.  
Audit 50% per year = 394 each year or 99 each quarter.

Last 12 mos. (9/01/2022 – 08/31/2023): 324 audits (within 70 of goal)  
Last 3 mos. (06/01/23 – 08/31/23): 93 audits (within 6 of goal)

**EXPERIENCE REPORT LIMITED REVIEWS**

Out of 93 comprehensive audits completed during the quarter, 35 (37.6%) included a limited review of the agent’s latest experience report. The following results were reported.

|   | <b>QTR</b> | <b>FY 23</b> | <b>FY 22</b> | <b>FY 21</b> | <b>FY 20</b> |
|---|------------|--------------|--------------|--------------|--------------|
| Number of experience reports reviewed.  | 35         | 108          | 107          | 11           | 142          |
| 1. No material discrepancies noted.   | 30         | 94           | 92           | 11           | 132          |
| 2. Income &/or expenses reported in wrong categories.   | 2          | 5            | 10           | 0            | 9            |
| 3. Total income and/or expense amounts reported did not agree with agency’s financial statements. | 3          | 8            | 4            | 0            | 0            |
| 4. Wrong firm id number used on report/miscellaneous.   | 0          | 1            | 1            | 0            | 1            |

**Commissioner Orders signed during the quarter: 1**

**Active cases in Financial, Enforcement & Fraud:**

|  | <b>Active cases at 05/31/23</b> | <b>Cases referred Qtr. 23-4</b> | <b>Cases cleared Qtr. 23-4</b> | <b>Active cases at 08/31/23</b> |
|--|---------------------------------|---------------------------------|--------------------------------|---------------------------------|
| <b>Financial</b>   |                                 |                                 |                                |                                 |
| Receivership   | 0                               | 0                               | 0                              | 0                               |
| Troubled title agents                                      | 1                               | 0                               | 0                              | 1                               |
| <b>Enforcement</b>   |                                 |                                 |                                |                                 |
| Miscellaneous violations of the TIC                        | 6                               | 3                               | 1                              | 8                               |
| Rebating   | 0                               | 0                               | 0                              | 0                               |
| License revocation (agent and/or escrow officer)           | 2                               | 0                               | 0                              | 2                               |
| Late escrow audit rept. &/or stat rept. &/or guaranty fees | 2                               | 7                               | 0                              | 9                               |
| <b>Fraud Unit</b>  |                                 |                                 |                                |                                 |
| Misappropriation of fiduciary funds                        | 5                               | 0                               | 0                              | 5                               |
| <b>Total</b>   | 16                              | 10                              | 1                              | 25                              |

**RESULTS OF COMPLIANCE AUDITS DURING QUARTER**

Listed below are audit findings for June 2023 through August 2023, for the 4th quarter of the State’s fiscal year 2023. Numbers represent the number of agencies where the infraction occurred, not the number of times it occurred.

| <b>VIOLATION OR DISCREPANCY</b> | <b>QTR</b> | <b>YTD</b> |
|---------------------------------|------------|------------|
|---------------------------------|------------|------------|

**INSOLVENCY**

|  |   |    |
|--|---|----|
| Financial statements or other records indicated agent insolvent or had cash flow problems. | 3 | 15 |
|--|---|----|

**ABSTRACT PLANT**

|  |   |    |
|--|---|----|
| Abstract plant not in compliance with Section 2501.004 [formerly Article 9.02(i)] and Procedural Rule P-12.                  | 6 | 17 |
| Agency personnel unable to retrieve instrument information. Unable to verify that license was based on legal abstract plant. | 2 | 3  |

|   |    |     |
|---|----|-----|
| § 101.102 – Conducted unauthorized business of insurance.   | 0  | 1   |
| <b>Administrative Rule L-1:</b> Failed to designate an on-site manager or on-site manager not located at the principal place of business  | 1  | 8   |
| <b>Administrative Rule L-2:</b> Escrow officer appointments not canceled timely. Name change not reported.  | 18 | 51  |
| <b>Section 2502.051 (formerly Article 9.30)</b> – Gave/received thing of value for referral of title insurance business.  | 6  | 21  |
| <b>Section 2651.001</b> – Issued policies for property located in county for which not licensed.  | 10 | 31  |
| <b>Section 2704.001 (formerly Article 9.34)</b> – Issued policy not based on title evidence prepared from a legal abstract plant and/or no attempt made to contact out-of-county agents for title evidence. | 1  | 2   |
| <b>Section 2704.001 (formerly Article 9.34)</b> – Signed commitments not maintained as part of complete evidence of insurability or countersigned policies not maintained.                                  | 9  | 25  |
| <b>Section 2651.008 (formerly Article 9.36)</b> – Agent used an unlicensed name or dba name.  | 5  | 13  |
| <b>Section 2651.301 (formerly Article 9.37B)</b> – Misappropriation or conversion to own use of money belonging to another person.  | 4  | 5   |
| <b>Section 2651.301(7) (formerly Article 9.37B)</b> – Failed to maintain separate escrow account (commingled escrow & operating funds).   | 8  | 32  |
| <b>Section 2651.101 and/or 2652.101 (formerly Article 9.38 and/or 9.45)</b> – No agency/escrow officer bond or insufficient bond.   | 8  | 26  |
| <b>Section 2651.151 (formerly Article 9.39)</b> – Annual escrow audit report prepared incorrectly or contained material inaccuracies or other problems.   | 6  | 37  |
| <b>Section 2652.001 (formerly Article 9.41)</b> – Unlicensed person performing duties of escrow officer.  | 13 | 42  |
| <b>Section 2602.151 (formerly Article 9.48) and Administrative Rule G-1</b> – Failure to collect Policy Guaranty Fee or failure to maintain the policy fees in an escrow account.                           | 12 | 63  |
| <b>Section 2602.103 (formerly Article 9.48)</b> – Failure to produce requested files or other records for audit.  | 0  | 1   |
| <b>Section 2702.052</b> – Used non-promulgated form.  | 12 | 28  |
| <b>Section 2702.053</b> – Actual receipts and/or disbursements not in agreement with settlement statement or premium split not disclosed.   | 54 | 181 |

#### TITLE BULLETINS

|   |    |     |
|---|----|-----|
| <b>Title Bulletin No. 152</b> – Policy dates incorrect.   | 0  | 6   |
| <b>Title Bulletin No. 160</b> – All parties receiving portions of real estate commission not disclosed on settlement statement. | 34 | 107 |

#### PROCEDURAL RULES

|   |   |    |
|---|---|----|
| P-2: Shortages in Area amended without proper T-47 and prior survey.                    | 0 | 0  |
| P-7(b): Insured Closing Letter addressee line incorrectly modified to add "ISAOA/ATIMA" | 9 | 17 |

|  |    |     |
|--|----|-----|
| P-17: Electronic Signature used on non-promulgated form.   | 1  | 6   |
| P-18: Commitment not issued as required in rule or commitment incomplete   | 3  | 8   |
| P-21: Schedule D of commitment not in file or premium split not disclosed on commitment.   | 38 | 127 |
| P-22: No T-00's in files or T-00's incorrect or incomplete.  | 31 | 98  |
| P-27 ("Good Funds") violations:<br>- Unauthorized checks over \$1500<br>- Receipts not deposited timely<br>- Receipts not posted before disbursements made<br>- all receipts not received before disbursement made | 13 | 49  |
| P-35: Verbal or written guaranty, affirmation, indemnification, or certification issued or delivered.  | 10 | 27  |
| P-61: Failure to issue title policy timely.  | 3  | 6   |
| P-73: Failure to prepare/maintain Form T-64 (TD) when CD used, or Form T-64 was not signed by all parties. Prepared incorrectly.   | 35 | 69  |

### RATE RULES

|   |    |    |
|---|----|----|
| Incorrect premium charged (violation of one or more rate rules).                      | 16 | 49 |
| R-1: Unauthorized fee charged (for closing, tax search, etc.) in addition to premium. | 8  | 26 |
| R-2: Premium remittances to underwriters not timely or amounts incorrect.             | 15 | 40 |
| R-2: Premium collected in installments or premium not collected at all.               | 0  | 2  |
| R-8: Refinance credit not given or not calculated correctly.                          | 7  | 16 |

### MINIMUM ESCROW ACCOUNTING PROCEDURES & INTERNAL CONTROLS

|   |    |    |
|---|----|----|
| #1 – Monthly escrow trial balances not prepared or not prepared timely.   | 9  | 25 |
| #1 - Testing proved escrow trial balances unreliable.   | 0  | 1  |
| #1 - Escrow trial balances not prepared correctly.  | 22 | 84 |
| #2 - Three-way reconciliations not prepared or not prepared timely or portions of records not available.                    | 7  | 24 |
| #2 - Escrow trial balances and/or book balances and/or reconciled bank balances not in agreement. Differences unreconciled. | 3  | 4  |
| #2 - Bank reconciliations, book balances, or three-way reconciliations prepared incorrectly.                                | 23 | 87 |
| #3 – Reconciliations not approved by management or reviewed by another employee.  | 13 | 46 |
| #4 - Accounting duties not segregated sufficiently and reconciliations not reviewed by manager or owner.                    | 0  | 3  |
| #5 - Only one signature on escrow checks when agency's size required two signatures.  | 17 | 50 |
| #6 - Records did not include copies of all checks, invoices, deposit tickets and receipt items.                             | 33 | 86 |
| #7A - Invested escrow accounts not styled correctly.  | 1  | 5  |
| #7B - No written authorization to invest escrow funds.  | 3  | 5  |

|  |    |     |
|--|----|-----|
| #7C - Invested escrow account used agent's tax ID number instead of that of beneficiary.   | 0  | 4   |
| #7D – No control ledger for invested escrow accounts. Interest not posted timely.  | 3  | 4   |
| #8 - Guaranty files used name identification instead of unique numbers. Same file number used for more than one transaction.         | 2  | 8   |
| #9 – Escrow bank accounts not styled as "escrow" or "trust".   | 7  | 33  |
| #10 - No management approval for disbursements made on accounts open for more than six months or no review for disposition of funds. | 5  | 14  |
| #11 – Voided check did not have signature block removed to render the check ineffective.   | 1  | 10  |
| #12 - No management approval for transfers of funds between guaranty files and/or transfers not documented in the files.             | 1  | 1   |
| #13 - Seller not properly notified of NSF checks.  | 0  | 0   |
| #14 - Guaranty file number not displayed on all escrow checks, deposit tickets or other documents.                                   | 3  | 15  |
| #15 – Disbursement sheets missing, incomplete or incorrect.  | 24 | 99  |
| #16 - Every disbursement not supported by invoice or sufficient other evidence.  | 40 | 124 |
| #17 - Escrow receivables not cleared timely.   | 8  | 40  |
| #18 – Settlement statement changes not initialed or supported adequately or contained white-out corrections.                         | 0  | 6   |
| #19 – Signed, pre-numbered receipts not issued for cash.   | 2  | 4   |
| #20 – Images of checks did not meet all three requirements.  | 4  | 9   |
| #21 – Escrow account was not maintained at a Texas bank.   | 0  | 3   |

#### **AGENCY**

|  |   |    |
|--|---|----|
| Agent breached fiduciary responsibility to buyer and seller by engaging in "self-dealing". | 0 | 0  |
| Failed to disclose affiliated business arrangement as required by RESPA § 3500.15.         | 6 | 30 |

#### **ESCROW ACCOUNTING**

|   |    |     |
|---|----|-----|
| Material escrow funds irregularity or irregularities [i.e., escrow bank account overdrawn, receipt posted but never actually received or check-clearing date problems]. | 0  | 0   |
| Deposits and/or disbursements not booked in appropriate month.  | 1  | 5   |
| Receivable(s) created by depositing into one bank account and disbursing from another account.  | 0  | 1   |
| Reconciling items not posted timely and/or not cleared timely and/or not supported by adequate documentation.   | 0  | 4   |
| Pattern of posting errors.  | 1  | 1   |
| Signature on checks not on bank signature card or previous employees still on bank signature card.  | 3  | 6   |
| Outstanding checks not cleared timely.  | 39 | 138 |

|   |    |    |
|---|----|----|
| Deposit-in-transit list and/or outstanding check list prepared incorrectly. | 17 | 66 |
|---|----|----|

**GUARANTY FILES**

|  |    |    |
|--|----|----|
| Original legal documents found in guaranty files after title policies issued.                      | 1  | 2  |
| Legal documents not recorded timely with county clerk or evidence of timely recording not in file. | 14 | 50 |
| Cash or disbursement check found in file.  | 0  | 0  |
| Funds not disbursed or escheated to state.   | 19 | 57 |
| Notary fee used. No prior written authorization obtained. (SAAP#5)                                 | 22 | 75 |

|  |    |    |
|--|----|----|
| S.1: Form T-S1 not submitted as required or agency failed to meet Min. Cap. requirement. | 17 | 62 |
| S.2: Solvency account deposits not calculated correctly or not deposited timely.         | 0  | 0  |
| S.5: Quarterly tax report not submitted timely.  | 23 | 83 |