

No. **2024-8549**

**Official Order
of the
Texas Commissioner of Insurance**

Date: 2/27/2024

Subject Considered:

Sovereignty Abstract & Title Company, Inc.
318 N 1st
Haskell, Texas 79521

Consent Order
TDI Enforcement File No. 31429

General remarks and official action taken:

This is a consent order with Sovereignty Abstract & Title Company, Inc. (Sovereignty). A compliance audit of Sovereignty's title insurance operations resulted in several violations of the Texas Insurance Code and Texas Administrative Code. Sovereignty has agreed to pay an administrative penalty of \$20,000.

Waiver

Sovereignty acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Sovereignty waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

Findings of Fact

1. Sovereignty, firm identification number 112336, holds a title agency license issued by the Texas Department of Insurance (TDI) on September 22, 2015.
2. TDI conducted a routine audit of Sovereignty's operation as of May 30, 2023, and cited several violations.

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Failure to Timely Submit Quarterly Tax Reports

3. Title agents are required to file with TDI the Title Agent Certification of Agent's Quarterly Tax Reports (Form T-S5). Form T-S5 must be submitted to TDI no later than 45 days after the end of the quarter.
4. Sovereignty has failed to submit any Form T-S5's since licensure or report deposits of its payroll taxes.

Insufficient Bond Amount

5. Title agents are required to maintain the statutorily required surety bond in the amount of the greater of \$10,000 or 10% of the gross premium according to the latest statistical report, with a maximum amount of \$100,000.
6. Sovereignty's bond was insufficient in amount to meet the required 10% of the gross premium from the latest statistical report since it was over \$10,000.

Failure to Timely Prepare and Submit Annual Statistical Reports

7. Title agents are required to timely prepare and submit annual statistical reports.
8. Sovereignty failed to timely prepare and submit the annual statistical reports for the years 2020, 2021, and 2022.

Escrow Receivables Not Timely Reimbursed

9. Title agents are required to reimburse escrow receivables and other escrow shortages by the appropriate parties or the escrow agent's operating account within 45 days from the closing date of the bank statement of the account reflecting the transactions creating the escrow receivables or shortages.
10. Sovereignty had escrow receivables in an amount over \$50,000 as of December 31, 2022. Sovereignty additionally had file shortages totaling over \$18,000.
11. Sovereignty provided evidence of remediation as of December 2023.

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Escrow Accounting Errors

12. A comprehensive audit was performed on escrow accounting records from February and March 2023.
 - a. The deposit-in-transit list included nine invalid entries totaling almost \$18,000. The entries appeared to obscure shortages in the escrow files dating back to January 2021;
 - b. The three-part reconciliations for February and March 2023 were overstated;
 - c. The three-part reconciliations for other times since June 2017 were understated;
 - d. The outstanding checklist included an invalid entry;
 - e. An outstanding wire dated June 5, 2017, was not wired out; and
 - f. Stale-dated outstanding checks, dating back to 2016, need to be reconciled and cleared.
13. Sovereignty provided evidence of remediation for several of these named issues as of December 2023.

Minimum Escrow Accounting Procedures and Internal Controls

14. There were several violations of the minimum escrow accounting procedures and internal controls of Basic Manual Requirement Nos. 15 and 16:
 - a. Receipt type and dates were incorrectly listed;
 - b. Receipts were not individually listed; and
 - c. Disbursements for loan payoff were not supported by invoices or other sufficient evidence.

Guaranty File Errors

15. A comprehensive audit was performed on a sample of guaranty files that noted violations of Basic Manual Procedural Rule P-27 and TDI Title Bulletin No. 160.
16. Sovereignty disbursed escrow funds before all funds were received for the guaranty files.
17. All parties receiving a portion of the real estate commission were not disclosed on the settlement statement.

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18. Legal documents were not timely recorded with the county clerk.

Conclusions of Law


1. The commissioner has jurisdiction over this matter under TEX. INS. CODE §§ 82.051–82.055, 84.021–84.044, 2651.101 and 2703.153; and 28 TEX. ADMIN. CODE § 9.1 adopting the *Texas Title Insurance Basic Manual* (Basic Manual).
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. Sovereignty has knowingly and voluntarily waived all procedural rights to which they may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Sovereignty failed to maintain the minimum title agent bond amount, in violation of TEX. INS. CODE § 2651.101.
5. Sovereignty failed to timely submit annual statistical reports, in violation of TEX. INS. CODE § 2703.153.
6. Sovereignty failed to submit quarterly tax reports, in violation of Administrative Rule S.5.
7. Sovereignty failed to maintain minimum escrow accounting requirements, in violation of Section V requirements 15-17 of the Basic Manual and Rule P-27.
8. Sovereignty failed to make proper disclosures on guaranty files, in violation Section Rule P-27 of the Basic Manual and Title Insurance Bulletin No. 160.

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Order

It is ordered that Sovereignty Title & Abstract Company, Inc. pay an administrative penalty of \$20,000 within 30 days from the date of this order. The administrative penalty must be paid as instructed in the invoice, which TDI will send after entry of this order.

DocuSigned by:

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Cassie Brown
Commissioner of Insurance

Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Fraud and Enforcement Division



Whitney Ellis Fraser, Director
Enforcement

Affidavit

STATE OF Texas §
§
COUNTY OF Jones §

Before me, the undersigned authority, personally appeared James M Decker, who being by me duly sworn, deposed as follows:

"My name is James M. Decker. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

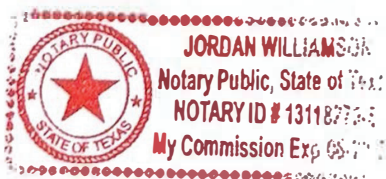
I hold the office of President and am the authorized representative of Sovereignty Title & Abstract Company, Inc. I am duly authorized by said organization to execute this statement.

Sovereignty Title & Abstract Company, Inc. has both knowingly and voluntarily entered into the foregoing consent order and agrees with and consent to the issuance and service of the same by the commissioner of insurance of the state of Texas."

[Signature]
Affiant

SWORN TO AND SUBSCRIBED before me on February 12, ²⁰²⁴~~2023~~ JMD

(NOTARY SEAL)



Jordan Williamson
Signature of Notary Public

Jordan Williamson
Printed Name of Notary Public