



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

**SUMMARY OF OPERATIONS FOR THE 2ND QUARTER, FY 2019
DECEMBER, 2018 – FEBRUARY, 2019**

for presentation to the
**Texas Title Insurance Guaranty Association Board of Directors
April 30, 2019**

COMPLIANCE AUDITS AND ESCROW AUDIT REPORTS

	Qtr	FY 19	FY 18	FY 17	FY 16	FY 15
Field audits completed	61	145	265	289	266	308
Field audit reports processed	73	137	269	296	252	317
Section 2651.151 audit reports received	71	150	586	558	555	553
Section 2651.151 audit reports reviewed	60	155	553	572	576	542

Analysis of Title Insurance Agencies licensed as of 02/28/2019

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	221	205	4	2	10
CTX	124	121	0	0	3
WTX	95	93	0	0	2
HOU	129	126	2	0	1
STX	35	33	0	0	2
Totals:	604	578	6	2	18
	% of Total:	95.7%	1.0%	0.3%	3.0%

REVISED Goal: Audit each agency once every 2 years.
Audit 50% per year = 302 each year or 75.5 each quarter.

Last 12 mos. (03/01/18 – 02/28/19): 273 audits (within 27 of goal)

Last 3 mos. (12/1/18 – 02/28/19): 61 audits (within 14.5 of goal)

EXPERIENCE REPORT LIMITED REVIEWS

Out of 61 comprehensive audits completed during the quarter, 39 (64%) included a limited review of the agent’s latest experience report. The following results were reported.

	QTR	FY 19	FY 18	FY 17	FY 16	FY 15
Number of experience reports reviewed.	39	47	135	163	161	159
1. No material discrepancies noted.	33	41	124	147	160	155
2. Income &/or expenses reported in wrong categories.	0	0	0	3	1	1
3. Total income and/or expense amounts reported didn't agree with agency's financial statements.	5	1	11	13	0	3
4. Wrong firm id number used on report.	1	1	0	0	0	0

Commissioner Orders signed during the quarter: 8

12/12/18	5753	Tri Pointe Assurance, Inc., Houston	Agcy. certified that all CE hrs taken.	\$3,000
12/12/18	5756	Tina Renee Samuel, Houston	Failed to complete all req'd CE hrs.	\$3,000
12/28/18	5819	Graystone Title Company, Austin	Agcy. certified that all CE hrs taken.	\$8,000
12/28/18	5820	Lichelle Nanninga, Austin	Failed to complete all req'd CE hrs.	\$5,000
12/28/18	5821	Phyllis Burdine, Buda	Failed to complete all req'd CE hrs.	\$1,000
12/28/18	5822	Chery Knepley, Kingsland	Failed to complete all req'd CE hrs.	\$1,000
12/28/18	5823	Joy Fleming, Austin	Failed to complete all req'd CE hrs.	\$1,000
2/19/19	5877	Ashley Reeks	Misappropriated escrow funds.	EO license revoked.

Active cases in Financial, Enforcement & Fraud:

	Active cases at 12/1/18	Cases referred Qtr. 19-1	Cases cleared Qtr. 19-2	Active cases at 02/28/19
Financial				
Receivership	3	0	0	3
Troubled title agents	4	0	0	4
Enforcement				
Miscellaneous violations of the TIC	3	0	2	1
Rebating	0	0	0	0
License revocation (agent and/or escrow officer)	3	0	0	3
Late escrow audit rept. &/or stat rept. &/or guaranty fees	0	0	0	0
Fraud Unit				
Misappropriation of fiduciary funds	29	0	1	28
Total	42	0	3	39

RESULTS OF COMPLIANCE AUDITS DURING QUARTER

Listed below are audit findings for December, 2018, through February, 2019, the 2nd quarter of the State’s fiscal year 2019. Numbers represent the number of agencies where the infraction occurred, not the number of times it occurred.

VIOLATION OR DISCREPANCY	QTR	YTD
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INSOLVENCY

Financial statements indicated agent was insolvent or had cash flow problems.	2	4
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ABSTRACT PLANT

Abstract plant not in compliance with Section 2601.004 & Procedural Rule P-12.	2	3
Agency unable to retrieve instrument information. Unable to verify legal plant.	1	1

TEXAS INSURANCE CODE

§ 101.102 – Conducted unauthorized business of insurance.	1	2
Section 2502.051 – Gave/received thing of value for referral of title insurance business.	1	1
Section 2651.001 – Issued policies for property in county where not licensed.	7	9
Section 2704.001 – Policy not based on evidence from a legal abstract plant and/or no attempt made to contact out-of-county agents for title evidence.	0	0
Section 2704.001 – Signed commitments not maintained as part of complete evidence of insurability or countersigned policies not maintained.	10	13
Section 2651.002 – Agent used an unlicensed name or dba name.	0	0
Section 2651.301 – Misappropriation or conversion of escrow funds.	0	0
Section 2651.301 – Failed to maintain separate escrow account (commingled escrow & operating funds).	12	19
Section 2651.101 and/or 2652.101 – No agency/escrow officer bond or insufficient bond.	4	5
Section 2651.151 – Annual escrow audit report prepared incorrectly or contained material inaccuracies or other problems.	5	8
Section 2652.001 – Unlicensed person acting as an escrow officer.	11	18
VIOLATION OR DISCREPANCY	QTR	YTD
Section 2602.151 and Administrative Rule G-1 – Failure to collect Policy Guaranty Fee or failure to maintain the policy fees in an escrow account.	1	2
Section 2602.103 – Failure to produce requested files or other records.	2	3
Section 2702.053 – Actual receipts and/or disbursements not in agreement with settlement statement or premium split not disclosed.	57	92

TITLE BULLETINS

Title Bulletin No. 152 – Policy dates incorrect.	2	5
Title Bulletin No. 160 – All parties receiving portions of the real estate commission not disclosed on settlement statement.	25	39

PROCEDURAL RULES

P-18: Commitment not issued as required in rule or commitment incomplete.	0	1
P-21: Schedule D of commitment not in file or premium split not disclosed on commitment.	30	47
P-22: No T-00's in files or T-00's incorrect or incomplete.	21	28
P-27 ("Good Funds") violations: Unauthorized checks over \$1,500. Receipts not deposited timely or not received and posted before disbursements made.	15	23
P-35: Verbal or written guaranty, affirmation, indemnification, or certification issued.	4	5
P-61: Failure to issue title policy timely.	1	4
P-73: Failure to prepare/maintain Form T-64 (TD) when CD used.	29	44

RATE RULES

Incorrect premium charged (violation of one or more rate rules).	13	17
R-1: Unauthorized fee charged for closing (or tax search) in addition to premium.	3	8
R-2: Premium remittances to underwriters not timely or amounts incorrect.	9	13
R-2: Premium collected in installments or premium not collected at all.	0	0
R-8: Refinance credit not given or not calculated correctly.	4	6

MINIMUM ESCROW ACCOUNTING PROCEDURES & INTERNAL CONTROLS

#1 - Monthly escrow trial balances not prepared or not prepared timely.	4	5
#1 - Testing proved escrow trial balances unreliable.	1	1
#1 - Escrow trial balances not prepared correctly.	5	9
#2 - Three-way reconciliations not prepared or not prepared timely or records unavailable.	3	6
#2 - Escrow trial balances and/or book balances and/or reconciled bank balances not in agreement. Differences unreconciled.	0	1
#2 - Bank reconciliations, book balances, or three-way reconciliations prepared incorrectly.	5	8
#3 – Reconciliations not approved by management or reviewed by another employee.	2	5
#4 - Accounting duties not segregated sufficiently and reconciliations not reviewed by manager or owner.	0	0
#5 - Only one signature on escrow checks when agency’s size required two signatures.	6	8
#6 - Records did not include copies of all checks, invoices, deposit slips and receipt items.	20	27
#7A - Invested escrow accounts not styled correctly.	2	2
#7B - No written authorization to invest escrow funds.	1	1
#7C - Invested escrow account used agent’s tax ID number instead of that of beneficiary.	1	1
#7D – No control ledger for invested escrow accounts. Interest not posted timely.	0	0
#8 - Guaranty files used name identification instead of unique numbers. Same file number used for more than one transaction.	3	4
VIOLATION OR DISCREPANCY	QTR	YTD
#9 - Escrow bank accounts not styled as “escrow” or “trust”.	14	25
#10 - No management approval for disbursements made on accounts open for more than six months or no review for disposition of funds.	3	6
#12 - No management approval for transfers of funds between guaranty files and/or transfers not documented in the files.	0	1
#13 - Seller not properly notified of NSF checks.	1	1
#14 - Guaranty file number not displayed on all escrow checks or deposit tickets.	5	9
#15 – Disbursement sheets missing, incomplete or incorrect.	33	52
#16 - Every disbursement not supported by invoice or sufficient other evidence.	43	71
#17 - Escrow receivables not cleared timely.	9	15
#18 – Settlement statement changes not initialed or supported adequately or contained white-out corrections.	0	1
#19 – Signed, pre-numbered receipts not issued for cash.	4	5
#20 – Images of checks did not meet requirements.	3	8
#21 – Escrow bank account not maintained at a financial institution in Texas.	0	1

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.	5	9

ESCROW ACCOUNTING

Material escrow funds irregularity or irregularities [i.e., escrow account overdrawn, receipt posted but never actually received or check-clearing date problems].	0	0
Deposits and/or disbursements not booked in appropriate month.	7	11
Receivable(s) created by depositing into one bank account and disbursing from another account.	2	3
Reconciling items not posted timely and/or not cleared timely and/or not supported by adequate documentation.	5	7

Pattern of posting errors.	8	11
Signature on checks not on bank signature card or previous employees still on bank signature card.	0	0
Outstanding checks not cleared timely.	41	73
Deposit-in-transit list and/or outstanding check list prepared incorrectly.	20	32

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.	19	28
Cash or disbursement check found in file.	0	0
Funds not disbursed or escheated to state.	23	40

MINIMUM CAPITALIZATION RULES

S.1: Form T-S1 not submitted or agent failed to meet Min. Cap. requirement.	12	17
S.2: Solvency account deposits not calculated correctly.	0	3
S.5: Quarterly tax report not submitted timely.	18	26