

Last Minute Q&A on Mineral Coverage

As the new rules go into effect November 1, 2009, we have gotten a number of questions seeking clarification of various matters. The questions and our answers are as follows:

1. In regards to your bulletin TX200005 dated September 18th, regarding the Title Information Sheet on the Commitment - has Stewart already amended their forms? We are not an AIM user so will Stewart be sending these revised commitment forms to all their independent agents?

We understand that changes have been implemented in AIM and that our Forms Department has begun shipping new forms. Contact Brenda Sarah in forms if you have not received the new forms.

2. Which is the correct interpretation of P5: We only will take the exception for minerals on Schedule A or B when the lender or owner is requesting the T19. 2 or T19.3 endorsements **or** do we always have the exception on Schedule A or B but just don't charge unless requested?

The idea is that if there is any indication that minerals have been excepted, a lease or mineral reservation for example, you take exception to that document, take the general exception and then give T-19.2 or T-19.3 upon request.

3. Does Stewart have a preference for their agents to either except to on A or B?

We like both. No firm preference.

4. If we take the exceptions on A or B (P5), do we still show mineral leases etc. on Schedule B?

See answer to #2 above.

5. If we issue the T19.2 or T19.3 do we need to require a survey?

No

6. If the owner does not want the endorsements, should we have them sign something (Rejection Form)?

This depends on how you are handling the T-19.2&.3. Some people are going to default and charge the customer for the extra coverage and let them opt out. Others are going to wait for the customer to opt in. Since the disclosure in the commitment provides the information telling the proposed insured to ask about mineral coverage, unless you are forcing them to opt out, the rejection form is really not needed. It is a business decision for you which way you go and whether you want to protect yourself by using a rejection form.

7. Is the original T-19 5% like before except that if the calculated amount falls below \$50.00 then it is \$50.00?

There have been no changes in the rate for the T-19. The minimum premium for the T-19 is \$50.00.

8. Has Stewart assigned this Rate Rule a temporary "stat" code for the T-19.2 and T-19.3 until TDI issues codes?

The TDI has issued stat codes for the T-19 series of endorsements:

Description of Endorsement	Rate Rule Reference	Code
Restrictions, Encroachments, Minerals Endorsement - Owner's Policy (T-19.1) for a single issue policy on land which is residential property and no amendment of exception to area and boundaries is made	R-29C (new)	897
Restrictions, Encroachments, Minerals Endorsement - Owner's Policy (T-19.1) for single issue policy on land which is residential and an amendment of exception to area and boundaries is made	R-29C (new)	898
Restrictions, Encroachments, Minerals Endorsement - Owner's Policy (T-19.1) for a single issue policy on land which is not residential property and no amendment of exception to area and boundaries is made	R-29D (was R-29C)	889

Restrictions, Encroachments, Minerals Endorsement - Owner's Policy (T-19.1) for a single issue policy on land which is not residential property and an amendment of exception to area and boundaries is made	R-29D (was R-29C)	895
Minerals and Surface Damage Endorsement (T-19.2) for Owner's Policy on land which is for one-to-four family residential use of less than one acre or office, industrial, retail, mixed use retail/residential or multifamily purposes	R-29.1	801
Minerals and Surface Damage Endorsement (T-19.2) for Loan Policy on land which is for one-to-four family residential use of less than one acre or office, industrial, retail, mixed use retail/residential or multifamily purposes	R-29.1	802
Minerals and Surface Damage Endorsement (T-19.3) for Owner's Policy on land which is not for one-to-four family residential use of less than one acre or office, industrial, retail, mixed use retail/residential or multifamily purposes	R-29.1	803
Minerals and Surface Damage Endorsement (T-19.3) for Loan Policy on land which is not for one-to-four family residential use of less than one acre or office, industrial, retail, mixed use retail/residential or multifamily purposes	R-29.1	804

9. It is going to be our policy to continue to list all minerals, royalty etc. (at least the severance documents) and also put the new general paragraph on Schedule B Will that be okay with Stewart to do it that way?

[See answer to #2 above.](#)

10. Do we need to prepare a type of letter or notice that the coverage is available so they can understand that they have the option and let them request or waive any applicable P-19 Endorsement? We were just wondering about the many who do not even understand minerals and damages etc....just like the boundary line amendment, many say, "Well, I did not know that was available..." so we are wondering if we should disclose the possibility and let them request for proper premiums or reject it or if it would be permissible to do it?

[See answer to #6 above.](#)

11. I've conducted a sovereignty search on 6 acres. My normal procedure would be to include a general exception on Schedule B and items shown above would be shown as exceptions. Also, I'd include that paragraph 4 on the T-19 would be deleted. Let me just say here that it is our practice to include a general mineral exception on all rural acreage tracts regardless of size. So, do I still issue a T-19 deleting paragraph 4 and then issue a 19.3?

Yes.

12. Do you consider coal and uranium leases to be in a different category than oil and gas leases? Are you really willing for those leases to be excepted to (or not excepted to) in conjunction with the P-5.1 general exception, resulting in a possible mandatory T-19.2 or T-19.3 insuring against destruction of a present or future house by open-pit mining?

Yes. Such leases are different and we will not give the option of T-19.2 or T-19.3 in such cases. Especially if there actually are such leases outstanding (which should be in the last 30-40 years and definitely would not give such coverage on acreage property, since the existence of such leases could lead to destruction of improvements. So unless there was some limit on surface use in the lease, or unless we had good evidence that the lease had terminated, we would decline to give T-19.2 or T-19.3 coverage. We would also decline to provide coverage in a T-19 or T-19.1 where there are such leases, since coal and lignite can be a mineral depending on the facts (whether near surface).