

By: Averitt

S.B. No. 1938

A BILL TO BE ENTITLED

AN ACT

relating to mortgage guaranty insurance.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Amend Article 21.50, Section 5, Texas Insurance Code, as follows:

Sec. 5. In addition to the capital, surplus and reserves specified in Sections 2, 3 and 4 hereof, each mortgage guaranty insurer shall establish a contingency reserve, which shall be reported as a liability in the insurer's financial statements. To provide for and maintain such reserve, the company shall annually contribute to such reserve fifty per cent (50%) of the earned premiums on its mortgage guaranty insurance business. The earned premiums so reserved may be released to the insurer's surplus, annually, after they have been so maintained for 120 months. However, withdrawals may be made from such reserve by the insurer in any given year in which the insurer can demonstrate to the State Board of Insurance that the incurred losses for such year exceed thirty-five per cent (35%) of the corresponding earned premiums for such year. The amount so withdrawn and released for such losses shall reduce any subsequent annual release to surplus from the established contingency reserve by an amount equal to the amount so withdrawn, and any balance in excess of the normal annual release from such reserve shall carry over and be deducted from subsequent annual releases.

1 With the approval of the commissioner, a mortgage guaranty
2 insurer may withdraw from the contingency reserve any amounts which
3 are in excess of the requirements set out in Section 6 of this
4 article. In reviewing a request for withdrawal, the commissioner
5 may consider those records that may be necessary to evaluate the
6 request, including, but not limited to, records relating to loss
7 development and trends. If any portion of the contingency reserve
8 for which withdrawal is requested is maintained by a reinsurer, the
9 commissioner may also consider the financial condition of the
10 reinsurer.

11 SECTION 2. This Act takes effect September 1, 2003.