

BILL ANALYSIS

S.B. 322
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Business & Industry
Committee Report (Unamended)

BACKGROUND AND PURPOSE

According to interested parties, the Texas Department of Insurance (TDI) is required to approve certain aspects of the purchase of title reinsurance when the reinsurer is eligible to sell insurance in Texas but has not been admitted to sell insurance in Texas. Those same parties claim that such a process, even though used infrequently, incurs costs to both the insurer and TDI that are then passed on to consumers and taxpayers. These parties note that legislation is needed to remove this requirement and to make certain other changes relating to the requirements for reinsurance contracts covering title insurance policies issued in this state. S.B. 322 seeks to address these issues.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 322 amends the Insurance Code to authorize a title insurance company to acquire reinsurance on an individual policy or facultative basis from a title insurance company not authorized to engage in the business of title insurance in Texas if the title insurance company from which the reinsurance is acquired has a combined capital and surplus of at least \$20 million as stated in the company's most recent annual statement preceding the acceptance of reinsurance, is domiciled in another state, and is authorized to engage in the business of title insurance in one or more states and if the title insurance company acquiring reinsurance gives written notice to the Texas Department of Insurance (TDI) at least 30 days before acquiring the reinsurance and the commissioner of insurance does not, before the expiration of the 30-day period and on the ground that the transaction may result in a hazardous financial condition, prohibit the title insurance company from obtaining reinsurance under the bill's provisions.

S.B. 322 requires the written notice to TDI to provide sufficient information to enable the commissioner to evaluate the proposed transaction. The bill specifies, in the provision of law authorizing TDI, on application and hearing, to permit a title insurance company to acquire reinsurance on an individual policy or facultative basis from a title insurance company not authorized to engage in the business of title insurance in Texas under certain conditions, that the authorization applies to reinsurance that does not comply with the bill's provisions and that the title insurance company not authorized to engage in the business of title insurance in Texas is domiciled in another state. The bill increases from at least \$1.4 million to at least \$2 million the minimum amount of combined capital and surplus the title insurance company from which the reinsurance is acquired must have, as stated in its annual statement preceding the acceptance of reinsurance.

S.B. 322 includes among the conditions under which a title insurance company is authorized to reinsure any of its policies and contracts issued on real property located in Texas or on policies and contracts issued in the state under provisions of law governing title insurance for personal

property interests that the title insurance company acquires reinsurance in accordance with the bill's provisions. The bill removes the requirement that TDI first approve the form of a reinsurance contract before a title insurance company may reinsure such policies and contracts.

S.B. 322 repeals Section 2551.303, Insurance Code, relating to the form of a reinsurance contract for a title insurance company.

EFFECTIVE DATE

September 1, 2011.