

BILL ANALYSIS

H.B. 3106
By: Morrison
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Industry experts note that Texas law requires most title insurance policies to be based on evidence from geographically indexed title plants for the county in which the property is located. Interested parties observe that a significant portion of the large dollar title insurance business in Texas is generated in larger cities but involves property in more rural areas. The parties note that in such circumstances, the title company with which the order is placed needs to be compensated for the expense of closing the transaction, and the local title company needs to be compensated for furnishing the title evidence.

Because large projects such as utility projects can require months or years to come to policy issuance, there is potential for conflict to exist between the title insurer, the business-generating title company, and the rural title company where the land is located. It has been observed that many rural companies generate far fewer title insurance premiums than their big city counterparts simply because land values are less in most rural areas and fewer transactions are generated there. But knowledgeable parties assert the importance of ensuring the availability of title insurance in rural areas and ensuring that entities providing those services be compensated for their work so they can continue to serve their communities.

Interested parties express concern that existing regulations provide for the division of payment from title insurance premium when one title company closes a transaction and another title company furnishes title evidence but do not provide for a way to immediately compensate rural companies for furnishing title evidence while allowing business-generating companies in larger cities to absorb the carrying costs of the long development time required for certain projects to reach the policy issuance stage. H.B. 3106 seeks to address this issue by providing for alternative methods of payment for furnishing title evidence for the issuance of a title insurance policy related to certain utility projects.

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

H.B. 3106 amends the Insurance Code to authorize a payment for furnishing title evidence for the issuance of a title insurance policy related to certain utility projects to be a flat fee or fee calculated on an hourly basis that is payable on the date the title evidence is furnished and does not exceed \$25,000 or to be a portion of the title insurance premium based on the percentage established by the commissioner of insurance for payment by a title insurance company, title insurance agent, or direct operation for services performed by another such entity and payable on the date of the issuance of the policy for which the evidence is furnished. The bill requires such a payment to be made by the proposed insured to the title insurance company, title insurance agent, or direct operation that furnishes the title evidence and credited against the title insurance premium charged for the issuance of the title insurance policy for which the evidence is

furnished. The bill prohibits its provisions from being construed to allow the payment of an amount in violation of the premium rates promulgated or the division of premium established by the commissioner. The bill's provisions apply with respect to a utility project that is designed to produce, generate, transmit, distribute, sell, or furnish electric energy and that is valued on completion at more than \$25 million.

EFFECTIVE DATE

September 1, 2013.