

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 8, 2013

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2384 by Schaefer (Relating to premium rates for title insurance.), **As Introduced**

The provisions of the bill would result in an indeterminate revenue impact to retaliatory taxes collected by the State due to the unknown change authorized in the division of premiums between title agents and title insurers.

The bill would amend the Insurance Code relating to premium rates for title insurance. The bill would prohibit the Commissioner of Insurance from regulating the division of premium between a title insurance company and its title insurance agent. The bill would exempt title insurance companies from having to file premium rates for reinsurance between title insurance companies and removes the requirement that each title insurance company and title insurance agent collect data for the purpose of setting premium rates. The bill further prohibits the Commissioner of Insurance from fixing and promulgating premium rates between a title insurance company or by a title insurance agent for personal property title insurance policies.

Currently, the Commissioner of Insurance sets the division of premiums between the title insurer and the title agent by rule. According to the Comptroller of Public Accounts, the division is currently set at 85 percent being retained by the title agent and 14 percent by the title insurer. The bill would allow title insurers to set their rates and the commissions insurers pay to title agents. Additionally, under current law, retaliatory taxes are paid by foreign insurers licensed to write business in the State. To the extent that companies changed the percentage of the premium split with title agents, there would be a change in the amount of retaliatory taxes collected by the state. Assuming a more advantageous shift in the division of premiums by title insurers, the bill could result in an indeterminate revenue loss to the state due to lower revenue collections from retaliatory taxes.

Based on information provided by the Texas Department of Insurance, the bill would result in additional rulemaking and increased title rate filing review and orders; however, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing staff and resources.

The bill would take effect on September 1, 2014.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: UP, AG, MW, ER