

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1388
By: Patterson
Economic Development
4-21-97
Committee Report (Substituted)

DIGEST

Currently, Texas title insurers are required to establish minimum statutory premium reserves to pay claims or secure reinsurance in the event of an insolvency. The formulas currently used by title insurers to establish reserve requirements may not be adequate to ensure the financial stability of insurers. This bill would revise the present statutory formulas used to calculate the minimum statutory premium reserves established by domestic title insurers. Additionally, this bill would require insurers to file an actuarial certification annually with the annual statement.

PURPOSE

As proposed, C.S.S.B. 1388 revises the present statutory formulas used to calculate the minimum statutory premium reserves established by domestic title insurers. Additionally, this bill would require insurers to file an actuarial certification annually with the annual statement.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 9.16, Insurance Code, as follows:

Sec. 1. STATUTORY PREMIUM RESERVE REQUIRED. Requires each domestic title insurer doing a title insurance business under this chapter to establish and maintain a statutory premium reserve during the period and for the uses and purposes provided by this article. Requires the reserve required under Subsection (a) to be cumulative. Requires the reserve to be established and to consist of the amounts required under this article. Makes a conforming change.

Sec. 2. AMOUNTS ADDED TO RESERVE FOR 1977; REDUCTIONS. Sets forth the calculation for total charges of a domestic title insurer for the 1997 calendar year. Sets forth the calculation of the set aside for a domestic title insurer. Sets forth calculations for additions to the statutory premium reserve set aside for title insurance policies written or assumed during 1997. Sets forth requirements for annual reductions under Subsection (c).

Sec. 3. AMOUNTS ADDED TO RESERVE IN CALENDAR YEARS AFTER 1997; REDUCTIONS. Sets forth calculations for amounts added to reserves in calendar years after 1997. Sets forth requirements for annual reductions.

Sec. 4. TRANSITIONAL RELEASE; TRANSITIONAL CHARGE. Sets forth calculations for a transitional charge. Sets forth the effects of having a transitional release.

Sec. 5. RUNOFF BALANCE. Sets forth requirements and procedures for having a runoff balance.

Sec. 6. ACTUARIAL CERTIFICATION. Sets forth requirements for an actuarial certification.

Sec. 7. SUPPLEMENTAL RESERVE. Requires each domestic and foreign title insurer to establish supplemental reserves in certain amounts. Sets forth the requirements for phasing in supplemental reserves. Deletes existing Subsections (a)-(e).

Sec. 8. FOREIGN COMPANIES. Requires a foreign title insurer doing business in this state to be required to comply with Sections 6 and 7 of this article. Deletes text regarding foreign companies and unearned premium reserves.

Sec. 9. REEVALUATION OF RESERVE REQUIREMENTS. Authorizes the commissioner of insurance to reevaluate reserve requirements and make recommendations for legislative changes.

Sec. 10. MAINTENANCE OF FUND. Requires the statutory premium reserve and supplemental reserve fund to be held in cash or other securities admissible for investment by title insurers under Article 9.18 of this code.

Sec. 11. EFFECT OF INSOLVENCY OR DISSOLUTION. Sets forth the effects of insolvency or dissolution. Makes conforming and nonsubstantive changes.

SECTION 2. Provides that this Act applies to reports made by title insurers beginning with reports due for calendar year 1997.

SECTION 3. Emergency clause.
Effective date: upon passage.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Article 9.16, Section 2, Insurance Code, to make nonsubstantive changes.

Amends Article 9.16, Section 3, Insurance Code, to provide for amounts added to reserve in calendar years after 1997.

Amends Article 9.16, Section 6, Insurance Code, to provide for the filing of an annual report by each domestic title insurer.

Amends Article 9.16, Section 7, Insurance Code, to require each title insurer to establish supplemental reserves in certain amounts.

Amends Article 9.16, Section 8, Insurance Code, to require any foreign title insurer doing business in this state to be required to comply with Sections 6 and 7 of this article. Deletes text regarding foreign companies and unearned premium reserves.

Amends Article 9.16, Section 9, Insurance Code, to authorize the commissioner to reevaluate reserve requirements and make recommendations.

Amends Article 9.16, Section 10, Insurance Code, to require the statutory premium reserve and supplemental reserve fund to be held in cash or other securities admissible for investment by title insurers under Article 9.18 of this code.

Amends Article 9.16, Section 11, Insurance Code, to set forth the effects of insolvency or dissolution. Makes conforming and nonsubstantive changes.