

BILL ANALYSIS

Senate Research Center
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H.B. 3106
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas law requires most title insurance policies to be generated based on evidence from geographically indexed title companies from the county in which the relevant property is located. For every transaction, the local title producing agent must gather and produce all title evidence at the inception of the process, but does not receive compensation until the policy is actually issued. While some projects are completed quickly, ensuring that the rural title company is compensated in a timely manner, other projects, such as large utility projects, can require months or years to complete. In those instances, the rural title company has no mechanism for immediate compensation and instead must wait out the duration of the project until the title insurance policy is actually issued.

The lag-time associated with these utility projects is typically not a problem for title companies located in larger cities because unlike their rural counterparts, they generate regular and consistent title insurance premiums. In contrast, the rural title companies often generate significantly fewer premiums and waiting years to receive compensation can put rural companies at financial risk.

H.B. 3106 provides a solution for rural title companies furnishing title evidence in utility projects. Specifically, H.B. 3106 authorizes parties in certain utility projects to agree to a payment option. The company furnishing title evidence may be compensated by a flat fee or hourly fee payable on the date the evidence is furnished, but not to exceed \$25,000. Another option is for the company to receive a portion of the title insurance premium, payable on the date the policy is issued. Providing payment options for title companies furnishing title evidence assures the availability of title insurance in rural areas and guarantees that the title agents involved in the transaction are adequately compensated.

H.B. 3106 amends current law relating to compensatory payments made in connection with the issuance of certain title insurance policies.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 2502, Insurance Code, by adding Section 2502.057, as follows:

Sec. 2502.057. CERTAIN COMPENSATORY PAYMENTS RELATED TO CERTAIN ELECTRIC ENERGY PROJECTS PERMITTED. (a) Provides that this section applies with respect to a utility project that is designed to produce, generate, transmit, distribute, sell, or furnish electric energy, and valued on completion at more than \$25 million.

(b) Authorizes a payment for furnishing title evidence for the issuance of a title insurance policy related to a project described by Subsection (a) to be:

(1) a flat fee or fee calculated on an hourly basis that:

(A) is payable on the date the title evidence is furnished; and

(B) does not exceed \$25,000; or

(2) a portion of the title insurance premium:

(A) based on the percentage established by the commissioner of insurance (commissioner) for payment by a title insurance company, title insurance agent, or direct operation for services performed by another title insurance company, title insurance agent, or direct operation; and

(B) payable on the date of the issuance of the policy for which the evidence is furnished.

(c) Requires that the payment be:

(1) made by the proposed insured to the title insurance company, title insurance agent, or direct operation that furnishes the title evidence; and

(2) credited against the title insurance premium charged for the issuance of the title insurance policy for which the evidence is furnished.

(d) Provides that nothing in this section may be construed to allow the payment of an amount in violation of the premium rates promulgated or the division of premium established by the commissioner.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2013.