

SUBJECT: Excluding certain expenses from title insurance rate base calculations

COMMITTEE: Insurance — favorable, with amendment

VOTE: 7 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, G. Lewis, Wise
0 nays
2 absent — Eiland, Olivo

WITNESSES: For — Nancy Fisher, Independent Title Association of Texas
Against — None
On — Kim Stokes, Texas Department of Insurance

BACKGROUND : Title insurance rates in Texas are set by the insurance commissioner. In setting the premium rates, the commissioner is required to consider all relevant income and expenses of title insurance companies and agents attributable to the Texas title insurance business.

Under the Insurance Code, title insurers are prohibited from directly or indirectly paying or accepting rebates, commissions, discounts, any portion of the title insurance premium, or any other thing of value as part of the business of title insurance.

DIGEST: HB 2887, as amended, would prohibit the insurance commissioner from including expenses for promotional and educational activities in setting title insurance rates. The bill also would specify that promotional and educational activities not conditioned on the referral of business would not constitute prohibited rebates or discounts.

The bill would take effect September 1, 1997.

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SUPPORTERS SAY: HB 2887 would reduce title insurance rates by prohibiting the commissioner from considering promotional and educational expenses in setting title insurance rates. This would follow a trend in other insurance lines of eliminating from the rate base expenses that are not directly related to title insurance coverage. The bill would not affect the insurance department's ability to enforce prohibitions against rebates or discounts.

OPPONENTS SAY: No apparent opposition.

NOTES: The committee amendment eliminated language specifying that a dispute over the legality of a promotional or educational expense would have to be considered in a district court of the county in which the principal place of business of the title insurance company or agent was located.

The companion bill, SB 1257 by Whitmire, was reported favorably by the Senate State Affairs Committee on April 28 and recommended for the Local and Uncontested Calendar.