

- SUBJECT:** Reinsurance contract requirements for Texas title insurance policies
- COMMITTEE:** Business and Industry — favorable, without amendment
- VOTE:** 9 ayes — Deshotel, Orr, Bohac, Garza, Giddings, S. Miller, Quintanilla, Solomons, Workman
0 nays
- SENATE VOTE:** On final passage, March 17 — 31-0, on Local and Uncontested Calendar
- WITNESSES:** No public hearing
- BACKGROUND:** Under Insurance Code, sec. 2551.302, a title insurer may obtain reinsurance for any of its policies and contracts for real property in the state or on policies and contracts issued in the state under ch. 2751 if the reinsurer is authorized to do business in Texas and if the Texas Department of Insurance (TDI) first approves of the reinsurance contract form.
- Under sec. 2551.305, TDI may approve a reinsurance transaction between a title insurance company and a company not authorized to engage in title insurance business in Texas. After application and hearing, TDI may approve the transaction if:
- the title insurance company has exhausted all possibilities of obtaining reinsurance from every other authorized reinsurer; and
 - the reinsurer has a combined capital and surplus of at least \$1.4 million, as affirmed in the reinsurer's annual statement preceding the reinsurance transaction.
- DIGEST:** SB 322 would eliminate the requirement for TDI to approve the form of an insurance contract between a title insurance company and a reinsurer before the transaction occurred.
- Under SB 322, a title insurance company could obtain reinsurance from a reinsurer not authorized to engage in title insurance business in the state if:

- the reinsurer had a combined capital and surplus of at least \$20 million as affirmed in the reinsurer's most recent annual statement;
- the reinsurer was domiciled in another state and authorized to engage in title insurance business in at least one state; and
- the title insurance company acquiring reinsurance gave TDI 30 days' advance written notice and the commissioner did not prohibit the transaction within the 30-day window based on the financial harm the transaction could cause.

The written notice would have to supply enough information for the commissioner to make an evaluation and would have to include:

- a summary of the significant terms of the reinsurance;
- the transaction's financial impact on the acquiring company; and
- the specific identity and state of domicile of each reinsurer.

The conditions under which title insurance companies could obtain reinsurance from an unauthorized reinsurer after application and a hearing would be changed. The reinsurer's required combined capital and surplus requirement would increase from \$1.4 million to \$2 million under SB 322.

The bill also would repeal sec. 2551.303 of the Insurance Code, governing the continued use of a form of reinsurance contract after department approval.

The bill would take effect September 1, 2011, and would apply only to reinsurance contracts entered into on or after the effective date.

**SUPPORTERS
SAY:**

SB 322 would streamline the reinsurance process for title insurance companies in Texas. Because title insurance companies would be able to engage in business with limited intervention by TDI, companies could use less time and money to make the reinsurance process more efficient. As a result, consumers and taxpayers would not be burdened with the costs of administrative procedures through increased premiums. Additionally, TDI would not have to engage in expensive regulatory action and could use department resources in other areas. The bill ultimately would bring reinsurance procedures for title insurance more in line with those for other insurance lines in Texas.

SB 322 would continue to reflect the higher standard to which title insurers are held under the Texas Insurance Code. Although title

insurance companies would be able to enter into agreements with unauthorized reinsurers, they still would be prohibited from obtaining reinsurance from companies domiciled outside of the United States. Between this condition that is unique to the Texas title industry and mandatory notice to TDI for transactions with unauthorized reinsurers, SB 322 would maintain the department's enforcement ability, but limit it only to where it is most essential.

OPPONENTS
SAY:

No apparent opposition.