

By: Sheets

H.B. No. 1357

Substitute the following for H.B. No. 1357:

By: Meyer

C.S.H.B. No. 1357

A BILL TO BE ENTITLED

AN ACT

relating to certain title insurance policy liability and
reinsurance requirements.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2551.301, Insurance Code, is amended to
read as follows:

Sec. 2551.301. MAXIMUM POLICY LIABILITY. (a) Except as
provided by Subsection (b), a title insurance company may ~~not~~
issue a title insurance policy on any real property located in this
state involving a potential policy liability of not more than 50
percent of the sum of the company's ~~[capital stock and]~~ surplus as
regards policyholders and the company's statutory premium reserves
as stated in the most recent annual statement of the company.

(b) A title insurance company may exceed the limit described
by Subsection (a) if the excess liability is reinsured in due course
in accordance with Section 2551.302, 2551.305, or 2551.3055 ~~[an~~
~~authorized title insurance company]~~.

SECTION 2. Section 2551.302, Insurance Code, is amended to
read as follows:

Sec. 2551.302. REQUIREMENTS FOR REINSURING POLICIES. A
title insurance company may reinsure any of its policies and
contracts issued on real property located in this state or on
policies and contracts issued in this state under Chapter 2751, if:

(1) the reinsuring title insurance company is

1 authorized to engage in business in this state under this title; or

2 (2) the title insurance company acquires reinsurance
3 in accordance with Section 2551.305 or 2551.3055.

4 SECTION 3. Subchapter G, Chapter 2551, Insurance Code, is
5 amended by amending Section 2551.305 and adding Section 2551.3055
6 to read as follows:

7 Sec. 2551.305. [~~CERTAIN~~] REINSURANCE FROM NON-ADMITTED
8 TITLE INSURER [~~ALLOWED~~]. [~~(a)~~] Notwithstanding any other
9 provision of this subchapter, a title insurance company may acquire
10 reinsurance on an individual policy or facultative basis from a
11 title insurance company not authorized to engage in the business of
12 title insurance in this state if[+]

13 [~~(1)~~] the title insurance company from which the
14 reinsurance is acquired:

15 (1) [~~(A)~~] has a combined capital and surplus of at
16 least \$20 million as stated in the company's most recent annual
17 statement preceding the acceptance of reinsurance; and

18 (2) [~~(B)~~] is domiciled in another state and is
19 authorized to engage in the business of title insurance in one or
20 more states[+, and

21 [~~(2) the title insurance company acquiring~~
22 ~~reinsurance gives written notice to the department at least 30 days~~
23 ~~before acquiring the reinsurance, and the commissioner does not,~~
24 ~~before the expiration of the 30-day period and on the ground that~~
25 ~~the transaction may result in a hazardous financial condition,~~
26 ~~prohibit the title insurance company from obtaining reinsurance~~
27 ~~under this section.~~

1 ~~[(b) The notice required under Subsection (a)(2) must~~
2 ~~provide sufficient information to enable the commissioner to~~
3 ~~evaluate the proposed transaction, including a summary of the~~
4 ~~significant terms of the reinsurance, the financial impact of the~~
5 ~~transaction on the title insurance company acquiring reinsurance,~~
6 ~~and the specific identity and state of domicile of each title~~
7 ~~insurance company from which reinsurance is acquired.~~

8 ~~[(c) Notwithstanding any other provision of this~~
9 ~~subchapter, the department may, on application and hearing, permit~~
10 ~~a title insurance company to acquire reinsurance that does not~~
11 ~~comply with Subsection (a) on an individual policy or facultative~~
12 ~~basis from a title insurance company domiciled in another state and~~
13 ~~not authorized to engage in the business of title insurance in this~~
14 ~~state, if:~~

15 ~~[(1) the company has exhausted the opportunity to~~
16 ~~acquire reinsurance from all other authorized title insurance~~
17 ~~companies, and~~

18 ~~[(2) the title insurance company from which the~~
19 ~~reinsurance is acquired has a combined capital and surplus of at~~
20 ~~least \$2 million as stated in its annual statement preceding the~~
21 ~~acceptance of reinsurance.~~

22 ~~[(d) Notwithstanding any other provision of this~~
23 ~~subchapter, the department may, on application and hearing, permit~~
24 ~~a title insurance company, including an authorized reinsuring title~~
25 ~~insurance company, to retain an additional potential liability of~~
26 ~~not more than 40 percent of the company's capital stock and surplus~~
27 ~~as stated in the most recent annual statement of the company, if:~~

1 ~~[(1) the company has exhausted the opportunity to~~
2 ~~acquire reinsurance under Subsection (c); and~~

3 ~~[(2) the additional potential liability of the company~~
4 ~~is incurred only if the loss suffered by the insured under the~~
5 ~~policy exceeds the amount of insurance and reinsurance accepted by~~
6 ~~the company and its reinsuring title insurance companies under the~~
7 ~~other provisions of this subchapter].~~

8 Sec. 2551.3055. REINSURANCE FROM INSURER OTHER THAN TITLE
9 INSURER. ~~[(e)]~~ Notwithstanding any other provision of this
10 subchapter, a title insurance company may obtain reinsurance by a
11 reinsurance treaty or other reinsurance agreement from an assuming
12 insurer with a financial strength rating of B+ or better from the A.
13 M. Best Company which reinsurance ~~[that]~~ meets the requirements of
14 Subchapter C, Chapter 493, if the title insurance company has
15 provided the department with notice ~~[an affidavit]~~ that:

16 (1) contains representations ~~[facts]~~ that
17 ~~[demonstrate]~~ the title insurance company was unable after diligent
18 effort to procure sufficient reinsurance from another title
19 insurance company; and

20 (2) summarizes ~~[states]~~ the terms of the reinsurance
21 treaty or other reinsurance agreement that the title insurance
22 company will obtain.

23 SECTION 4. Section 2703.001(c), Insurance Code, is amended
24 to read as follows:

25 (c) With respect to real property located in this state, a
26 corporation may not issue any kind of title insurance coverage, any
27 kind of guarantee, or reinsurance of a risk assumed under a title

1 insurance policy, except as provided by Section 2551.305 or
2 2551.3055 [~~2551.305(a)~~], unless the corporation is authorized to
3 engage in the business of title insurance under this title and
4 otherwise complies with this title. In engaging in the business of
5 title insurance with respect to real property located in this
6 state, the corporation shall comply with this title and rules
7 described by Subsection (b), including when:

8 (1) issuing any kind of title insurance policy or an
9 underwriting contract;

10 (2) reinsuring any portion of a risk assumed under a
11 title insurance policy; and

12 (3) deleting a title insurance policy exclusion.

13 SECTION 5. (a) Section 2551.301, Insurance Code, as
14 amended by this Act, applies only to a title insurance policy issued
15 on or after the effective date of this Act. A title insurance
16 policy issued before the effective date of this Act is governed by
17 the law as it existed immediately before the effective date of this
18 Act, and the former law is continued in effect for that purpose.

19 (b) Sections 2551.302 and 2551.305, Insurance Code, as
20 amended by this Act, and Section 2551.3055, Insurance Code, as
21 added by this Act, apply only to a reinsurance contract entered into
22 by a title insurance company on or after the effective date of this
23 Act. A reinsurance contract entered into by a title insurance
24 company before the effective date of this Act is governed by the law
25 as it existed immediately before the effective date of this Act, and
26 the former law is continued in effect for that purpose.

27 SECTION 6. This Act takes effect September 1, 2015.