

BILL ANALYSIS

Senate Research Center
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S.B. 2203
By: Hancock
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, title insurance statistical reporting requires all agents and underwriters to report their revenues and costs. The Texas Department of Insurance (TDI) uses that information to set the rate of title insurance. S.B. 2203 requires statistical reporting to conform to Generally Accepted Accounting Principles, which would increase the accuracy and transparency of the report. S.B. 2203 also statutorily requires TDI to proscribe a "Transparency Form" to be used in certain residential real estate transactions. This new form will: more accurately disclose to buyers title insurance premiums; separately itemize all fees and charges paid; and disclose all payments of portions of the title insurance premium to third parties.

This codifies the already existing practice TDI adopted in rule (the T-64 rule: "Texas Disclosure" and the P-73 Procedural Rule) and ensures greater transparency of title-related costs in closing of home transactions. In addition, S.B. 2203 ensures that federal forms do not mislead buyers (i.e., that title insurance is broken out and explained rather than the "lump sum" approach taken by federal regulators at the Consumer Financial Protection Bureau).

As proposed, S.B. 2203 amends current law relating to the business of title insurance.

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 Section 2702.051, Insurance Code, to provide that this subchapter (Uniform Closing and Settlement Statements) does not apply to the closing or settlement of a certain residential real property transaction except as provided by Section 2702.054(b), which is added by this Act.

SECTION 2. Amends Section 2702.054, Insurance Code, as follows:

Sec. 2702.054. USE OF ALTERNATE SETTLEMENT STATEMENT FORM PERMITTED. (a) Creates this subsection from existing text and makes no further changes to this subsection.

(b) Requires a title insurance company or title insurance agent that uses the uniform settlement statement form permitted by Subsection (a) (relating to authorizing a title insurance company or agent to use a certain uniform settlement statement instead of a certain other form) in a certain residential real estate transaction (transaction) as the closing and settlement statement for the transaction to disclose on a form promulgated by the commissioner of insurance (commissioner) under Subsection (c) the following information:

(1) an accurate statement of the title insurance premium and the amount of each portion of that premium paid to a third party; and

(2) an itemization of all other fees and charges paid to the settlement agent.

(c) Requires the commissioner to promulgate the required form.

SECTION 3. Amends Section 2703.153(h), Insurance Code, to require that the requirements for reporting of income and expenses on a certain statistical report conform to the manner in which accounting records are normally kept in the ordinary course of business of a title insurance company or title insurance agent.

SECTION 4. Makes application of Section 2702.054, Insurance Code, as amended by this Act, prospective to January 1, 2018.

SECTION 5. Makes application of Section 2703.153(h), Insurance Code, as amended by this Act, prospective to January 1, 2018.

SECTION 6. Effective date: September 1, 2017.