

SUBJECT: Authorizing transfer of funds for the title insurance guaranty fund

COMMITTEE: Insurance — favorable, without amendment

VOTE: 9 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G. Lewis, Olivo, Wise

0 nays

WITNESSES: For — Burnie Burner, Texas Title and Guaranty Association

Against — None

On — Kevin Brady, Texas Department of Insurance

BACKGROUND : The Texas Title Insurance Guaranty Association has three financial accounts specified by statute. The guaranty fee account is funded through fees on title policies and covers the cost of employing title examiners at the Texas Department of Insurance and paying covered claims of title agents. The title account is funded by assessments of member insurers and pays covered claims of insolvent title insurers. The administrative account is funded by interest from investment income on the other two accounts and pays the administrative expenses of the guaranty association.

DIGEST: HB 1287 would authorize the Texas Title Insurance Guaranty Association to transfer excess funds in the title and administrative accounts to the guaranty fee account.

HB 1287 would take effect immediately if finally approved by a two-thirds record vote of the membership in each house.

SUPPORTERS SAY: HB 1287 would allow the Texas Title Insurance Guaranty Association to better serve its function by giving the association clear statutory authority to transfer funds not needed for administrative expenses to pay for training title examiners and paying covered claims. Because the current law governing these accounts does not clearly state that the guaranty fund may transfer excess funds from one account to another, the guaranty association has approximately \$1.5 million in excess interest income in its administrative

account, where the funds serve no useful purpose. Transferring these funds to the guaranty fee account would allow the association to pay for more title examiners, which in turn would help better protect the public from title insurance company insolvencies.

HB 1287 would also clarify that excess money in the title account should be paid to the general revenue fund rather than refunded to title insurers when title insurers have already claimed a premium tax deduction for these funds. This would give the guaranty association clear authority to deposit \$4.2 million in excess funds to the general revenue fund.

OPPONENTS
SAY:

No apparent opposition.