

AN ACT

relating to the use of title insurance to insure certain interests in personal property.

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

SECTION 1. Title 11, Insurance Code, is amended by adding Subtitle F to read as follows:

SUBTITLE F. TITLE INSURANCE FOR CERTAIN

PERSONAL PROPERTY INTERESTS

CHAPTER 2751. TITLE INSURANCE FOR PERSONAL

PROPERTY INTERESTS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2751.001. GENERAL DEFINITIONS. (a) The definitions under Sections 2501.003(2)-(5), (7), (10), and (12)-(14) apply to the regulation of title insurance under this chapter.

(b) In this subtitle, a term not defined under Subsection (a) that is used in Chapter 9, Business & Commerce Code, has the meaning assigned by that code.

Sec. 2751:002. DEFINITIONS OF PERSONAL PROPERTY AND PERSONAL PROPERTY TITLE INSURANCE. In this subtitle:

(1) "Personal property" has the meaning assigned by Section 1.04, Tax Code.

(2) "Personal property title insurance" means coverage that insures:

(A) whether affirming or negating, one or more of

1 the elements of attachment, perfection, or priority of a security
2 interest in personal property or fixtures;

3 (B) the results, as to correctness,
4 completeness, or other criteria, of a search of:

5 (i) the filing office of the financing
6 statement record of a debtor; or

7 (ii) any other database, whether publicly
8 or privately maintained, such as court dockets, tax records, motor
9 vehicle department records, or the records of the Federal Aviation
10 Administration as to aircraft, the United States Coast Guard as to
11 vessels, or the United States Department of Transportation;

12 (C) the status of ownership of, rights in, powers
13 to transfer rights in, or title with respect to personal property or
14 fixtures;

15 (D) the effectiveness of the filing of a
16 financing statement with a filing office, or any other record with
17 any publicly maintained database or registry;

18 (E) the lien status of personal property or
19 fixtures, or compliance with Title 1, Business & Commerce Code, the
20 Uniform Commercial Code, international conventions such as the
21 United Nations Commission on International Trade Law (UNCITRAL), or
22 similar laws or regulations; or

23 (F) any of the matters covered by Paragraphs
24 (A)-(E) with respect to the laws of any other domestic or foreign
25 jurisdiction.

26 Sec. 2751.003. APPLICABILITY OF OTHER LAWS. (a) Except as
27 provided by Subsection (b), this code, other than this chapter,

1 does not apply to the business of personal property title
2 insurance.

3 (b) The following laws apply to the business of personal
4 property title insurance:

5 (1) Section 2501.005, other than Subsections
6 (a)(2)(A)-(C) of that section;

7 (2) Section 2501.007;

8 (3) Section 2502.001;

9 (4) Sections 2502.051, 2502.053, and 2502.055;

10 (5) Chapter 2551;

11 (6) Chapter 2553;

12 (7) Chapter 2601;

13 (8) Chapter 2651;

14 (9) Chapter 2652;

15 (10) Section 2701.002;

16 (11) Chapter 2703, except to the extent of any
17 conflict with Subchapter B of this chapter;

18 (12) Section 2704.001, other than Subdivisions (1) and
19 (2) of that section;

20 (13) Section 2704.002; and

21 (14) Section 2704.004.

22 Sec. 2751.004. GENERAL RULES. The commissioner, in the
23 manner prescribed by Subchapter A, Chapter 36, shall adopt rules as
24 necessary to implement and enforce this chapter.

25 [Sections 2751.005-2751.050 reserved for expansion]

26 SUBCHAPTER B. RATES AND FORMS

27 Sec. 2751.051. FIXING AND PROMULGATING PREMIUM RATES AND

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1 FORMS. (a) The commissioner shall, in the manner prescribed by
2 this subchapter:

3 (1) fix and promulgate the premium rates to be charged
4 by a title insurance company or by a title insurance agent for
5 personal property title insurance policies under this chapter; and

6 (2) prescribe the forms to be used in connection with
7 those policies.

8 (b) A premium may not be charged for a personal property
9 title insurance policy or for another prescribed or approved form
10 at a rate different than the rate fixed and promulgated by the
11 commissioner.

12 (c) The commissioner may not limit the number of forms for
13 personal property title insurance if the forms meet the
14 requirements of this title.

15 Sec. 2751.052. FACTORS CONSIDERED IN FIXING PREMIUM RATES.

16 (a) In fixing premium rates, the commissioner shall consider all
17 relevant income and expenses of title insurance companies and title
18 insurance agents attributable to engaging in the business of
19 personal property title insurance in this state.

20 (b) The premium rates fixed by the commissioner must be
21 reasonable, adequate, not unfairly discriminatory,
22 nonconfiscatory, and not excessive.

23 Sec. 2751.053. HEARING REQUIRED. (a) Before a premium

24 rate may be fixed and forms adopted for personal property title
25 insurance under this chapter, the department must provide
26 reasonable notice and a hearing must be afforded to title insurance
27 companies, title insurance agents, and the public.

1 (b) A hearing under this section is subject to Subchapter B,
2 Chapter 40, and is handled as a contested case under Chapter 2001,
3 Government Code, in the manner prescribed by that subchapter.

4 Sec. 2751.054. COMMISSIONER ORDER. (a) Not later than the
5 90th day after the date of a hearing under Section 2751.053, the
6 commissioner shall issue an order prescribing the rates and forms
7 to be used in connection with personal property title insurance
8 policies under this chapter.

9 (b) The commissioner's order promulgating rates must be
10 based on the evidence adduced at the hearing.

11 Sec. 2751.055. REVISIONS TO RATES AND FORMS; HEARING.

12 (a) A title insurance company may apply to the department in the
13 manner prescribed by the commissioner for approval of a new or
14 revised personal property title insurance form or a change in a rate
15 associated with such a form. The commissioner may approve or
16 disapprove an application after a hearing conducted in the manner
17 prescribed by Section 2751.053.

18 (b) A hearing under this section must be conducted not later
19 than the 60th day after the date on which the department receives
20 the application.

21 (c) The commissioner shall approve or disapprove the
22 application not later than the 90th day after the date of the
23 hearing under Subsection (a).

24 [Sections 2751.056-2751.100 reserved for expansion]

25 SUBCHAPTER C. POWERS AND DUTIES OF INSURERS AND AGENTS

26 Sec. 2751.101. ISSUANCE OF POLICIES. A title insurance
27 company may issue a personal property title insurance policy in

1 this state if the policy covers personal property or fixtures, or a
2 secured party or other insured, or a debtor, located in this state.

3 Sec. 2751.102. USE OF FORMS. (a) A title insurance
4 company or title insurance agent shall use the forms prescribed by
5 the commissioner in issuing a personal property title insurance
6 policy.

7 (b) Unless authorized by rule adopted by the commissioner,
8 an insurer may not enter into a contract or other agreement
9 concerning a personal property title insurance policy if the
10 contract or other agreement is not expressed in the policy. A
11 contract or agreement prohibited by this subsection is void.

12 Sec. 2751.103. AGENTS. A title insurance agent or direct
13 operation may accept orders for insurance products authorized under
14 this chapter. The agent or direct operation shall act according to
15 the authority granted to the agent or direct operation by the title
16 insurance company issuing the product.

17 Sec. 2751.104. AGENT COMPENSATION. (a) The title
18 insurance company that issues a personal property title insurance
19 policy shall pay the title insurance agent that places the order for
20 the policy a total commission equal to 30 percent of the premium
21 charged for the personal property title insurance or personal
22 property title insurance product authorized under this chapter.

23 (b) Notwithstanding Subsection (a), a title insurance
24 company may not pay a commission to a title insurance agent for an
25 application for coverage that is placed with the title insurance
26 company directly.

27 (c) A commission paid under Subsection (a) does not

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1 constitute a violation of Section 2502.051.

2 SECTION 2. Subsection (a), Section 2501.002, Insurance
3 Code, is amended to read as follows:

4 (a) The purpose of this title is to completely regulate the
5 business of title insurance on real property and, as described by
6 Subtitle F, on personal property, including the direct issuance of
7 policies and the reinsurance of any assumed risks, to:

8 (1) protect consumers and purchasers of title
9 insurance policies; and

10 (2) provide adequate and reasonable rates of return
11 for title insurance companies and title insurance agents.

12 SECTION 3. Subdivision (12), Section 2501.003, Insurance
13 Code, is amended to read as follows:

14 (12) "Title insurance" means:

15 (A) insurance that insures, guarantees, or
16 indemnifies an owner of real property, or another interested in the
17 real property, against loss or damage resulting from:

18 (i) a lien or encumbrance on or defect in
19 the title to the real property; or

20 (ii) the invalidity or impairment of a lien
21 on the real property; ~~or~~

22 (B) personal property title insurance, as
23 defined by Chapter 2751; or

24 (C) any business that is substantially
25 equivalent to the insurance described by Paragraphs (A) and (B)
26 ~~[Paragraph (A)]~~ and is conducted in a manner designed to evade the
27 provisions of this title.

S.B. No. 1153

1 SECTION 4. Subsection (e), Section 2551.001, Insurance
2 Code, is amended to read as follows:

3 (e) This title does not regulate the practice of law by an
4 attorney. The actions of an attorney in examining title, in
5 examining records regarding an interest insured under Chapter 2751,
6 or in closing a real property or personal property transaction,
7 regardless of whether a title insurance policy is issued, does not
8 constitute the business of title insurance, unless the attorney
9 elects to be licensed as an escrow officer.

10 SECTION 5. Subsection (a), Section 2551.051, Insurance
11 Code, is amended to read as follows:

12 (a) A private corporation may be created and licensed under
13 this title for the following purposes:

14 (1) to compile and own or lease, or to acquire and own
15 or lease, records or abstracts of title to real property or
16 interests in real property in this state or other jurisdictions, to
17 insure titles to that real property or interests in that real
18 property, and to indemnify the owners of that real property, or the
19 holders of interests in or liens on that real property, against loss
20 or damage resulting from an encumbrance on or defect in the title to
21 the real property or interests in the real property; ~~and~~

22 (2) in transactions in which title insurance is to be
23 or is being issued, to supervise or approve the signing of legal
24 instruments affecting the interest to be insured [~~real property~~
25 ~~titles~~], disbursement of money, prorations, delivery of legal
26 instruments, closing of transactions, or issuance of commitments
27 for title insurance specifying the requirements for title insurance

1 and the defects in title necessary to be cured or corrected; and
2 (3) to issue personal property title insurance under
3 Chapter 2751.

4 SECTION 6. Section 2551.302, Insurance Code, is amended to
5 read as follows:

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

10 (1) the reinsuring title insurance company is
11 authorized to engage in business in this state under this title; and

12 (2) the department first approves the form of the
13 reinsurance contract.

14 SECTION 7. Section 2551.304, Insurance Code, is amended to
15 read as follows:

16 Sec. 2551.304. ACCEPTANCE OF REINSURANCE. A title
17 insurance company may accept a reinsurance risk on real property
18 located in this state or on interests described by Section
19 2751.002(2) only from an authorized title insurance company.

20 SECTION 8. The State Office of Administrative Hearings
21 shall conduct the initial hearing required by Section 2751.053,
22 Insurance Code, as added by this Act, not later than November 1,
23 2007.

24 SECTION 9. This Act applies only to a title insurance policy
25 or contract delivered, issued for delivery, or renewed on or after
26 January 1, 2008. A policy or contract delivered, issued for
27 delivery, or renewed before January 1, 2008, is governed by the law

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S.B. No. 1153

1 as it existed immediately before the effective date of this Act, and
2 that law is continued in effect for that purpose.

3 SECTION 10. This Act takes effect September 1, 2007. _____

David Newkum
President of the Senate

Jim Caddick
Speaker of the House

I hereby certify that S.B. No. 1153 passed the Senate on April 11, 2007, by the following vote: Yeas 30, Nays 0; and that the Senate concurred in House amendment on May 21, 2007, by the following vote: Yeas 30, Nays 0. _____

Ratsy Spaw
Secretary of the Senate

I hereby certify that S.B. No. 1153 passed the House, with amendment, on May 17, 2007, by the following vote: Yeas 143, Nays 0, two present not voting. _____

Robert Haney
Chief Clerk of the House

Approved:

15 JUN 07
Date

Rick Perry
Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
4 PM O'CLOCK

JUN 1 2007
Roger Hummel
Secretary of State