

INSURANCE CODE

TITLE 11. TITLE INSURANCE

SUBTITLE B. ORGANIZATION OF TITLE INSURANCE COMPANIES

CHAPTER 2551. TITLE INSURERS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2551.001. APPLICABILITY OF TITLE AND OTHER LAW. (a) Except as provided by Subsection (c) and unless the business of title insurance or title insurance companies are expressly mentioned, the provisions of this code other than this title do not apply to:

(1) a corporation incorporated or engaging in business exclusively under this title; or

(2) any title insurance business engaged in by a corporation created under:

(A) Subdivision 57, Article 1302, Revised Statutes;

(B) Chapter 861; or

(C) any other law.

(b) A law enacted after September 7, 1951, does not apply to a title insurance company or title insurance business described by Subsection (a) unless the law expressly states that it applies.

(c) To the extent applicable, the following provisions of this code apply to a title insurance company:

(1) Articles 1.09-1 and 21.47;

(2) Subsection (b), Article 1.04D;

(3) Chapters 33, 82, 83, 84, 86, 102, 261, 281, 401, 402, 493, 494, 541, 547, 555, 701, 801, 802, 824, 828, 1805, and 2204;

(4) Chapter 31, other than Section 31.005;

(5) Chapter 32, other than Section 32.022(b);

(6) Chapter 36, other than Sections 36.003, 36.004, and 36.101-36.106;

(7) Subchapter A, Chapter 38;

(8) Subchapters A-G, Chapter 101;

(9) Chapter 982, other than Sections 982.003, 982.051,

982.101, 982.105, 982.106(b), 982.109, and 982.113; and

(10) Sections 37.052, 39.001, 39.002, 81.001, 81.002, 81.004, 201.004, 201.005, 201.051, 201.055, 403.001, 403.051, 403.101, 521.002-521.004, 805.021, 822.001, 822.051, 822.052(1), (2), and (3), 822.053, 822.057, except Subsection (a)(4), 822.058, 822.059, 822.060, 822.155, 822.157, 822.158, except Subsection (a)(5), 841.004, 841.251, 841.252(a)-(c), and 4001.103.

(d) This title governs in any conflict between a provision listed by Subsection (c) and a provision of this title.

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

(f) Subsection (e) does not prohibit the commissioner from promulgating a premium for title insurance.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 543 (S.B. 1153), Sec. 4, eff. September 1, 2007.

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2I.001, eff. April 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 447 (H.B. 2353), Sec. 1, eff. September 1, 2009.

Sec. 2551.002. APPLICABILITY OF LAW GOVERNING CORPORATIONS. A title insurance company is subject to the Texas Business Corporation Act, the Texas Miscellaneous Corporation Laws Act (Article 1302-1.01 et seq., Vernon's Texas Civil Statutes), and any other law of this state that governs corporations in general, to the extent those laws are not inconsistent with this title.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.003. RULEMAKING; AUTHORITY OF DEPARTMENT AND COMMISSIONER. (a) The commissioner may adopt and enforce rules:

(1) that prescribe underwriting standards and practices on which a title insurance contract must be issued;

(2) that define risks that may not be assumed under a title insurance contract, including risks that may not be assumed because of the insolvency of the parties to the transaction; and

(3) that the commissioner determines are necessary to accomplish the purposes of this title.

(b) With respect to a company operating under this title that engages in the kinds of business described by Section [2551.051](#)(b)(1) or (2) in a manner that might subject the company to another regulatory statute of this state, all examination and regulation shall be exercised by the department rather than any other state agency named in the other regulatory statute, as long as the corporation engages in the business of title insurance.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

SUBCHAPTER B. FORMATION

Sec. 2551.051. FORMATION; GENERAL PURPOSES AND POWERS.

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

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

(2) in transactions in which title insurance is to be or is being issued, to supervise or approve the signing of legal instruments affecting the interest to be insured, disbursement of money, prorations, delivery of legal instruments, closing of transactions, or issuance of commitments for title insurance specifying the requirements for title insurance and the defects in title necessary to be cured or corrected; and

(3) to issue personal property title insurance under

Chapter 2751.

(b) A corporation described by Subsection (a) may exercise any of the following powers by including the power in the corporation's charter:

(1) to make and sell abstracts of title in any county of this state or another state;

(2) to accumulate and lend money and to purchase, sell or deal in notes, bonds, and securities, but without banking privileges;

(3) to act as trustee under a lawful trust committed to the corporation by contract or will or by appointment by a court as trustee, receiver, or guardian; and

(4) to act as executor or guardian under the terms of a will or as an administrator of a decedent's estate under the appointment of a court.

(c) Notwithstanding any other provision of this section, a corporation described by Subsection (a) is not authorized to practice law, as that term is defined by the courts of this state. A corporation described by Subsection (a) is not authorized to prepare a legal instrument described by Subsection (a)(2).

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 543 (S.B. 1153), Sec. 5, eff. September 1, 2007.

Sec. 2551.052. NAME. (a) The name of a corporation chartered or operating under this title may contain the words "Title and Trust Company."

(b) The name of a corporation chartered or operating under this title may not contain the word "Trust" alone. If the word "Trust" appears in the corporation's letterhead or literature, the corporation shall include the words "Without Banking Privileges."

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.053. STOCK AND SURPLUS REQUIREMENTS. (a) A title insurance company must have a paid-up capital of at least \$1 million and a surplus of at least \$1 million.

(b) The capital stock and minimum surplus requirements of a title insurance company must be maintained intact over and above all outstanding liabilities, except contingent liabilities on title insurance policies.

(c) If a title insurance company suffers the impairment of its capital stock or minimum surplus requirements, the company shall immediately report the impairment to the department.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 5.007, eff. September 1, 2017.

Sec. 2551.054. PURCHASE OF OWN STOCK. (a) Subject to Section 2551.053(a) and the Texas Business Corporation Act, a title insurance company may purchase its own shares of stock. A purchase of its own shares is not considered an investment and does not constitute a violation of a provision of this code relating to admissible investments.

(b) A title insurance company that purchases its own shares must, not later than the 10th day after the date of purchase, file with the commissioner a statement listing:

(1) the name of each shareholder from whom the shares have been purchased; and

(2) the amount paid for the shares.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.055. CHARTER OF CORPORATION ENGAGING IN BUSINESS OF TITLE INSURANCE. (a) The incorporators of a corporation engaging in the business of title insurance and incorporated under this title, Subdivision 57, Article 1302, Revised Statutes, Chapter 40, Acts of the 41st Legislature, Regular Session, 1929 (Article 1302a, Vernon's Texas Civil Statutes), or any other law shall file the corporation's original charter only with the department and shall certify the charter only to the department.

(b) Only the department may collect from a company described by this section any filing fees required by law.

(c) A corporation described by this section is not subject

to another law to the extent that the law conflicts with this section.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.056. REGULATION OF CERTAIN CORPORATIONS. (a) A corporation incorporated under Subdivision 57, Article 1302, Revised Statutes, before February 27, 1929, and engaging in business in this state on February 27, 1929:

- (1) may continue to engage in business;
- (2) is subject to this title; and
- (3) shall comply with the requirements of this title regarding investments and deposits.

(b) A shareholder in a company acting under this title is not liable in the event of default in the payment of any debt or liability of the company beyond the shareholder's subscription for stock.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

SUBCHAPTER C. AUTHORITY TO ENGAGE IN BUSINESS

Sec. 2551.101. CERTIFICATE OF AUTHORITY REQUIRED. A title insurance company may not engage in the business of title insurance in this state unless the company holds a certificate of authority issued under this title.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.102. ISSUANCE OF CERTIFICATE OF AUTHORITY. (a) Subject to Subsection (c), the department shall issue a certificate of authority to engage in the business of title insurance if, following any examination the department considers proper, the department makes a determination favorable to the title insurance company with respect to:

- (1) the payment of capital stock and surplus as required by this title; and
- (2) the value of the assets used to pay the capital stock and surplus.

(b) The title insurance company shall pay the expense of any

examination conducted under Subsection (a).

(c) Issuance of a certificate of authority to a foreign corporation is governed by Section 2553.001.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

SUBCHAPTER D. GENERAL POWERS AND DUTIES

Sec. 2551.151. ADMISSIBLE INVESTMENTS. (a) A title insurance company shall hold all investments in cash or in the following:

(1) an abstract plant or plants, provided that:

(A) the corporation is organized under this title and has the right to engage in the business of title insurance;

(B) except as provided by Subsection (b), the investment is not more than 50 percent of the corporation's capital stock; and

(C) the valuation of the plant or plants is approved by the department;

(2) securities described by Subchapter D, Chapter 425, other than Sections 425.202 and 425.229-425.232, or investments authorized for title insurance companies under the laws of any other state in which the company is authorized to engage in business;

(3) real property or any real property interest that is:

(A) required for the company's convenient accommodation in the transaction of business with reasonable regard to future needs;

(B) acquired in connection with a claim under a title insurance policy;

(C) acquired in satisfaction or on account of loans, mortgages, liens, judgments, or decrees previously owed to the company in the course of business;

(D) acquired in partial payment of the consideration of the sale of real property owned by the company if the transaction results in a net reduction in the company's investment in real property; or

(E) reasonably necessary to maintain or enhance the sale value of real property previously acquired or held by the company under this subdivision;

(4) a first mortgage note secured by any of the following, provided that the amount of the note does not exceed 80 percent of the appraised value of the security for the note:

(A) an abstract plant and connected personal property in or outside this state;

(B) stock of a title insurance agent in or outside this state;

(C) a construction contract to build an abstract plant and connected personal property; or

(D) any two or more of the items listed in this subdivision;

(5) the shares of any federal home loan bank in an amount necessary to qualify for membership and any additional amounts approved by the commissioner;

(6) foreign securities that are substantially of the same kinds, classes, and investment grade as securities otherwise qualified for investment under this section, provided that, unless the investment is also qualified under Subdivision (2), the aggregate amount of foreign investments made under this subdivision does not exceed:

(A) five percent of the insurer's admitted assets at the end of the preceding year;

(B) two percent of the insurer's admitted assets at the end of the preceding year invested in the securities of all entities domiciled in any one foreign country; and

(C) one-half of one percent of the insurer's admitted assets at the end of the preceding year invested in the securities of any one individual entity domiciled in a foreign country;

(7) securities lending, repurchase, reverse repurchase, and dollar roll transactions, as described by Section [425.121](#); or

(8) money market funds, as described by Section [425.123](#).

(b) If a corporation maintains with the department a deposit described by Subchapter E in the amount of \$100,000, the corporation may invest more than 50 percent of the corporation's capital stock under Subsection (a)(1), as considered necessary by the corporation's board of directors.

(c) A corporation created or operating under this title may own or acquire more than one abstract plant in any one county, but only one abstract plant in any one county is admissible as an investment under Subsection (a)(1).

(d) A title insurance company may not hold real property acquired under Subsection (a)(3)(B), (C), or (D) for more than 10 years without written approval of the department.

(e) Any investment that does not qualify under this section and was owned by the title insurance company on October 1, 1967, continues to qualify.

(f) If any otherwise valid investment qualified under this section exceeds in amount any of the limitations on investment provided by this section, the investment is inadmissible only to the extent that it exceeds the limitation.

(g) A title insurance company may invest in a certified capital company in the manner provided by Chapter 228.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2005, 79th Leg., Ch. 99 (H.B. 532), Sec. 2, eff. September 1, 2005.

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2I.002, eff. April 1, 2009.

Sec. 2551.152. ANNUAL STATEMENT. (a) Not later than March 1 of each year, each title insurance company shall file with the commissioner a verified statement.

(b) The statement must be in a form required by the commissioner and must:

(1) provide a statement of the business engaged in by the title insurance company during the preceding year; and

(2) describe the condition of the company's affairs on December 31 of the preceding year.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.153. FEES. The general laws applicable to payment of a filing fee by a corporation having capital stock apply to a corporation subject to this title.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.154. TRANSFER OF CERTAIN BUSINESS TO STATE BANKS OR TRUST COMPANIES. (a) This section applies to a corporation chartered under Section 2551.051, or its antecedents, Article 9.01, Texas Insurance Code, or Chapter 40, Acts of the 41st Legislature, Regular Session, 1929 (Article 1302a, Vernon's Texas Civil Statutes), and empowered to act as:

(1) trustee under a lawful trust committed to the corporation by contract or will or by appointment by a court as trustee, receiver, or guardian; and

(2) executor or guardian under the terms of a will or as an administrator of a decedent's estate under the appointment of the court.

(b) A corporation described by Subsection (a) may transfer and assign to one of the following entities all of the corporation's fiduciary business in which the corporation is named or acts as guardian, trustee, executor, or administrator or in any other fiduciary capacity:

(1) a state bank created under Subtitle A, Title 3, Finance Code, or a predecessor to that law; or

(2) a state trust company created under Chapter 181, Finance Code, or a predecessor to that law.

(c) On a corporation's transfer or assignment to a state bank or trust company under this section, the state bank or trust company shall, without the necessity of any action in a court of this state or any action by the creator or beneficiary of the trust or estate:

(1) continue the guardianship, trust, executorship, administration, or other fiduciary relationship related to the trust or estate;

(2) perform all of the duties and obligations of the

corporation related to the trust or estate; and

(3) exercise any powers and authority:

(A) related to the trust or estate; and

(B) exercised by the corporation at the time of the transfer or assignment.

(d) A transfer or assignment by a corporation under this section is not a resignation or refusal by the corporation to act on behalf of the guardianship, trust, executorship, administration, or other fiduciary relationship.

(e) On a corporation's transfer or assignment to a state bank or trust company under this section, the naming or designation by a testator or the creator of a living trust of the corporation to act as trustee, guardian, or executor or in any other fiduciary capacity includes the naming or designation of the state bank or trust company and authorizes the state bank or trust company to act in that capacity.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

SUBCHAPTER E. REQUIRED DEPOSIT

Sec. 2551.201. DEPOSIT REQUIRED; AMOUNT. (a) Except as provided by Section [2551.202](#), a title insurance company shall deposit and maintain in the state treasury, or other depository in this state named by the company and approved by the department, either:

(1) cash; or

(2) securities described by Section [2551.151](#).

(b) A title insurance company's deposit under this section must be in an amount equal to the lesser of:

(1) one-fourth of the authorized capital of the company; or

(2) \$100,000.

(c) A deposit under this section is for the benefit of all policyholders.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.202. EXCEPTION: FOREIGN TITLE INSURANCE COMPANY.

(a) A foreign title insurance company is not required to make a deposit under Section 2551.201 if the company has on deposit with insurance regulatory bodies in the United States an aggregate amount of deposit that:

(1) is equal to the amount required by Section 2551.201; and

(2) secures all policyholders of the company, regardless of their location.

(b) The foreign title insurance company must file with the department a certificate of deposit under the hand and seal of each insurance regulatory body holding a deposit of the company.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.203. WITHDRAWAL AND SUBSTITUTION OF DEPOSIT. A title insurance company may withdraw the deposit of securities made under Section 2551.201, or any portion of the deposit, after substituting other securities of a sufficient value to maintain the amount of deposit required under that section.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.204. USE OF DEPOSIT. (a) Except as otherwise provided by Subsection (e), a deposit made under this subchapter may be used only to pay an obligation connected with title insurance.

(b) On the insolvency or dissolution of a title insurance company, the company's deposit shall be used to protect title insurance policyholders even if no accrued title insurance claims exist and other unpaid obligations do exist, except as permitted by Subsection (e).

(c) A title insurance company's deposit must be applied to:

(1) the complete payment of any obligations and liabilities of the company connected with title insurance business; and

(2) the establishment of adequate reserves or reinsurance to protect any subsequently accruing or maturing title insurance obligations and liabilities.

(d) The amount, handling, and distribution of any reserves

required under Subsection (c)(2) are subject to the control and discretion of the department and are reviewable in judicial proceedings governed by rules applicable to review of rates under Subchapters D and E, Chapter 2703.

(e) Any deposit amount remaining after payments under Subsection (c) must be applied to:

(1) payment of other obligations and liabilities of the title insurance company; or

(2) distribution to shareholders.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

SUBCHAPTER F. RESERVES

Sec. 2551.251. STATUTORY PREMIUM RESERVE REQUIRED. (a) Each domestic title insurer shall establish and maintain a statutory premium reserve. The reserve is cumulative. The reserve must consist of the amounts required under Sections 2551.252-2551.260 and must be established and maintained during the period and for the uses and purposes provided by those sections.

(b) The reserve required under this section:

(1) is considered to be unearned portions of the original premium; and

(2) must be charged as a reserve liability of the title insurer in determining the insurer's financial condition.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.252. AMOUNTS ADDED TO RESERVE FOR CALENDAR YEAR 1997; REDUCTIONS. (a) The total charges of a domestic title insurer for title insurance policies written or assumed on or after January 1, 1997, and before January 1, 1998, are computed by adding the following, as described in the insurer's annual statement:

(1) the direct premium written by the insurer;

(2) the escrow and settlement service fees paid directly to and collected by the insurer;

(3) other title fees and service charges paid directly to and collected by the insurer, including fees for closing protection letters; and

(4) premiums for any reinsurance assumed by the insurer, less premiums for reinsurance ceded by the insurer during that year.

(b) The amount a domestic title insurer must set aside in the statutory premium reserve for the 1997 calendar year is computed by multiplying the total charges computed under Subsection (a) by:

(1) 6-1/5 percent if the insurer had \$250 million or more in direct premium written for the year 1996; or

(2) 3-1/2 percent if the insurer had less than \$250 million in direct premium written for the year 1996.

(c) A domestic title insurer shall reduce additions to the statutory premium reserve set aside for title insurance policies written or assumed during the year 1997 over a 20-year period beginning in the year after the year in which the policies are written or assumed, as provided by Subsection (d), by:

(1) 26 percent of the additions in the first year following the year of addition;

(2) 20 percent of the additions in the second year following the year of addition;

(3) 10 percent of the additions in the third year following the year of addition;

(4) nine percent of the additions in the fourth year following the year of addition;

(5) five percent of the additions in the fifth and sixth years following the year of addition;

(6) three percent of the additions in the seventh, eighth, and ninth years following the year of addition;

(7) two percent of the additions in the 10th through 14th years following the year of addition; and

(8) one percent of the additions in the last six years of the 20-year period.

(d) A domestic title insurer shall make the annual reductions under Subsection (c) in increments of one-fourth of the appropriate percentage of the additions each on March 31, June 30, September 30, and December 31 of each year.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.253. AMOUNTS ADDED TO RESERVE FOR CALENDAR YEARS AFTER 1997; REDUCTIONS. (a) Out of total charges for title insurance policies written or assumed on or after January 1, 1998, and before January 1, 2005, a domestic title insurer shall add to and set aside in the statutory premium reserve an amount equal to the total of the following, as described in the insurer's annual statement:

(1) 25 cents per \$1,000 of net retained liability if the insurer had \$250 million or more in direct written premiums written for the most recent calendar year; or

(2) 30 cents per \$1,000 of net retained liability if the insurer had less than \$250 million in direct written premiums written for the most recent calendar year.

(b) Out of total charges for title insurance policies written or assumed on or after January 1, 2005, a domestic title insurer shall add to and set aside in the statutory premium reserve an amount equal to the total of 18.5 cents per \$1,000 of net retained liability for the most recent calendar year, as described in the insurer's annual statement.

(c) A domestic title insurer shall reduce additions to the statutory premium reserve set aside for title insurance policies written or assumed after the year 1997 over a 20-year period beginning in the year after the year in which the policies are written or assumed in the manner and under the same percentages applied under Sections [2551.252](#)(c) and (d).

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2005, 79th Leg., Ch. 56 (H.B. [885](#)), Sec. 1, eff. September 1, 2005.

Sec. 2551.254. TRANSITIONAL RELEASE; TRANSITIONAL CHARGE.

(a) In addition to the requirements described by Sections [2551.252](#) and [2551.253](#), each domestic title insurer shall compute a total statutory premium reserve balance for all policy years combined as of December 31, 1996.

(b) A domestic title insurer shall compute the balance under

Subsection (a) as if Section 2551.252 were in effect during the 20-year period ending December 31, 1996. That balance, less the total actual statutory premium reserve balance carried by the insurer on December 31, 1996, is the insurer's transitional charge if the resulting amount is more than zero or is the insurer's transitional release if the resulting amount is zero or less.

(c) If a domestic title insurer has a transitional charge under Subsection (b), in addition to any changes to the statutory premium reserve otherwise required by this subchapter, the insurer shall add to its statutory premium reserve, on December 31 of each year for 10 consecutive years beginning on December 31, 1997, an amount equal to one-tenth of the transitional charge.

(d) If a domestic title insurer has a transitional release under Subsection (b), in addition to any changes to the statutory premium reserve otherwise required by this subchapter, the insurer shall reduce its statutory premium reserve, on December 31 of each year for 10 consecutive years beginning on December 31, 1997, by an amount equal to one-tenth of the transitional release.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.255. RUNOFF BALANCE. (a) At the end of each calendar year beginning in 1997, each domestic title insurer shall compute a total statutory premium reserve balance for all policy years before January 1, 1997, combined. The balance shall be computed as of the year-end evaluation date and as if Section 2551.252 were in effect during the 20-year period ending December 31, 1996. The balance computed under this subsection is the runoff balance.

(b) A domestic title insurer shall reduce its statutory premium reserve by an amount equal to the difference between:

(1) the runoff balance computed under Subsection (a);
and

(2) the runoff balance computed for the preceding calendar year.

(c) The reduction of the statutory premium reserve under Subsection (b) is in addition to any other changes to the statutory premium reserve required by this subchapter.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.256. ACTUARIAL CERTIFICATION. (a) Each domestic or foreign title insurer shall file annually with the insurer's annual statement required under Section [2551.152](#) an actuarial certification made by a member in good standing of the American Academy of Actuaries.

(b) An actuarial certification must:

(1) conform to the annual statement instructions for a title insurer adopted by the National Association of Insurance Commissioners; and

(2) include the actuary's professional opinion of the insurer's reserves as of the date of the annual statement.

(c) The reserves analyzed under this section must include reserves for known claims, including adverse development on known claims, and reserves for incurred but not reported claims.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.257. SUPPLEMENTAL RESERVE. Each domestic or foreign title insurer shall establish a supplemental reserve in an amount equal to the amount by which the actuarially certified reserves exceed the total of the known claim reserve and statutory premium reserve as set forth in the insurer's annual statement required under Section [2551.152](#).

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.258. REEVALUATION OF CERTAIN RESERVE REQUIREMENTS. (a) The commissioner may:

(1) reevaluate the adequacy of the statutory premium reserves required under Section [2551.253](#); and

(2) based on an actuarial review, change by order the amount of the statutory premium reserve required of any domestic title insurer or all domestic title insurers.

(b) Any change in the amount of a statutory premium reserve under Subsection (a)(2) is considered a statutory premium reserve and is not considered a supplemental reserve.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2005, 79th Leg., Ch. 56 (H.B. 885), Sec. 2, eff. September 1, 2005.

Sec. 2551.259. STATUTORY PREMIUM RESERVE AND SUPPLEMENTAL RESERVE FUND. The statutory premium reserve and supplemental reserve fund shall be:

- (1) held in cash; or
- (2) invested in first mortgage notes or other securities admissible for investment by title insurers under Section 2551.151.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.260. EFFECT OF INSOLVENCY OR DISSOLUTION. On the insolvency or dissolution of a title insurer, the statutory premium reserve and supplemental reserve fund shall be used to protect title insurance policyholders, even if no accrued title insurance claims exist and other unpaid obligations do exist.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.261. RESERVE FOR UNPAID LOSSES AND LOSS EXPENSES. (a) A title insurance company shall establish and maintain, in addition to any other reserves, a reserve against:

- (1) unpaid losses; and
- (2) loss expense for costs of defense of an insured and other costs expected to be paid to other parties in the defense, settlement, or processing of a claim under the terms of a title insurance policy.

(b) A title insurance company shall compute the amount of the reserve required by this section by carefully estimating any loss and loss expense likely to be incurred on a proper disposition of each claim presented, under notice from or on behalf of the insured, of a title defect in or lien or adverse claim against a title insured by the company.

(c) The total expenses of the title insurance company are equal to the estimate under Subsection (b) for payment of loss and costs of defense of the insured and other costs expected to be paid

to other parties in the defense, settlement, or processing of the claim under the terms of the title insurance policy. The title insurance company shall revise the estimate at least annually and may additionally revise the estimate as circumstances warrant.

(d) The amounts set aside in the reserve in any year shall be deducted in determining the net profits for that year of any title insurance company.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

SUBCHAPTER G. LIABILITY AND REINSURANCE

Sec. 2551.301. MAXIMUM POLICY LIABILITY. (a) Except as provided by Subsection (b), a title insurance company may 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 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](#).

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2015, 84th Leg., R.S., Ch. 38 (S.B. [572](#)), Sec. 1, eff. September 1, 2015.

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

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

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 543 (S.B. [1153](#)), Sec. 6, eff.

September 1, 2007.

Acts 2011, 82nd Leg., R.S., Ch. 1059 (S.B. [322](#)), Sec. 2, eff.
September 1, 2011.

Acts 2015, 84th Leg., R.S., Ch. 38 (S.B. [572](#)), Sec. 2, eff.
September 1, 2015.

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

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 543 (S.B. [1153](#)), Sec. 7, eff.
September 1, 2007.

Sec. 2551.305. REINSURANCE FROM NON-ADMITTED TITLE INSURER. Notwithstanding any other provision of this subchapter, a title insurance company may acquire reinsurance on an individual policy or facultative basis from a title insurance company not authorized to engage in the business of title insurance in this state if the title insurance company from which the reinsurance is acquired:

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

(2) is domiciled in another state and is authorized to engage in the business of title insurance in one or more states.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1059 (S.B. [322](#)), Sec. 3, eff.
September 1, 2011.

Acts 2013, 83rd Leg., R.S., Ch. 1056 (H.B. [3106](#)), Sec. 2, eff.
September 1, 2013.

Acts 2015, 84th Leg., R.S., Ch. 38 (S.B. [572](#)), Sec. 3, eff.
September 1, 2015.

Sec. 2551.3055. REINSURANCE FROM INSURER OTHER THAN TITLE INSURER. Notwithstanding any other provision of this subchapter,

a title insurance company may obtain reinsurance by a reinsurance treaty or other reinsurance agreement from an assuming insurer with a financial strength rating of B+ or better from the A. M. Best Company, which reinsurance meets the requirements of Subchapter C, Chapter 493, if the title insurance company has provided the department with notice that:

(1) contains representations that the title insurance company was unable after diligent effort to procure sufficient reinsurance from another title insurance company; and

(2) summarizes the terms of the reinsurance treaty or other reinsurance agreement that the title insurance company will obtain.

Added by Acts 2015, 84th Leg., R.S., Ch. 38 (S.B. 572), Sec. 3, eff. September 1, 2015.

SUBCHAPTER H. ENFORCEMENT AND INTERVENTION

Sec. 2551.351. FORFEITURE OF RIGHT TO ENGAGE IN BUSINESS.

(a) A foreign or domestic corporation forfeits any right to engage in business in this state if the corporation:

(1) issues any form of title insurance policy, or any other adopted or approved form, on real property in this state other than a form prescribed by the department;

(2) charges any premium rate on an owner, mortgagee, or other title insurance policy, or on any other adopted or approved form, on real property in this state other than a premium rate prescribed by the commissioner; or

(3) otherwise engages in the business of title insurance in relation to real property in this state on a form or for a premium rate not prescribed by the department or commissioner.

(b) This section does not apply to a premium rate charged in connection with a reinsurance transaction between two or more title insurance companies, provided that the reinsurance contract complies with Subchapter G.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.352. REVOCATION OF PERMIT AND FORFEITURE OF CHARTER. (a) A domestic corporation engaged in the business of title insurance that violates this title is subject to:

(1) revocation by the commissioner of the corporation's permit; and

(2) forfeiture of the corporation's charter.

(b) A foreign corporation engaged in the business of title insurance that violates this title is subject to revocation by the commissioner of the corporation's permit.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.353. PROCEDURE FOR REVOCATION OF CERTIFICATE.

(a) If the commissioner determines that a domestic or foreign corporation that holds a certificate of authority to engage in business in this state has violated this title, the commissioner shall notify the company that the commissioner intends to revoke the company's certificate of authority on the expiration of the 30-day period following the date actual notice is delivered or mailed under this section.

(b) Notice under this section must:

(1) be in writing; and

(2) be delivered to an executive officer of the company by personal service or by registered mail.

(c) If a company receiving notice under this section does not fully comply before the expiration of the period described by Subsection (a), the commissioner shall revoke the company's certificate of authority.

(d) A company whose certificate of authority is revoked under this section is ineligible for another certificate of authority until the later of:

(1) the date on which the company fully and in good faith complies; or

(2) the first anniversary of the date of the revocation.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.

Sec. 2551.354. APPEAL OF COMMISSIONER ACTION. (a) A

company qualified or seeking to qualify under this title and aggrieved by an action of the commissioner, including any action against the company, may file an appeal of the commissioner's action in a district court in Travis County.

(b) The appeal must be filed not later than the 30th day after the date the commissioner issues the order or ruling, except that if the order or ruling is directed against the company, whether or not directed against any other party, the company has 30 days after the date of receipt of official notice of the commissioner's action to review the action.

(c) An appeal under this section is subject to the same standard of review as an appeal under this code in accordance with Section [36.203](#).

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 6, eff. April 1, 2005.