

1 ENGROSSED HOUSE  
2 BILL NO. 2748

By: Russ of the House

3 and

4 Newberry of the Senate  
5  
6

7 An Act relating to insurance; requiring domestic  
8 title insurers to establish and maintain a statutory  
9 premium reserve; specifying required amounts of  
10 statutory premium reserves for certain companies;  
11 requiring additions to statutory premium reserves to  
12 be reduced over certain time period at a specified  
13 rate; directing domestic title insurers to compute  
14 certain balance; directing domestic title insurer to  
15 increase the statutory premium reserve in certain  
16 circumstances; directing domestic title insurer to  
17 release certain excess portions of the statutory  
18 premium reserve in certain circumstances at a certain  
19 specified rate; authorizing certain companies to  
20 transition to a five-percent statutory premium  
21 reserve in certain circumstances; directing certain  
22 companies to transition to a five-percent statutory  
23 premium reserve in certain circumstances; authorizing  
24 certain companies to establish reserves for certain  
time periods; requiring certain reserves to be held  
in cash or invested; authorizing expenditure of  
certain reserves should a title insurer become  
insolvent; providing for codification; and providing  
an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified  
in the Oklahoma Statutes as Section 5007 of Title 36, unless there  
is created a duplication in numbering, reads as follows:

1       A. Each domestic title insurer doing title insurance business  
2 in this state shall establish and maintain a statutory premium  
3 reserve during the period and for the uses and purposes provided in  
4 this section. The reserve shall at all times and for all purposes  
5 be deemed and shall constitute unearned portions of the original  
6 premium, and shall be charged as a reserve liability of the domestic  
7 title insurer in determining its financial condition.

8       The reserve shall be cumulative and shall consist of the amounts  
9 required under this section.

10       B. 1. For title insurance companies with annual gross premiums  
11 of Twenty Million Dollars (\$20,000,000.00) or more, the statutory  
12 premium reserve shall not be less than five percent (5%) of the sum  
13 of the following, as set forth in the title insurer's annual  
14 statement:

- 15           a. the direct premium written by the title insurer, and
- 16           b. premium for reinsurance assumed less premium for  
17                reinsurance ceded during the year.

18       2. Title insurance companies with annual gross premiums of less  
19 than Twenty Million Dollars (\$20,000,000.00) may, at their election,  
20 establish statutory premium reserves as set forth in this  
21 subsection, or in an amount not less than the title insurer's  
22 reserve for incurred but not reported claims (IBNR) plus the reserve  
23 for unallocated loss adjustment expense (ULAE).

24

1           3. The statutory premium reserve calculations in this  
2 subsection shall be the minimum statutory premium reserve required.  
3 A title insurance underwriter may set aside amounts in excess of the  
4 minimum reserve requirement.

5           4. Additions to the statutory premium reserve set aside for  
6 title insurance policies written or assumed under this subsection  
7 shall be reduced over a twenty-year period beginning in the year  
8 after the year in which the policies are written or assumed, no  
9 faster than:

- 10           a. thirty-five percent (35%) of the additions in the  
11                 first year succeeding the year of addition,
- 12           b. fifteen percent (15%) of the additions in each of the  
13                 succeeding two (2) years,
- 14           c. ten percent (10%) of the additions in the next  
15                 succeeding year,
- 16           d. three percent (3%) of the additions in the next three  
17                 (3) succeeding years,
- 18           e. two percent (2%) of the additions in the next three  
19                 (3) succeeding years, and
- 20           f. one percent (1%) of the additions in the next ten (10)  
21                 succeeding years.

22           5. The above annual reductions shall be made in increments of  
23 one-fourth (1/4) of the appropriate percentage of the additions each  
24 on March 31, June 30, September 30, and December 31 of each year.

1 C. Each domestic title insurer shall compute a total statutory  
2 premium reserve balance for all policy years combined as of December  
3 31, 2013.

4 The balance shall be computed as if this section were in effect  
5 during the twenty-year period ending December 31, 2013. For  
6 purposes of this calculation, the balance of the reserve as of  
7 December 31, 1993, is considered to be zero.

8 If the total calculated minimum statutory premium reserve  
9 exceeds the aggregate amount set aside for statutory premiums in the  
10 insurer's most recent annual statement filed with the Insurance  
11 Commissioner, the domestic title insurer shall, out of total charges  
12 for policies of title insurance, increase the statutory premium  
13 reserve by an amount equal to one-sixth (1/6) of that deficit in  
14 each of the succeeding six (6) years, beginning with calendar year  
15 2014, until the entire deficit has been added.

16 If the total calculated minimum statutory premium reserve is  
17 less than the aggregate amount set aside for statutory premiums in  
18 the insurer's most recent annual statement filed with the Insurance  
19 Commissioner, the domestic title insurer shall release the excess  
20 amount previously set aside by an amount equal to one-sixth (1/6) of  
21 that excess in each of the succeeding six (6) years, beginning with  
22 calendar year 2014, until the entire excess has been released. The  
23 balance of the reserve, equal to the calculated minimum statutory  
24 premium reserve, shall be released in accordance with each title

1 insurer's previous method of amortizing its statutory premium  
2 reserve.

3 The aggregate of the amounts set aside, if any, in excess of the  
4 statutory premium reserve in any calendar year as adjustments to the  
5 insurer's statutory premium reserve shall be released from the  
6 reserve and restored to net profits, or equity directly, over a  
7 period not exceeding ten (10) years pursuant to the following table:

8 Year of addition:	Release:
9 Year 1	Equally over ten (10) years
10 Year 2	Equally over nine (9) years
11 Year 3	Equally over eight (8) years
12 Year 4	Equally over seven (7) years
13 Year 5	Equally over six (6) years
14 Year 6	Equally over five (5) years

15 D. 1. Title insurance companies with annual gross premiums of  
16 less than Twenty Million Dollars (\$20,000,000.00) as of January 1,  
17 2014, which elect to set aside reserves in an amount not less than  
18 the title insurer's IBNR reserve plus the ULAE reserve as set forth  
19 in paragraph 2 of subsection B of this section, may voluntarily  
20 transition to the five-percent statutory premium reserve beginning  
21 in any calendar year subsequent to 2014.

22 2. Title insurance companies with annual gross premiums of less  
23 than Twenty Million Dollars (\$20,000,000.00) as of January 1, 2014,  
24 which have not voluntarily transitioned as set forth in paragraph 1

1 of this subsection, but which later earn annual gross premiums of  
2 Twenty Million Dollars (\$20,000,000.00) or more, must transition to  
3 the five-percent statutory premium reserve standard beginning  
4 January 1 of the year after they cross the Twenty-Million-Dollar  
5 threshold.

6 3. Title insurance companies transitioning to the five-percent  
7 statutory premium reserve, pursuant to paragraphs 1 and 2 of this  
8 subsection, may establish reserves for years prior to the  
9 transitional year in accordance with subsection C of this section.  
10 Alternatively, such companies may continue to use the previously  
11 established reserves for prior years until such reserves are fully  
12 amortized. Reserves established on a go-forward basis beginning  
13 with the year of transition shall be amortized in accordance with  
14 paragraphs 4 and 5 of subsection B of this section.

15 E. The statutory premium reserve and supplemental reserve fund  
16 shall be held in cash or invested in first mortgage notes or other  
17 securities admissible for investment by Section 5002 of this title.

18 F. In the event of the insolvency or dissolution of a title  
19 insurer, the statutory premium reserve and supplemental reserve fund  
20 shall be used to protect title insurance contract holders, even if  
21 there are no accrued title insurance claims and even if there are  
22 unpaid obligations of other types.

23 SECTION 2. This act shall become effective November 1, 2014.  
24

1 Passed the House of Representatives the 3rd day of March, 2014.

2  
3 \_\_\_\_\_  
4 Presiding Officer of the House  
of Representatives

5 Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2014.

6  
7  
8 \_\_\_\_\_  
9 Presiding Officer of the Senate