

1 ENGROSSED SENATE
2 BILL NO. 2025

By: Newberry of the Senate

3 and

4 Russ of the House

5
6 An Act relating to insurance; establishing a
7 statutory premium reserve for domestic title
8 insurers; setting rates and calculations for premium
9 reserves; providing for codification; and providing
10 an effective date.

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

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

15 A. Statutory Premium Reserve Required.

16 1. Each domestic title insurer doing title insurance business
17 under this chapter shall establish and maintain a statutory premium
18 reserve during the period and for the uses and purposes provided by
19 this article, which shall at all times and for all purposes be
20 deemed and shall constitute unearned portions of the original
21 premium, and shall be charged as a reserve liability of that insurer
22 in determining its financial condition.

1 2. The reserve required under this section shall be cumulative.
2 The reserve shall be established and shall consist of the amounts
3 required under this article.

4 B. Annual Additions to Reserves for Calendar Year 2014 and
5 Thereafter.

6 1. For companies with annual gross premiums of Twenty Million
7 Dollars (\$20,000,000.00) or more, beginning with premiums received
8 on January 1, 2015, the statutory premium reserve shall consist of
9 an amount not less than five percent (5%) of the sum of the
10 following, as set forth in the title insurer's annual statement:

- 11 a. the direct premium written by the title insurer, and
- 12 b. premium for reinsurance assumed less premium for
13 reinsurance ceded during the year.

14 2. Companies with annual gross premiums of less than Twenty
15 Million Dollars (\$20,000,000.00) may, at their election, establish
16 premium reserves as set forth in paragraph 1 of subsection B of this
17 section, or alternatively, in an amount not less than the title
18 insurer's reserve for incurred but not reported claims (IBNR) plus
19 the reserve for unallocated loss adjustment expense (ULAE). For
20 companies electing the latter option, the remainder of subsections B
21 and C of this section do not apply.

22 3. The statutory premium reserve calculations in subsection B
23 of this section are minimum amounts. A title insurance underwriter
24 may set aside amounts in excess of the minimum reserve requirement.

1 4. Additions to the statutory premium reserve set aside for
2 title insurance policies written or assumed under paragraph 1 of
3 subsection B of this section shall be reduced over a 20-year period
4 beginning in the year after the year in which the policies are
5 written or assumed, as provided by paragraph 5 of this subsection,
6 no faster than:

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

19 5. The annual reductions under paragraph 4 of subsection B of
20 this section shall be made in increments of one-fourth (1/4) of the
21 appropriate percentage of the additions on March 31, June 30,
22 September 30, and December 31 of each year.

23 C. Establishment of Reserves for the Periods After 2014.
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1 1. In addition to the requirements imposed under this section,
2 each domestic title insurer shall compute a total statutory premium
3 reserve balance for all policy years combined as of December 31,
4 2013.

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

9 a. If the total minimum statutory premium reserve so
10 calculated exceeds the aggregate amount set aside for
11 statutory premiums in the insurer's most recent annual
12 statement filed with the Insurance Commissioner, the
13 insurer shall, out of total charges for policies of
14 title insurance, increase its statutory premium
15 reserve by an amount equal to one-sixth (1/6) of that
16 deficit in each of the succeeding six (6) years,
17 beginning with calendar year 2014, until the entire
18 deficit has been added. These added amounts (the
19 excess reserve) shall be released in accordance with
20 paragraph 3 of this subsection.

21 b. If the total minimum statutory premium reserve so
22 calculated is less than the aggregate amount set aside
23 for statutory premiums in the insurer's most recent
24 annual statement filed with the commissioner, the

1 insurer shall release the excess amount previously set
2 aside by an amount equal to one-sixth (1/6) of that
3 excess in each of the succeeding six (6) years,
4 beginning with calendar year 2014, until the entire
5 excess has been released. The balance of the reserve
6 (equal to the calculated minimum statutory premium
7 reserve) shall be released in accordance with each
8 title insurer's previous method of amortizing its
9 statutory premium reserve.

10 3. The aggregate of the amounts set aside, if any, in excess of
11 the statutory premium reserve pursuant to subparagraph a of
12 paragraph 2 of this subsection in any calendar year as adjustments
13 to the insurer's statutory premium reserve shall be released from
14 the reserve and restored to net profits, or equity directly, over a
15 period not exceeding ten (10) years pursuant to the following table:

16 Year of addition	Release
17 Year 1	Equally over ten (10) years
18 Year 2	Equally over nine (9) years
19 Year 3	Equally over eight (8) years
20 Year 4	Equally over seven (7) years
21 Year 5	Equally over six (6) years
22 Year 6	Equally over five (5) years

23 D. Companies Transitioning to five percent (5%) Statutory
24 Premium Reserve After Calendar Year 2015.

1 1. Companies with annual gross premiums of less than Twenty
2 Million Dollars (\$20,000,000.00) as of January 1, 2014, which elect
3 to set aside reserves in an amount not less than the title insurer's
4 IBNR reserve plus the ULAE reserve as set forth in paragraph 2 of
5 subsection B of this section, may voluntarily transition to the five
6 percent (5%) statutory premium reserve described elsewhere in
7 subsection B of this section beginning in any calendar year
8 subsequent to 2014.

9 2. Companies with annual gross premiums of less than Twenty
10 Million Dollars (\$20,000,000.00) as of January 1, 2015, which have
11 not voluntarily transitioned as set forth in subsection C of this
12 section, but which later earn annual gross premiums of Twenty
13 Million Dollars (\$20,000,000.00) or more, shall transition to the
14 five percent (5%) statutory premium reserve standard beginning
15 January 1 of the year after they earn annual gross premiums of
16 Twenty Million Dollars (\$20,000,000.00) or more.

17 3. Companies transitioning to the five percent (5%) statutory
18 premium reserve, as set forth in subsections B and C of this
19 section, may, but need not, establish reserves for years prior to
20 the transitional year in accordance with subsection C of this
21 section. Alternatively, such companies may continue to use the
22 previously established reserves for prior years until such reserves
23 are fully amortized. Reserves established on a go-forward basis
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1 beginning with the year of transition, shall be amortized in
2 accordance with paragraphs 4 and 5 of subsection B of this section.

3 E. Maintenance of Fund.

4 The statutory premium reserve and supplemental reserve fund
5 shall be held in cash or invested in first mortgage notes or other
6 securities admissible for investment by Section 5002 this title.

7 F. Effect of Insolvency or Dissolution.

8 In the event of the insolvency or dissolution of a title
9 insurer, the statutory premium reserve and supplemental reserve fund
10 shall be used to protect title insurance contract holders, even if
11 there are no accrued title insurance claims and even if there are
12 unpaid obligations of other types.

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

14 Passed the Senate the 11th day of March, 2014.

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Presiding Officer of the Senate

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18 Passed the House of Representatives the ____ day of _____,
19 2014.

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Presiding Officer of the House
of Representatives

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