

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                                   STATE OF OKLAHOMA

3                                   2nd Session of the 54th Legislature (2014)

4 COMMITTEE SUBSTITUTE  
5 FOR  
6 HOUSE BILL NO. 2748

By: Russ

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8                                   COMMITTEE SUBSTITUTE

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

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

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

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

11 The reserve shall be cumulative and shall consist of the amounts  
12 required under this section.

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

- 18 a. the direct premium written by the title insurer, and
- 19 b. premium for reinsurance assumed less premium for  
20 reinsurance ceded during the year.

21 2. Title insurance companies with annual gross premiums of less  
22 than Twenty Million Dollars (\$20,000,000.00) may, at their election,  
23 establish statutory premium reserves as set forth in this  
24 subsection, or in an amount not less than the title insurer's

UNDERLINED language denotes Amendments to present Statutes.  
**BOLD FACE CAPITALIZED** language denotes Committee Amendments.  
~~Strike thru~~ language denotes deletion from present Statutes.

1 reserve for incurred but not reported claims (IBNR) plus the reserve  
2 for unallocated loss adjustment expense (ULAE).

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

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

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

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

4 C. Each domestic title insurer shall compute a total statutory  
5 premium reserve balance for all policy years combined as of December  
6 31, 2013.

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

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

19 If the total calculated minimum statutory premium reserve is  
20 less than the aggregate amount set aside for statutory premiums in  
21 the insurer's most recent annual statement filed with the Insurance  
22 Commissioner, the domestic title insurer shall release the excess  
23 amount previously set aside by an amount equal to one-sixth (1/6) of  
24 that excess in each of the succeeding six (6) years, beginning with

1 calendar year 2014, until the entire excess has been released. The  
2 balance of the reserve, equal to the calculated minimum statutory  
3 premium reserve, shall be released in accordance with each title  
4 insurer's previous method of amortizing its statutory premium  
5 reserve.

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

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

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

1           2. Title insurance companies with annual gross premiums of less  
2 than Twenty Million Dollars (\$20,000,000.00) as of January 1, 2014,  
3 which have not voluntarily transitioned as set forth in paragraph 1  
4 of this subsection, but which later earn annual gross premiums of  
5 Twenty Million Dollars (\$20,000,000.00) or more, must transition to  
6 the five-percent statutory premium reserve standard beginning  
7 January 1 of the year after they cross the Twenty-Million-Dollar  
8 threshold.

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

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

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

3 SECTION 2. This act shall become effective November 1, 2014.  
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5 COMMITTEE REPORT BY: COMMITTEE ON INSURANCE, dated 02/17/2014 - DO  
6 PASS, As Amended.  
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