

1 **SENATE FLOOR VERSION**

2 March 27, 2014

3 **AS AMENDED**

4 ENGROSSED HOUSE
5 BILL NO. 2748

6 By: Russ of the House

7 and

8 Newberry of the Senate

9 **[insurance - domestic title insurers - statutory
10 premium reserves - codification - 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. Each domestic title insurer doing title insurance business
16 in this state shall establish and maintain a statutory premium
17 reserve during the period and for the uses and purposes provided in
18 this section. The reserve shall at all times and for all purposes
19 be deemed and shall constitute unearned portions of the original
20 premium, and shall be charged as a reserve liability of the domestic
21 title insurer in determining its financial condition.

22 The reserve shall be cumulative and shall consist of the amounts
23 required under this section.

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

- 6 a. the direct premium written by the title insurer, and
- 7 b. premium for reinsurance assumed less premium for
8 reinsurance ceded during the year.

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

15 3. The statutory premium reserve calculations in this
16 subsection shall be the minimum statutory premium reserve required.
17 A title insurance underwriter may set aside amounts in excess of the
18 minimum reserve requirement.

19 4. Additions to the statutory premium reserve set aside for
20 title insurance policies written or assumed under this subsection
21 shall be reduced over a twenty-year period beginning in the year
22 after the year in which the policies are written or assumed, no
23 faster than:
24

- a. thirty-five percent (35%) of the additions in the first year succeeding the year of addition,
- b. fifteen percent (15%) of the additions in each of the succeeding two (2) years,
- c. ten percent (10%) of the additions in the next succeeding year,
- d. three percent (3%) of the additions in the next three (3) succeeding years,
- e. two percent (2%) of the additions in the next three (3) succeeding years, and
- f. one percent (1%) of the additions in the next ten (10) succeeding years.

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

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

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

If the total calculated minimum statutory premium reserve exceeds the aggregate amount set aside for statutory premiums in the

1 insurer's most recent annual statement filed with the Insurance
2 Commissioner, the domestic title insurer shall, out of total charges
3 for policies of title insurance, increase the statutory premium
4 reserve by an amount equal to one-sixth (1/6) of that deficit in
5 each of the succeeding six (6) years, beginning with calendar year
6 2014, until the entire deficit has been added.

7 If the total calculated minimum statutory premium reserve is
8 less than the aggregate amount set aside for statutory premiums in
9 the insurer's most recent annual statement filed with the Insurance
10 Commissioner, the domestic title insurer shall release the excess
11 amount previously set aside by an amount equal to one-sixth (1/6) of
12 that excess in each of the succeeding six (6) years, beginning with
13 calendar year 2014, until the entire excess has been released. The
14 balance of the reserve, equal to the calculated minimum statutory
15 premium reserve, shall be released in accordance with each title
16 insurer's previous method of amortizing its statutory premium
17 reserve.

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

23 Year of addition:	Release:
24 Year 1	Equally over ten (10) years

1	Year 2	Equally over nine (9) years
2	Year 3	Equally over eight (8) years
3	Year 4	Equally over seven (7) years
4	Year 5	Equally over six (6) years
5	Year 6	Equally over five (5) years

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

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

21 3. Title insurance companies transitioning to the five-percent
22 statutory premium reserve, pursuant to paragraphs 1 and 2 of this
23 subsection, may establish reserves for years prior to the
24 transitional year in accordance with subsection C of this section.

1 Alternatively, such companies may continue to use the previously
2 established reserves for prior years until such reserves are fully
3 amortized. Reserves established on a go-forward basis beginning
4 with the year of transition shall be amortized in accordance with
5 paragraphs 4 and 5 of subsection B of this section.

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

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

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

15 COMMITTEE REPORT BY: COMMITTEE ON INSURANCE
16 March 27, 2014 - DO PASS AS AMENDED

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