

1 A bill to be entitled
2 An act relating to title insurance; amending s.
3 625.111, F.S.; revising the reserves that certain
4 title insurers must set aside after a certain date;
5 revising the manner in which reserves must be
6 released; revising reserve requirements for a title
7 insurer who transfers domicile to this state;
8 providing an effective date.

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10 Be It Enacted by the Legislature of the State of Florida:

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12 Section 1. Subsections (1) and (3) of section 625.111,
13 Florida Statutes, are amended to read:

14 625.111 Title insurance reserve.—In addition to an
15 adequate reserve as to outstanding losses relating to known
16 claims as required under s. 625.041, a domestic title insurer
17 shall establish, segregate, and maintain a guaranty fund or
18 unearned premium reserve as provided in this section. The sums
19 to be reserved for unearned premiums on title guarantees and
20 policies shall be considered and constitute unearned portions of
21 the original premiums and shall be charged as a reserve
22 liability of the insurer in determining its financial condition.
23 Such reserved funds shall be withdrawn from the use of the
24 insurer for its general purposes, impressed with a trust in
25 favor of the holders of title guarantees and policies, and held
26 available for reinsurance of the title guarantees and policies

27 | in the event of the insolvency of the insurer. This section does
28 | not preclude the insurer from investing such reserve in
29 | investments authorized by law, and the income from such
30 | investments shall be included in the general income of the
31 | insurer and may be used by such insurer for any lawful purpose.

32 | (1) For an unearned premium reserve established on or
33 | after July 1, 1999, such reserve must be in an amount at least
34 | equal to the sum of paragraphs (a), (b), and (d) for title
35 | insurers holding less than \$50 million in surplus as to
36 | policyholders as of the previous year end and the sum of
37 | paragraphs (c) and (d) for title insurers holding \$50 million or
38 | more in surplus as to policyholders as of the previous year end
39 | or title insurers that are members of an insurance holding
40 | company system having \$1 billion or more in surplus as to
41 | policyholders and rated "A-" or higher by A.M. Best Company:

42 | (a) A reserve with respect to unearned premiums for
43 | policies written or title liability assumed in reinsurance
44 | before July 1, 1999, equal to the reserve established on June
45 | 30, 1999, for those unearned premiums with such reserve being
46 | subsequently released as provided in subsection (2). For
47 | domestic title insurers subject to this section, such amounts
48 | shall be calculated in accordance with state law in effect at
49 | the time the associated premiums were written or assumed and as
50 | amended before July 1, 1999.

51 | (b) A total amount equal to 30 cents for each \$1,000 of
52 | net retained liability for policies written or title liability

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53 assumed in reinsurance on or after July 1, 1999, with such
54 reserve being subsequently released as provided in subsection
55 (2). For the purpose of calculating this reserve, the total of
56 the net retained liability for all simultaneous issue policies
57 covering a single risk shall be equal to the liability for the
58 policy with the highest limit covering that single risk, net of
59 any liability ceded in reinsurance.

60 (c) On or after January 1, 2014, for title insurers that
61 are members of an insurance holding company system having \$1
62 billion or more in surplus as to policyholders and rated "A-" or
63 higher by A.M. Best Company or title insurers holding \$50
64 million or more in surplus as to policyholders as of the
65 previous year end, a minimum of 6.5 percent of the total of the
66 following:

67 1. Direct premiums written; and
68 2. Premiums for reinsurance assumed, plus other income,
69 less premiums for reinsurance ceded as displayed in Schedule P
70 of the title insurer's most recent annual statement filed with
71 the office with such reserve being subsequently released as
72 provided in subsection (2). Title insurers with less than \$50
73 million in surplus as to policyholders that are not members of
74 an insurance holding company system holding \$1 billion or more
75 in surplus as to policyholders and rated "A-" or higher by A.M.
76 Best Company must continue to record unearned premium reserve in
77 accordance with paragraph (b).

78 (d) An additional amount, if deemed necessary by a

79 | qualified actuary, to be subsequently released as provided in
80 | subsection (2). Using financial results as of December 31 of
81 | each year, all domestic title insurers shall obtain a Statement
82 | of Actuarial Opinion from a qualified actuary regarding the
83 | insurer's loss and loss adjustment expense reserves, including
84 | reserves for known claims, incurred but not reported claims, and
85 | unallocated loss adjustment expenses. The actuarial opinion must
86 | conform to the annual statement instructions for title insurers
87 | adopted by the National Association of Insurance Commissioners
88 | and include the actuary's professional opinion of the insurer's
89 | reserves as of the date of the annual statement. If the amount
90 | of the reserve stated in the opinion and displayed in Schedule P
91 | of the annual statement for that reporting date is greater than
92 | the sum of the known claim reserve and unearned premium reserve
93 | as calculated under this section, as of the same reporting date
94 | and including any previous actuarial provisions added at earlier
95 | dates, the insurer shall add to the insurer's unearned premium
96 | reserve an actuarial amount equal to the reserve shown in the
97 | actuarial opinion, minus the known claim reserve and the
98 | unearned premium reserve, as of the current reporting date and
99 | calculated in accordance with this section, but not calculated
100 | as of any date before December 31, 1999. The comparison shall be
101 | made using that line on Schedule P displaying the Total Net Loss
102 | and Loss Adjustment Expense which is comprised of the Known
103 | Claim Reserve, and any associated Adverse Development Reserve,
104 | the reserve for Incurred But Not Reported Losses, and

105 Unallocated Loss Adjustment Expenses.

106 (3) If a title insurer that is organized under the laws of
107 another state transfers its domicile to this state, the
108 statutory or unearned premium reserve shall be the amount
109 required by the laws of the state of the title insurer's former
110 state of domicile as of the date of transfer of domicile and
111 shall be released from reserve over the subsequent 20 years at
112 an amortization rate not to exceed the formula in paragraph
113 (2)(c) according to the requirements of law in effect in the
114 former state at the time of domicile. On or after January 1,
115 2014, for new business written after the effective date of the
116 transfer of domicile to this state, the domestic title insurer
117 shall add to and set aside in the statutory or unearned premium
118 reserve such amount as provided in subsection (1).

119 Section 2. This act shall take effect July 1, 2016.