

Presented to the governor May 15, 2004

Signed by the governor May 19, 2004, 11:20 a.m.

CHAPTER 227—H.F.No. 2139

An act relating to title insurance; providing for required premium reserves; defining a term; amending Minnesota Statutes 2002, sections 68A.02; 68A.03, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 68A.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2002, section 68A.02, is amended to read:

68A.02 ~~UNEARNED~~ HISTORIC STATUTORY PREMIUM RESERVE.

Subdivision 1. 1964-2001 PREMIUM RESERVE. Upon issuance of each contract of title insurance issued on or after January 1, 1964, through January 1, 2001, by a domestic real estate title insurance company, there shall be reserved initially a sum equal to ten percent of the original premium charged therefor. At the end of each calendar year following the year in which the contract of title insurance is issued, there shall be a reduction in the sum so reserved in the amount of one-twentieth of such sum. On any contract of title insurance issued prior to January 1, 1964, by a domestic real estate title insurance company, a reserve shall be set up on January 1, 1964, and thereafter maintained in such sum as would have been required if the foregoing requirements with respect to title insurance reserves had existed at and after the date of the contract of title insurance. Such sums herein required to be reserved shall at all times and for all purposes be considered and constitute unearned portions of the original premiums on such contracts of title insurance, shall be charged as a reserve liability of the real estate title insurance company in determining its financial condition, and, for the purpose of applying the provisions of section 60A.23, subdivision 4, shall be deemed to constitute the whole amount of the premiums on the unexpired risks of such real estate title insurance company.

Subd. 2. 2001-2004 PREMIUM RESERVE. (a) Additions to the reserve after January 1, 2001, and through January 1, 2004, must be made out of total charges for title insurance policies and guarantees written, equal to the sum of the following items, as set forth in the title insurer's most recent annual statement filed with the commissioner;

(1) for each title insurance policy on a single risk written or assumed after January 1, 2001, a minimum rate of \$0.36 per \$1,000 of net retained liability for policies under \$500,000 and \$0.16 per \$1,000 of net retained liability for policies of \$500,000 or greater; and

(2) a minimum of eight percent of escrow, settlement, and closing fees collected in contemplation of the issuance of title insurance policies or guarantees.

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(b) The amounts in paragraph (a) must be released from the reserve in accordance with section 68A.03, subdivision 3, paragraph (b).

Sec. 2. Minnesota Statutes 2002, section 68A.03, subdivision 3, is amended to read:

Subd. 3. **STATUTORY PREMIUM RESERVE.** (a) A title insurer shall establish and maintain a statutory premium reserve consisting of:

(1) the amount of statutory premium reserve required by the laws of the domiciliary state of the insurer if the insurer is a foreign or non-U.S. title insurer; or

(2) if the insurer is a domestic title insurer of this state, a statutory or unearned premium reserve consisting of:

(i) the amount of the statutory or unearned premium or reinsurance reserve legally held on January 1, ~~2001~~ 2004, which balance must be released according to the law in effect at the time the sums were added to the reserve, all as set forth in section 68A.02; and

(ii) ~~additions to the reserve after January 1, 2001, must be made out of total charges for title insurance policies and guarantees written, equal to the sum of the following items, as set forth in the title insurer's most recent annual statement filed with the commissioner 2004, a sum equal to a minimum of eight percent of the following items:~~

(A) ~~for each title insurance policy on a single risk written or assumed after January 1, 2001, a minimum rate of \$0.36 per \$1,000 of net retained liability for policies under \$500,000 and \$0.16 per \$1,000 of net retained liability for policies of \$500,000 or greater direct risk premiums written; and~~

(B) ~~a minimum of eight percent of escrow, settlement, and closing fees collected in contemplation of the issuance of title insurance policies or guarantees premiums for reinsurance assumed, plus other income, less premiums for reinsurance ceded as set forth in schedule P of the title insurer's most recent annual statement filed with the commissioner.~~

(b) The aggregate of the amounts set aside in this reserve in any calendar year pursuant to paragraph (a), clause (2), item (ii), must be released from the reserve and restored to net profits over a period of 20 years at an amortization rate not to exceed the following formula: 35 percent of the aggregate sum on July 1 of the year next succeeding the year of addition; 15 percent of the aggregate sum on July 1 of each of the succeeding two years; ten percent of the aggregate sum on July 1 of the next succeeding year; three percent of the aggregate sum on July 1 of each of the next three succeeding years; two percent of the aggregate sum on July 1 of each of the next three succeeding years; and one percent of the aggregate sum on July 1 of each of the next succeeding ten years.

(c) The insurer shall calculate an adjusted statutory or unearned premium reserve as of the year of first application of paragraph (a), clause (2), item (ii). The adjusted reserve must be calculated as if paragraph (a), clause (2), item (ii), had been in effect

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for all years beginning 20 years before the year of first application of paragraph (a), clause (2), item (ii). For purposes of this calculation, the balance of the reserve as of that date is considered to be zero. If the adjusted reserve so calculated exceeds the aggregate amount set aside for statutory or unearned premiums in the insurer's most recent annual statement filed with the commissioner, the insurer shall, out of total charges for policies of title insurance, increase its statutory or unearned premium reserve by an amount equal to one-sixth of that excess in each of the succeeding six years, beginning with the calendar year that includes the year of first application of paragraph (a), clause (2), item (ii), until the entire excess has been added.

(d) The aggregate of the amounts set aside in this reserve in any calendar year as adjustments to the insurer's statutory or unearned premium reserve pursuant to paragraph (c) must be released from the reserve and restored to net profits, or equity if the additions required by paragraph (c) reduced equity directly, over a period not exceeding ten years pursuant to the following table:

Year of addition	Release
Year 1*	Equally over ten years
Year 2	Equally over nine years
Year 3	Equally over eight years
Year 4	Equally over seven years
Year 5	Equally over six years
Year 6	Equally over five years

* The calendar year following the year of first application of paragraphs (a), clause (2), item (ii), (b), and (c).

(e) A supplemental reserve must be established consisting of any other reserves necessary, when taken in combination with the reserves required by this section and section 68A.02, to cover the company's liabilities with respect to all losses, claims, and loss adjusted expenses.

(f) Each title insurer subject to the provisions of this chapter shall file with its annual statement, required under section 60A.13, subdivision 1, a certification by a member in good standing of the American Academy of Actuaries. The actuarial certification required of a title insurer must conform to the National Association of Insurance Commissioners' annual statement instructions for title insurers.

Sec. 3. [68A.04] DEFINITION OF DIRECT RISK PREMIUMS.

For purposes of this chapter, "direct risk premiums" means the charge for title insurance made by a title insurance company or its agents according to the company's rate filing approved by the commissioner of commerce without a deduction for commissions paid to or retained by the agent and is that portion of the fee charged by a title insurance company to an insured or an applicant for insurance for the assumption by the title insurance company of the risk created by the issuance of the title insurance policy. Direct risk premiums of a title insurance company do not include any other charge or fee for abstracting, searching, or examining the title, or for escrow, closing, or other related services.

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CHAPTER 228—H.F.No. 2577

An act relating to legislation; correcting erroneous, ambiguous, and omitted text and obsolete references; eliminating certain redundant, conflicting, and superseded provisions; making miscellaneous technical corrections to statutes and other laws; amending Minnesota Statutes 2002, sections 3.971, subdivision 8; 13.07; 13.461, by adding a subdivision; 13.465, subdivision 1, by adding a subdivision; 13.475, subdivision 4; 13.4965, by adding a subdivision; 13.4967, by adding a subdivision; 13.7411, subdivision 5; 15.0591, subdivision 2; 18F.02, subdivision 2a; 60A.23, subdivision 5; 82.34, subdivision 13; 85.053, subdivision 2; 89.391; 97A.055, subdivision 4; 103B.101, subdivision 10; 115B.16, subdivision 4; 115B.18, subdivision 1; 116A.11, subdivision 1; 119A.05, subdivision 1; 126C.48, subdivision 8; 162.081, subdivision 4; 163.16, subdivision 1; 163.161; 164.05, subdivision 3; 164.08, subdivision 1; 168.12, subdivision 2d; 181.953, subdivision 1; 214.03, subdivision 1; 237.39; 256D.03, subdivision 8; 260B.175, subdivision 1; 270B.01, subdivision 8; 272.0212, subdivision 2; 273.1398, subdivisions 1, 2d, 3; 275.07, subdivision 1; 276.04, subdivision 2; 290.191, subdivision 5; 290C.04; 306.32; 325F.19, subdivision 3; 325F.69, subdivisions 1, 4; 326.10, subdivisions 1, 7; 326.12, subdivision 2; 326.13; 326.15; 336.9-531; 344.20; 348.02; 357.021, subdivision 5; 365.59; 366.17; 368.85, subdivision 9; 385.09; 395.14; 477A.011, subdivisions 21, 27, 35; 477A.015; 609.3452, subdivision 2; Minnesota Statutes 2003 Supplement, sections 13.4963, subdivision 2; 18G.14, subdivisions 1, 8; 37.31, subdivision 4; 62J.692, subdivision 10; 62J.694, subdivision 1; 97A.482; 115B.31, subdivision 1; 116J.966, subdivision 1; 119B.125, subdivision 2; 127A.45, subdivision 10; 144.395, subdivision 1; 192.501, subdivision 2; 216C.41, subdivision 1; 246.014; 256.954, subdivision 3; 256B.0943, subdivisions 5, 7, 9, 12, by adding a subdivision; 270B.03, subdivision 6; 273.1392; 273.1398, subdivision 4c; 297A.668, subdivision 3; 297A.669, subdivision 16; 308B.201; 308B.311, subdivision 6; 308B.471, subdivision 2; 308B.735, subdivision 1; 365.52, subdivision 1; 469.177, subdivision 9; 469.339, subdivision 2; 473.253, subdivision 1; Laws 2003, First Special Session chapter 11, article 2, section 21; Laws 2003, First Special Session chapter 21, article 8, section 10; repealing Minnesota Statutes 2002, sections 18.79, subdivision 11; 115B.241; 273.1398, subdivisions 1a, 2e; 275.07, subdivisions 1a, 5; Laws 2001, chapter 161, section 29; Laws 2001, First Special Session chapter 5, article 3, section 9; Laws 2002, chapter 364, section 15; Laws 2002, chapter 380, article 4, section 1; Laws 2003, chapter 112, article 2, section 35; Laws 2003, chapter 127, article 5, section 19; Laws 2003, chapter 127, article 7, section 1; Laws 2003, chapter 128, article 2, section 13; Laws 2003, chapter 128, article 3, section 44; Laws 2003, First Special Session chapter 9, article 5, section 29; Minnesota Rules, parts 1220.0200; 1220.0300; 1220.0400; 1220.0500; 1220.0600; 1220.0700; 1220.0800; 1220.0900; 7380.0200; 7380.0210; 7380.0220; 7380.0230; 7380.0240.

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