

Committee on Banking and Insurance

CS/CS/HB 805 — Title Insurer Reserves

by Regulatory Affairs Committee; Insurance and Banking Subcommittee; and Rep. Moraitis (CS/SB 758 by Banking and Insurance Committee; and Senator Lee)

The bill changes the unearned premium reserve requirement for title insurers holding \$50 million or more in surplus to policyholders. Those title insurers must have a minimum reserve of 6.5 percent of the total of (1) direct premiums written and (2) premiums for reinsurance assumed, with certain adjustments. Title insurers having less than \$50 million in surplus as to policyholders must continue to record unearned premium reserve in accordance with current law (30 cents per \$1,000 of net retained liability).

The bill amends statutes relating to the release of unearned premium reserve. The bill creates a new schedule for the release of the unearned premium reserve over 20 years for companies with more than \$50 million in surplus, as follows: 35 percent of the initial sum during the year following the year the premium was written or assumed, 15 percent during each year of the next succeeding 2 years, 10 percent during the next succeeding year, 3 percent during each of the next succeeding 3 years, 2 percent during each of the next succeeding 3 years, and 1 percent during each of the next succeeding 10 years.

The bill allows a title insurer organized under the laws of another state which transfers its domicile to Florida to have an unearned premium reserve as required by the laws of the title insurer's former state. That reserve is released according to the requirements of law in effect in the former state at the time of domicile. The release of reserve based on premiums written after the insurer moves to Florida is governed by Florida law.

The bill reduces the insurance premium tax paid by title insurers, effective January 1, 2015. The bill provides that the premium tax shall not be imposed on any portion of the title insurance premium retained by a title insurance agent or agency. Currently, title insurance agents and agencies retain up to 70 percent of the premium for the performance of title insurance services while the insurer pays the premium tax on the entire premium. The bill provides that provision reducing the premium tax expires December 31, 2017, unless reenacted by the Legislature. It provides legislative intent that the premium tax reduction is contingent on title insurers adding employees to their payroll. The bill requires title insurers to add a minimum of 600 Florida-based employees to their payroll as verified by the Department of Economic Opportunity and requires the department to report such verification to the President of the Senate and the Speaker of the House by October 1, 2016.

If approved by the Governor, these provisions take effect upon becoming law, except as otherwise provided in the bill.

Vote: Senate 38-0; House 115-0