

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1530

DATE: April 25, 2011

Version: As introduced

Authors: Mazorol and others

Subject: Premium reserves required for title insurers

Analyst: Tom Pender (651) 296-1885

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

This bill deals with the financial reserves required for insurance companies that issue title insurance. Title insurance is sold on a single-premium basis, collected at the time of initial sale, with no additional premiums due in future years. The required reserves are a percentage of premiums for coverage written during each year, but each year a portion of the reserves from past years is released from reserves and transferred to earned profit, based upon the reduced likelihood of a claim on a policy as the years go by.

- 1 Statutory premium reserve.** Reduces the percentage of premiums that title insurance companies are required to set aside as a financial reserve to cover possible future claims. The current percentage is eight percent, and this bill reduces it to 6.5 percent, effective for policies issued in 2010 and thereafter. Makes this provision effective retroactively to January 1, 2010.