

AN ACT

ENTITLED, An Act to revise certain provisions regarding title insurance reserves.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

Section 1. That chapter 58-25 be amended by adding thereto a NEW SECTION to read as follows:

A title insurance company shall establish and maintain a statutory premium reserve of not less than an amount computed in accordance with this section. The statutory premium reserve shall consist of the aggregate of the statutory premium reserve on January 1, 2002, and:

- (1) A sum equal to twenty-four cents for each one thousand dollars of net retained liability under each title insurance policy written for less than five hundred thousand dollars after January 1, 2002; and
- (2) A sum equal to twelve cents for each one thousand dollars of net retained liability under each title insurance policy written for five hundred thousand dollars or greater after January 1, 2002.

Section 2. That chapter 58-25 be amended by adding thereto a NEW SECTION to read as follows:

The aggregate of the amounts set aside in this reserve in any calendar year pursuant to section 1 of this Act shall be released from the reserve and restored to net profits over a period of twenty years at an amortization rate not to exceed the following formula: thirty-five percent of the aggregate sum on July first of the year next succeeding the year of addition; fifteen percent of the aggregate sum on July first of each of the succeeding two years; ten percent of the aggregate sum on July first of the next succeeding year; three percent of the aggregate sum on July first of each of the next three succeeding years; two percent of the aggregate sum on July first of each of the next three succeeding years; and one percent of the aggregate sum on July first of each of the next succeeding ten years.

Section 3. That chapter 58-25 be amended by adding thereto a NEW SECTION to read as follows:

The insurer shall calculate an adjusted statutory or unearned premium reserve as of the year of first application of section 1 of this Act. The adjusted reserve must be calculated as if section 1 of this Act had been in effect for each year beginning twenty years before the year of first application of section 1 of this Act. 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 director, 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 section 1 of this Act until the entire excess has been added.

Section 4. That chapter 58-25 be amended by adding thereto a NEW SECTION to read as follows:

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 section 3 of this Act shall be released from the reserve and restored to net profits, or equity if the additions required by section 3 of this Act 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

For purposes of this section, year is the calendar year following the year of first application of section 1 of this Act.

Section 5. That chapter 58-25 be amended by adding thereto a NEW SECTION to read as follows:

A title insurer shall establish and maintain a known claim reserve in an amount estimated to be sufficient to cover all unpaid losses, claims, and allocated loss adjustment expenses arising under title insurance policies, guaranteed certificates of title, guaranteed searches, and guaranteed abstracts of title and all unpaid losses, claims, and allocated loss adjustment expenses for which the title insurer may be liable and for which the title insurer has received notice by or on behalf of the insured, holder of a guarantee or escrow, or security depositor.

Section 6. That chapter 58-25 be amended by adding thereto a NEW SECTION to read as follows:

A supplemental reserve shall be established consisting of any other reserves necessary, when taken in combination with the reserves required by this Act, to cover the company's liabilities with respect to all losses, claims, and loss adjustment expenses.

Section 7. That § 58-26-42 be repealed.

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I certify that the attached Act
originated in the

HOUSE as Bill No. 1256

Chief Clerk

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Speaker of the House

Attest:

Chief Clerk

President of the Senate

Attest:

Secretary of the Senate

House Bill No. 1256

File No. _____

Chapter No. _____

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Received at this Executive Office
this _____ day of _____ ,

20____ at _____ M.

By _____
for the Governor

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The attached Act is hereby
approved this _____ day of
_____, A.D., 20____

Governor

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STATE OF SOUTH DAKOTA,
ss.

Office of the Secretary of State

Filed _____, 20____
at _____ o'clock __ M.

Secretary of State

By _____
Asst. Secretary of State