

MEMORANDUM

TO: All Agents

FROM: Underwriting Department

RE: Title Insurance Legislation

DATE: April 29, 1999

On Tuesday, April 27, 1999, the Senate passed its counterpart to House Bill No. 403 relating to title insurance. This Bill has generally received the support of our industry, the Real Property, Probate and Trust section of the Florida Bar and the Florida Home Builders Association. The Bill will now be forwarded to the Governor for approval, and while there are no guarantees, a veto is not anticipated. The legislation will take effect July 1, 1999.

This Bill touches many areas; however, it will be "business as usual" for most of us. Some of the significant changes are as follows:

- Amendments to the statutes relating to **title insurance reserves**, which affect how underwriters account for their reserves.
- Amendments to the **definitions** and **rebating** sections of the statutes, which are intended to address issues raised in the current *Butler* litigation.
- Amendments to **rates**. The new rates will now be found in § 627.7825 of the Florida Statutes. The following are highlights of the changes pertaining to rates:
 1. There have been no changes to title insurance rates for transactions under \$1 million. However, as you can see, rates for higher liability policies (over \$1 million) have been reduced, while the percentage of premium retained by the underwriter has been increased.

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2. Reissue rates have not changed, but the amendments have made reissue rates more readily available.
3. A "new home purchase discount" has been enacted for the benefit of homebuilders. Now, they will receive credit for premiums paid on prior loan policies. The minimum "new home purchase" premium is \$200.
4. Substitution rates have not changed, but the applicability of the rates has been expanded for loans in excess of \$250,000. In these cases, substitution rates will not only apply to the same borrower/same property situations, but also to those instances where the lender may be different.

Please read the attached portions of the new legislation and contact Mike Davis, Linda Hernandez or Jim Russick if you have any questions.

EXCERPTS FROM NEW LEGISLATION:

(1) ORIGINAL TITLE INSURANCE RATES. --

(a) For owner and leasehold title insurance:

1. The premium for the original owner's or for leasehold insurance shall be:

	<u>Per Thousand</u>	<u>Minimum Insurer Retention</u>
From \$0 to \$100,000 of liability written	\$5.75	30%
From \$100,000 to \$1 million, add	\$5.00	30%
Over \$1 million and up to \$5 million, add	\$2.50	35%
Over \$5 million and up to \$10 million, add	\$2.25	40%
Over \$10 million, add	\$2.00	40%

The minimum premium for all conveyances except multiple conveyances shall be \$100.
The minimum premium for multiple conveyances on the same property shall be \$60.

...

(b) For mortgage title insurance:

1. The premium for the original mortgage title insurance shall be:

	<u>Per Thousand</u>	<u>Minimum Insurer Retention</u>
From \$0 to \$100,000 of liability written	\$5.75	30%
From \$100,000 to \$1 million, add	\$5.00	30%
Over \$1 million and up to \$5 million, add	\$2.50	35%
Over \$5 million and up to \$10 million, add	\$2.25	40%
Over \$10 million, add	\$2.00	40%

The minimum premium for all conveyances except multiple conveyances shall be \$100.
The minimum premium for multiple conveyances on the same property shall be \$60.

...

(2) REISSUE RATES. --

(a) The reissue premium charge for owner's, mortgage, and leasehold title insurance policies shall be:

	<u>Per</u> <u>Thousand</u>
Up to \$100,000 of liability written	\$3.30
Over \$100,000 and up to \$1 million, add	\$3.00
Over \$1 million and up to \$10 million, add	\$2.00
Over \$10 million, add	\$1.50

The minimum premium shall be \$100.

(b) Provided a previous owner's policy was issued insuring the seller or the mortgagor in the current transaction and that both the reissuing agent and the reissuing underwriter retain for their respective files copies of the prior owner's policy or policies, the reissue premium rates in paragraph (a) shall apply to:

1. Policies on real property which is unimproved except for roads, bridges, drainage facilities, and utilities if the current owner's title has been insured prior to the application for a new policy;
2. Policies issued with an effective date of less than 3 years after the effective date of the policy insuring the seller or mortgagor in the current transaction; or
3. Mortgage policies issued on refinancing of property insured by an original owner's policy which insured the title of the current mortgagor.

(c) Any amount of new insurance, in the aggregate, in excess of the amount under the previous policy shall be computed at the original owner's or leasehold rates, as provided in subsection (1).

(3) NEW HOME PURCHASE DISCOUNT. -- Provided the seller has not leased or occupied the premises, the original premium for a policy on the first sale of residential property with a one to four family improvement that is granted a certificate of occupancy shall be discounted by the amount of premium paid for any prior loan policies insuring the lien of a mortgage executed by the seller on the premises. In the case of prior loan policies insuring the lien of a mortgage on multiple units or parcels, the discount shall be prorated by dividing the amount of the premium paid for the prior loan policies by the total number of units or parcels without regard to varying unit or parcel value. The minimum new home purchase premium shall be \$200. The new home purchase discount may not be combined with any other reduction from original premium rates provided for in this section. The insurer shall reserve for unearned premiums only on the excess amount of the policy over the amount of the actual or prorated amount of the prior loan policy.

(4) SUBSTITUTION LOANS RATES. --

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(c) In the case of a substitution loan of \$250,000 or more, when the same borrower and any lender make a substitution loan on the same property, the title to which was insured by an insurer in connection with the previous loan, the premium for such substitution loans shall be the rates as set forth in paragraphs (a) and (b).