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FILED MAR 20 1990

SENATE FILE 2414
BY COMMITTEE ON WAYS AND MEANS
(SUCCESSOR TO SSB 2299)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to title insurance and title insurance premium
2 taxes.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SSC 2414

1 Section 1. Section 432.1, Code 1989, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 2A. Three percent of the gross amount of
4 premiums, assessments, and fees received during the preceding
5 calendar year by every company or association other than life
6 on contracts of title insurance for business done in this
7 state, after deducting the amounts returned upon canceled
8 policies, certificates, and rejected applications. Subsection
9 2 does not apply to such contracts of title insurance.

10 Sec. 2. NEW SECTION. 432.11 TITLE INSURANCE PREMIUM TAX.

11 All tax revenue collected pursuant to section 432.1,
12 subsection 2A, shall upon receipt by the director of the
13 department of revenue and finance, be deposited to the credit
14 of the housing trust fund created in section 220.100, and the
15 moneys so deposited shall be a continuing appropriation for
16 the purposes of that program, and section 8.33
17 notwithstanding, such moneys shall not revert to the general
18 fund at the end of the fiscal year, but shall remain in the
19 housing trust fund.

20 Sec. 3. Section 515.48, Code 1989, is amended by adding
21 the following new subsection following subsection 9:

22 NEW SUBSECTION. 10. Insure against loss or damage by
23 reason of defective title, encumbrances, or otherwise,
24 coverage commonly known as title insurance.

25 Sec. 4. Section 515.48, subsection 10, Code 1989, is
26 amended to read as follows:

27 ~~±0~~ 11. Insure any additional risk not specifically
28 included within any of the foregoing classes, which is a
29 proper subject for insurance, is not prohibited by law or
30 contrary to sound public policy, and which, after public
31 notice and hearing, is specifically approved by the
32 commissioner of insurance, ~~-except-title-insurance-or-insurance~~
33 ~~against-loss-or-damage-by-reason-of-defective-title,~~
34 ~~encumbrances-or-otherwise.~~ When such an additional kind of
35 insurance is approved by the commissioner, the commissioner

1 shall designate within which classification of risks provided
2 for in section 515.49 it ~~shall-fall~~ falls.

3 Sec. 5. Section 535.8, subsection 2, paragraph b, Code
4 1989, is amended by adding the following new subparagraph:

5 NEW SUBPARAGRAPH. (11) Title insurance premiums.

6 EXPLANATION

7 This bill legalizes the sale of title insurance in Iowa.
8 It does not displace the existing title guaranty system, so a
9 prospective purchaser of financial assurance for the quality
10 of a real estate title would have a choice of purchasing
11 private title insurance or a title guaranty from the Iowa
12 finance authority-administered title guarantee program. The
13 bill imposes a 3 percent premium tax upon title insurance, and
14 dedicates the premium tax revenue received to the housing
15 trust fund administered by the Iowa finance authority. By
16 authorizing title insurance under chapter 515, the
17 commissioner would have the same authority to regulate title
18 insurance, including standards for reserves, procedures, and
19 rate review, as for all other lines of property and casualty
20 insurance not deregulated pursuant to a finding by the
21 commissioner that a class is a competitive line.

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SENATE FILE 2414

FISCAL NOTE

A fiscal note for Senate File 2414 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2414 legalizes the sale of title insurance in Iowa. It does not displace the existing title guaranty system, so a prospective purchaser of financial assurance for the quality of a real estate title would have a choice of purchasing private title insurance or a title guaranty from the Iowa Finance Authority-administered title guarantee program. The bill imposes a 3% premium tax upon title insurance, and dedicates the premium tax revenue received to the Housing Trust Fund administered by the Iowa Finance Authority. By authorizing title insurance under Chapter 515, Iowa Code, the commissioner would have the same authority to regulate title insurance, including standards for reserves, procedures, and rate review, as for all other lines of property and casualty insurance not deregulated pursuant to a finding by the commissioner that a class is a competitive line.

Fiscal Impact

The 3% premium tax could generate up to \$300,000 in revenue annually. However, this assumes that private sales are the only ones which will occur. This bill leaves the title guaranty system in place. It is difficult to predict what the split would be between the two systems. The actual revenue would probably be some fraction of \$300,000 depending on the split of business.

The FY 1991 revenues would consist of premium tax due only for the last six months of calendar year 1990. Subsequent fiscal year revenues would reflect the impact of premium tax due for 12 months.

Source: Insurance Division, Department of Commerce

(LSB 8436sv, PDD)

FILED MARCH 22, 1990

BY DENNIS PROUTY, FISCAL DIRECTOR

SULTMAN, CH.
HESTER
PALMER

SSB 2299
WAYS + MEANS

SENATE FILE 2411
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DIELEMAN)

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32 commissioner of insurance, ~~except title insurance or insurance~~
33 ~~against loss or damage by reason of defective title,~~
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