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S.F. No. 3846 – Transfer on death deeds; insurance for grantee beneficiaries

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Overview

SF 3846 clarifies and modifies the law on transfer on death deeds and requires insurers to provide temporary extended coverage to grantee beneficiaries following the death of the grantor owner.

Summary

Section 1. Transfer on death deeds. Amends the law governing a transfer on death deed (TODD) as follows:

- Clarifies that a TODD has no effect on title until it is effective, but a TODD does create an insurable interest in favor of the designated grantee beneficiary so that they may insure the property against damage or loss the occurs once the TODD is effective.
- Provides that if a grantee joint tenant dies before the grantor owner and no successor beneficiary is designated for the deceased grantee, the surviving joint tenants are the successors and no interest lapses.
- Validates incorrect or incomplete recording of a TODD or a revocation of the TODD for registered real properties if the TODD or the revocation was recorded before the death of the grantor owner in the office of the county recorder or registrar of titles in a county in which as least part of the real property is location and is memorialized on the certificate of title after death.
- Clarifies that a descendant of the grantee beneficiary only takes the place of a deceased grantee beneficiary when there is not a successor grantee named in the TODD.
- Provides that under certain circumstances when a grantee beneficiary cannot take the property, an affidavit of survivorship is not conclusive and instead, the court must issue an order after a probate proceeding to determine the beneficiaries and shares.
- Clarifies that if there are multiple TODDs, an earlier TODD is effective for lands not included in the subsequent TODD(s).
- Clarifies that the probate court has jurisdiction over claims related to TODDs.

Section 2. Property insurance for grantee beneficiaries of transfer on death deeds. Requires an insurer providing an insurance policy on real property transferred by a TODD to provide extended coverage to the designated grantee beneficiary for 30 days for the death of the grantor, the expiration date of the insurance policy, or when the designated grantee beneficiary acquires a separate insurance policy, whichever occurs earliest. Requires the grantor owner to notify the insurer that the property is subject to a TODD and include the names and contract information of all designated grantee beneficiaries. Permits the insurer to require proof that the claimant is a grantee beneficiary under a valid TODD. Clarifies that the grantee beneficiary does not have an insurable interest in the real property prior to the death of the grantor owner. Requires TODDs to include a specific warning to the grantor owner and the grantee beneficiary related to temporary extended coverage.

Section 3. Effective date. Provides that sections 1 and 2 are effective the day following final enactment, applied to insurance policies issued and renewed on or after August 1 of the year of final enactment. Sections 1 and 2 do not apply to insurance policies issued or renewed prior to August 1 of TODDs recorded prior to August 1, unless the grantor owner provides a notice to the insurer under section 2, subdivision 3.