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**By: Delegate Frank**

Introduced and read first time: February 6, 1997

Assigned to: Economic Matters

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A BILL ENTITLED

1 AN ACT concerning

2 **Title Insurers - Reserves**

3 FOR the purpose of requiring insurers to alter the amount of unearned premium reserves  
4 under certain circumstances; altering the formula used by title insurers to calculate  
5 reserves applicable to certain contracts; requiring that certain reserves be  
6 recalculated in accordance with a certain formula; requiring title insurers to file a  
7 certain actuarial certification in a certain manner; and generally relating to reserves  
8 of title insurers.

9 BY repealing and reenacting, with amendments,  
10 Article - Insurance  
11 Section 5-202 and 5-206  
12 Annotated Code of Maryland  
13 (1995 Volume and 1996 Supplement)  
14 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Insurance**

18 5-202.

19 (a) If the Commissioner determines that an insurer's unearned premium reserve  
20 is inadequate, the Commissioner may require the insurer to [compute all or part of the  
21 reserve by another method that is required under this subtitle] INCREASE THE  
22 UNEARNED PREMIUM RESERVE AND MAINTAIN IT AT AN ADEQUATE LEVEL.

23 (b) If the Commissioner determines that an insurer's loss reserves are inadequate  
24 as shown by the insurer's loss experience, the Commissioner shall require the insurer to  
25 increase the reserves and maintain them at an adequate level.

26 5-206.

27 (A) (1) In addition to adequate reserves required by § 5-201(b) of this subtitle  
28 for outstanding losses, a title insurer shall maintain a guaranty fund or unearned premium  
29 reserves of at least an amount computed as follows:

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1                    [(1)] (I) 10% of the total amount of the risk premiums written in the  
2 calendar year for title insurance contracts shall be as assigned originally to the reserves;  
3 and

4                    [(2)] (II) [the reserves applicable to a contract shall be reduced by 5% of  
5 the original amount of the reserves] during each of the 20 years that follow the year in  
6 which the contract is issued, **THE RESERVES APPLICABLE TO THE CONTRACT SHALL**  
7 **BE REDUCED IN ACCORDANCE WITH THE FOLLOWING FORMULA:**

8    1. 30% OF THE AGGREGATE SUM ON JULY 1 OF THE YEAR  
9 NEXT SUCCEEDING THE YEAR OF ADDITION;

10    2. 15% OF THE AGGREGATE SUM ON JULY 1 OF THE  
11 SUCCEEDING YEAR;

12    3. 10% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
13 SUCCEEDING 2 YEARS;

14    4. 5% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
15 SUCCEEDING 2 YEARS;

16    5. 3% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
17 SUCCEEDING 2 YEARS;

18    6. 2% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
19 SUCCEEDING 7 YEARS; AND

20    7. 1% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
21 SUCCEEDING 5 YEARS.

22                    (2) THE GUARANTY FUND OR UNEARNED PREMIUM RESERVE  
23 ESTABLISHED FOR TITLE INSURANCE CONTRACTS ISSUED DURING THE 20 YEARS  
24 PRECEDING OCTOBER 1, 1997 SHALL BE RECALCULATED IN ACCORDANCE WITH THIS  
25 SUBSECTION.

26                    (3) THE AGGREGATE SUM OF ANY EXCESS RESERVES RESULTING FROM  
27 A RECALCULATION UNDER THIS SUBSECTION SHALL BE RELEASED OVER A 5-YEAR  
28 PERIOD IN EQUAL INSTALLMENTS OF 20% PER YEAR.

29                    (B) (1) EACH TITLE INSURER SHALL FILE WITH ITS ANNUAL STATEMENT  
30 REQUIRED UNDER § 4-116 OF THIS ARTICLE A CERTIFICATION BY A MEMBER IN  
31 GOOD STANDING OF THE AMERICAN ACADEMY OF ACTUARIES AS TO THE  
32 ADEQUACY OF ITS RESERVES REQUIRED UNDER THIS SECTION AND § 5-201(B) OF  
33 THIS SUBTITLE.

34                    (2) THE ACTUARIAL CERTIFICATION REQUIRED OF A TITLE INSURER  
35 MUST CONFORM TO THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS'  
36 ANNUAL STATEMENT INSTRUCTIONS FOR TITLE INSURERS.

37                    SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
38 October 1, 1997.