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**By: Senator Della**

Introduced and read first time: January 29, 1997

Assigned to: Finance

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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 title insurers to file a certain  
6 actuarial certification in a certain manner; and generally relating to reserves of title  
7 insurers.

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

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

16 **Article - Insurance**

17 5-202.

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

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

25 5-206.

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

29 (1) 10% of the total amount of the risk premiums written in the calendar  
30 year for title insurance contracts shall be as assigned originally to the reserves; and

1 (2) AS TO EXISTING AND FUTURE GUARANTY FUNDS OR UNEARNED  
2 PREMIUM RESERVES, [the reserves applicable to a contract shall be reduced by 5% of  
3 the original amount of the reserves] during each of the 20 years that follow the year in  
4 which the contract is issued, THE RESERVES APPLICABLE TO THE CONTRACT SHALL  
5 BE REDUCED IN ACCORDANCE WITH THE FOLLOWING FORMULA:

6 (I) 30% OF THE AGGREGATE SUM ON JULY 1 OF THE YEAR NEXT  
7 SUCCEEDING THE YEAR OF ADDITION;

8 (II) 15% OF THE AGGREGATE SUM ON JULY 1 OF THE SUCCEEDING  
9 YEAR;

10 (III) 10% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
11 SUCCEEDING 2 YEARS;

12 (IV) 5% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
13 SUCCEEDING 2 YEARS;

14 (V) 3% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
15 SUCCEEDING 2 YEARS;

16 (VI) 2% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
17 SUCCEEDING 7 YEARS; AND

18 (VII) 1% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE  
19 SUCCEEDING 5 YEARS.

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

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

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