
By: Senator Della

Introduced and read first time: January 29, 1997

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 4, 1997

CHAPTER ____

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; making a certain technical
8 correction; and generally relating to reserves 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.

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

4 5-206.

5 (A) ~~(1)~~ In addition to adequate reserves required by § ~~5-201(b)~~ of this subtitle
6 5-103 OF THIS TITLE for outstanding losses, a title insurer shall maintain a guaranty fund
7 or unearned premium reserves of at least an amount computed as follows:

8 ~~(I)~~ (I) 10% of the total amount of the risk premiums written in the
9 calendar year for title insurance contracts shall be as assigned originally to the reserves;
10 and

11 ~~(2) AS TO EXISTING AND FUTURE GUARANTY FUNDS OR UNEARNED~~
12 ~~PREMIUM RESERVES;~~

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

17 ~~(I)~~ 1. 30% OF THE AGGREGATE SUM ON JULY 1 OF THE YEAR
18 NEXT SUCCEEDING THE YEAR OF ADDITION;

19 ~~(II)~~ 2. 15% OF THE AGGREGATE SUM ON JULY 1 OF THE
20 SUCCEEDING YEAR;

21 ~~(III)~~ 3. 10% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE
22 SUCCEEDING 2 YEARS;

23 ~~(IV)~~ 4. 5% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE
24 SUCCEEDING 2 YEARS;

25 ~~(V)~~ 5. 3% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE
26 SUCCEEDING 2 YEARS;

27 ~~(VI)~~ 6. 2% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE
28 SUCCEEDING 7 YEARS; AND

29 ~~(VII)~~ 7. 1% OF THE AGGREGATE SUM ON JULY 1 OF EACH OF THE
30 SUCCEEDING 5 YEARS.

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

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

38 (B) (1) EACH TITLE INSURER SHALL FILE WITH ITS ANNUAL STATEMENT
39 REQUIRED UNDER § 4-116 OF THIS ARTICLE A CERTIFICATION BY A MEMBER IN

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1 GOOD STANDING OF THE AMERICAN ACADEMY OF ACTUARIES AS TO THE
2 ADEQUACY OF ITS RESERVES REQUIRED UNDER THIS SECTION AND § ~~5-201(B)~~ 5-103
3 OF THIS ~~SUBTITLE~~ TITLE.

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

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