

SENATE BILL 900

C4

0lr2843

By: ~~Senator Astle~~ Senators Astle, Della, Exum, Garagiola, Glassman, Kelley, Kittleman, Klausmeier, Middleton, Pipkin, and Pugh

Introduced and read first time: February 15, 2010

Assigned to: Rules

Re-referred to: Finance, February 19, 2010

Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: March 25, 2010

CHAPTER _____

1 AN ACT concerning

2 **Title Insurers – Required Reserves, Capital Stock, and Surplus**

3 FOR the purpose of requiring a title insurer domiciled in the State to have and
4 maintain a certain paid-in capital stock with a fixed nominal or par value in a
5 certain amount as of certain dates; requiring a title insurer domiciled in the
6 State to have and maintain a minimum ~~capital stock~~ surplus in a certain
7 amount as of certain dates; altering a certain percentage of certain premiums
8 for certain title insurance that certain title insurers must originally assign to
9 certain reserves; altering the dates as of which certain reserves shall be
10 calculated in a certain manner; altering the portions and timing of release of
11 certain excess reserves; prohibiting the release of certain unearned premium
12 reserves under certain circumstances; requiring certain unearned premium
13 reserves to be considered a certain reserve; and generally relating to title
14 insurance and required reserves, capital stock, and surplus.

15 BY adding to

16 Article – Insurance

17 Section 4-104.1 and 4-105.1

18 Annotated Code of Maryland

19 (2003 Replacement Volume and 2009 Supplement)

20 BY repealing and reenacting, with amendments,

21 Article – Insurance

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Section 5–206
 2 Annotated Code of Maryland
 3 (2003 Replacement Volume and 2009 Supplement)

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

6 **Article – Insurance**

7 ~~4–105.1~~ **4–104.1.**

8 ~~(A)~~ **NOTWITHSTANDING THE PROVISIONS OF § 4–104 OF THIS**
 9 **SUBTITLE, A TITLE INSURER DOMICILED IN THIS STATE SHALL HAVE AND**
 10 **MAINTAIN PAID-IN CAPITAL STOCK WITH A FIXED NOMINAL OR PAR VALUE IN**
 11 **THE AMOUNT OF:**

12 **(1) \$500,000 AS OF JULY 1, 2010;**

13 **(2) \$625,000 AS OF JULY 1, 2011; AND**

14 **(3) \$750,000 AS OF JULY 1, 2012, AND EACH JULY 1**
 15 **THEREAFTER.**

16 **4–105.1.**

17 ~~(B)~~ **NOTWITHSTANDING THE PROVISIONS OF § 4–105 OF THIS**
 18 **SUBTITLE, A TITLE INSURER DOMICILED IN THIS STATE SHALL HAVE AND**
 19 **MAINTAIN MINIMUM CAPITAL STOCK SURPLUS IN THE AMOUNT OF:**

20 **(1) \$500,000 AS OF JULY 1, 2010;**

21 **(2) \$625,000 AS OF JULY 1, 2011; AND**

22 **(3) \$750,000 AS OF JULY 1, 2012, AND EACH JULY 1**
 23 **THEREAFTER.**

24 **5–206.**

25 (a) (1) In addition to adequate reserves required by § 5–103 of this title
 26 for outstanding losses, a title insurer shall maintain a statutory reserve or unearned
 27 premium reserve of at least an amount computed as follows:

28 (i) [10%] **8%** of the total amount of the risk premiums written
 29 in the calendar year for title insurance contracts shall be as assigned originally to the
 30 reserves; and

1 (ii) during each of the 20 years that follow the year in which the
 2 contract is issued, the reserves applicable to the contract shall be reduced in
 3 accordance with the following formula:

4 1. 35% of the aggregate sum on July 1 of the year next
 5 succeeding the year of addition;

6 2. 15% of the aggregate sum on July 1 of each of the
 7 succeeding 2 years;

8 3. 10% of the aggregate sum on July 1 of the succeeding
 9 year;

10 4. 3% of the aggregate sum on July 1 of each of the
 11 succeeding 3 years;

12 5. 2% of the aggregate sum on July 1 of each of the
 13 succeeding 3 years; and

14 6. 1% of the aggregate sum on July 1 of each of the
 15 succeeding 10 years.

16 (2) (i) The title insurer shall calculate retroactive adjusted
 17 statutory reserve or unearned premium reserve on an aggregate basis on January 1,
 18 **[2001] 2010**.

19 (ii) The adjusted aggregate reserve shall be recalculated as if
 20 paragraph (1)(ii) of this subsection had been in effect during the 20 years preceding
 21 January 1, **[2001] 2010**.

22 (3) ~~The~~ **SUBJECT TO SUBSECTION (C) OF THIS SECTION, THE**
 23 aggregate sum of any excess reserves resulting from a recalculation under this
 24 subsection shall be released over a **[6-year] 3-YEAR** period in equal installments of
 25 **[one-sixth per] ONE-THIRD EACH** year, beginning with the **[2001] 2010** calendar
 26 year.

27 (b) (1) Each title insurer shall file with its annual statement required
 28 under § 4-116 of this article a certification by a member in good standing of the
 29 American Academy of Actuaries as to the adequacy of its reserves required under this
 30 section and § 5-103 of this title.

31 (2) The actuarial certification required of a title insurer must conform
 32 to the National Association of Insurance Commissioners' annual statement
 33 instructions for title insurers.

34 **(C) (1) UNEARNED PREMIUM RESERVES MAY NOT BE RELEASED**
 35 **UNDER SUBSECTION ~~(A)(3)~~ (A) OF THIS SECTION TO THE EXTENT THAT THE**

1 RELEASE WOULD RESULT IN THE AGGREGATE RESERVE FALLING BELOW THE
2 AMOUNT REQUIRED UNDER THIS SECTION AND § 5-103 OF THIS TITLE.

3 (2) ANY AMOUNT OF UNEARNED PREMIUM RESERVES THAT MAY
4 NOT BE RELEASED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL BE
5 CONSIDERED AN UNEARNED PREMIUM RESERVE AND MAY NOT BE CONSIDERED
6 A SUPPLEMENTAL RESERVE.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 July 1, 2010.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.