

## Chapter 634

(Senate Bill 900)

AN ACT concerning

### Title Insurers – Required Reserves, Capital Stock, and Surplus

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

BY adding to

Article – Insurance  
Section 4-104.1 and 4-105.1  
Annotated Code of Maryland  
(2003 Replacement Volume and 2009 Supplement)

BY repealing and reenacting, with amendments,

Article – Insurance  
Section 5-206  
Annotated Code of Maryland  
(2003 Replacement Volume and 2009 Supplement)

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

### Article – Insurance

~~4-105.1.~~ 4-104.1.

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

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

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

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

**4-105.1.**

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

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

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

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

**5-206.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(C) (1) UNEARNED PREMIUM RESERVES MAY NOT BE RELEASED UNDER SUBSECTION ~~(A)(3)~~ (A) OF THIS SECTION TO THE EXTENT THAT THE RELEASE WOULD RESULT IN THE AGGREGATE RESERVE FALLING BELOW THE AMOUNT REQUIRED UNDER THIS SECTION AND § 5-103 OF THIS TITLE.**

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

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

**Approved by the Governor, May 20, 2010.**