

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 1186
Committee Substitute Favorable 4/23/99

Short Title: Unearned Premium Reserves.

(Public)

Sponsors:

Referred to:

April 15, 1999

A BILL TO BE ENTITLED

AN ACT TO REVISE THE LAW GOVERNING THE UNEARNED PREMIUM RESERVE OF DOMESTIC TITLE COMPANIES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-26-25 reads as rewritten:

"§ 58-26-25. Amount of unearned premium reserve.

(a) The unearned premium reserve of every domestic title insurance company shall consist of the aggregate of:

(1) The amount of the unearned premium reserve held as of ~~January 1, 1974.~~
December 31, 1998.

(2) The amount of all additions required to be made to such reserve by this section, less the reduction of such aggregate amount required hereby.

(b) ~~On each contract of title insurance issued by a~~ domestic title insurance company on and after ~~January 1, 1974, there shall be reserved~~ January 1, 1999, shall reserve initially as an unearned premium reserve a sum equal to ten per centum (10%) of the ~~original risk premium charged therefor.~~ following items set forth in the title insurer's most recent annual statement on file with the Commissioner:

(1) Direct premiums written; and

1 (2) Premiums for reinsurance assumed less premiums for reinsurance ceded
2 during the year.

3 (c) The aggregate of the amounts set aside in unearned premium reserves in any
4 calendar year, pursuant to subsection (b) of this section, shall be reduced annually at the
5 end of each calendar year following the year in which the policy is issued, ~~at the annual~~
6 ~~rate of one twentieth of the aggregate of such amounts, over a period of 20 years, pursuant to~~
7 the following: twenty percent (20%) the first year; ten percent (10%) for years two and
8 three; five percent (5%) for years four through 10; three percent (3%) for years 11
9 through 15; and two percent (2%) for years 16 through 20.

10 (d) The entire amount of the unearned premium reserve held as of ~~January 1, 1974,~~
11 December 31, 1998, shall be accorded a fresh start added to the reserve as of that date and
12 shall be released from said reserve and restored to net profits at the annual rate of one
13 twentieth of the said entire amount, beginning in the next ensuing calendar year, in accordance
14 with the percentages set forth in subsection (c) of this section.

15 (e) ~~If substantially the entire outstanding liability under all policies, contracts of~~
16 ~~title insurance or reinsurance agreements of any such title insurance company shall be~~
17 ~~reinsured, the value of the consideration received by a reinsuring title insurance company~~
18 ~~authorized to transact the business of title insurance in this State, shall constitute, in its~~
19 ~~entirety, unearned portions of original premiums and be added to its unearned premium~~
20 ~~reserve and deemed, for recovery purposes, to have been provided for liabilities assumed~~
21 ~~during the year of such reinsurance. The amount of such addition to the unearned~~
22 ~~premium reserve of such assuming title insurance company shall be not less, however,~~
23 ~~than two thirds of the amount of the unearned premium reserve required to be maintained~~
24 ~~by the ceding title insurance company at the time of such reinsurance. A supplemental~~
25 reserve shall be established in accordance with the instructions of the annual statement
26 required by G.S. 58-2-165 and G.S. 58-26-10 consisting of the reserves necessary, when
27 taken in combination with the reserves required by subsections (a) through (d) of this
28 section to cover the company's liabilities with respect to all losses, claims, and loss
29 adjustment expenses.

30 (f) Each title insurer subject to the provisions of this Article shall file with its
31 annual statement required by G.S. 58-2-165 and G.S. 58-26-10 a certification of a
32 member in good standing of the American Academy of Actuaries. The actuarial
33 certification required of a title insurer must conform to the annual statement instructions
34 for title insurers of the National Association of Insurance Commissioners."

35 Section 2. This act becomes effective October 1, 1999.