

**40-234b. Unearned premium reserves required for domestic title insurance companies.** The unearned premium reserve required to be maintained by any domestic title insurance company engaged exclusively in the business of insuring titles to real estate shall consist of:

- (1) The amount of the unearned premium reserve held as of the effective date of this act; and
- (2) the amount of all additions required to be made to such reserve by this act, less the withdrawal therefrom as required by this section.

On or after the effective date of this act, a domestic title insurance company engaged exclusively in the business of insuring titles to real estate shall add to its unearned premium reserve, in respect to each title insurance policy, leasehold policy, contract or reinsurance agreement issued by it, a sum equal to one dollar fifty cents (\$1.50) plus twelve and one-half cents (12 1/2¢) for each one thousand dollars (\$1,000) (or major portion of any fraction thereof) of the face amount of net retained liability on each such policy, contract or reinsurance agreement, under the terms of which such domestic title insurer reinsures all or a portion of any risk assumed by another title insurer qualified to do business in this state, and shall separately record the aggregate amount so set aside and reserved in respect to such policies, contracts or agreements written in each calendar year. The amounts set aside as additions to the unearned premium reserve shall be deducted from income in determining net profits of any such domestic title insurance company. The entire amount of the unearned premium reserve held, as of the effective date of this act, by any domestic title insurance company engaged exclusively in the business of insuring titles to real estate shall be presumed to have been added to the reserve of such title insurer in the calendar year during which this act becomes effective, and such entire amount shall be released from said reserve and restored to income under the formula hereinafter set forth in this section. For the purposes of determining the amounts of the unearned premium reserve that shall be withdrawn pursuant to this section, all policies, contracts or other agreements of title insurance, or reinsurance agreements of title insurance shall be considered as dated July 1 in the year of issue. The aggregate of the amounts set aside in unearned premium reserve by any domestic title insurance company engaged exclusively in the business of insuring titles to real estate in any calendar year pursuant to this section shall be released from said reserve and shall be restored to income pursuant to the following formula: One-twentieth (1/20th) of said aggregate sum on July 1 of each of the twenty (20) years next succeeding the year of addition to the reserve. If substantially the entire liability under all policies, contracts of title insurance and reinsurance agreements of any title insurance company shall be reinsured, the value of the consideration received by a reinsuring title insurance company authorized solely to transact the business of title insurance, shall constitute in its entirety, unearned premium portions of original premiums and shall be added to its unearned premium reserve, and shall be deemed, for recovery purposes, to have been provided for liabilities assumed during the year of such reinsurance. The amount of such addition to the unearned premium reserve of such assuming title insurance company shall not be less than two-thirds of the amount of the unearned premium reserve required to be maintained by the ceding title insurance company at the time of such reinsurance.

**History:** L. 1971, ch. 159, § 2; July 1.