SENATE BILL 140:
Title Ins. Rev/Bailbondsmen Deposits.

2017-2018 General Assembly

Committee:		**Date:**	June 13, 2018
Introduced by:	Sen. Hise	**Prepared by:**	Bill Patterson
Analysis of:	Third Edition		Staff Attorney

OVERVIEW: Senate Bill 140 would make various changes to the law governing regulation of Real Estate Title Insurance Companies, including:

- ***Revising the requirements and release formula related to the statutory premium reserve;***
- ***Repealing the specific requirements for how the statutory premium reserve was to be held and utilized; and***
- ***Repealing the specific requirements and limitations for a title insurance company whose statutory premium reserve falls below what is required***

The bill would also reduce the deposit required of professional bondsmen who act as sureties on bail bonds in this State.

CURRENT LAW

Article 26 of Chapter 58 regulates Real Estate Title Insurance Companies, and sets forth the purposes of organization, certificate of authority requirement, policies exemption, financial statement and license requirements, limitation of risk requirement, statutory premium reserve requirements, and lien agent registration requirements.

G.S. 58-71-145 requires each professional bondman who acts as surety on bail bonds in this State to maintain with the Department of Insurance a deposit of securities having a fair market value equal to the greater of $15,000 or one-eighth the amount of all bonds or undertakings written in this State on which the bondsman is either absolutely or conditionally liable as of the first day of the current month.

BILL ANALYSIS: (**Section 1** of the bill was removed by amendment in House Rules.)

Section 2.1 of the bill would align the requirements for domestic and foreign title insurance companies with the same capital, surplus, deposit, and investment requirements as stock casualty companies.

Section 2.2 would amend the requirements for unearned statutory premium reserves held by title insurance companies by:

- Revising the formula to calculate the amount of statutory premium reserve to equal to $0.17 per $1,000 of net retained liability for each title insurance policy which is defined as the total liability retained by a title insurer for a single risk after taking into account any ceded liability.
    - The net retained liability of a simultaneous issue of an owner's policy and a loan policy shall be calculated on the greater coverage amount of the two policies.

- Revising the statutory premium reserve release formula to: 30% of the aggregate sum in the year next succeeding the year of addition; 15% of the aggregate sum in the next succeeding year; 10% of the aggregate sum in each of the next succeeding two years; 5% of the aggregate sum in each of the next succeeding two years; 3% of the aggregate sum in each of the next succeeding two years; 2% of the aggregate sum in each of next succeeding seven years; and 1% of the aggregate sum in each of the next succeeding five years.
    - The title insurer shall make authorized releases under this section in equal quarterly amounts on March 31, June 30, September 30 and December 31 annually.
- All amounts held as of December 31, 2018 in excess of the requirements set forth in 58-26-25(a1) if enacted, would be released to net profits of the title insurance companies.

Section 2.3 would repeal G.S. 58-26-31, entitled Statutory Premium Reserve Held in Trust or as a Deposit, which states the requirements for how the statutory premium reserve is held by a title insurance company, and permissible uses of the reserve funds in the event of insurer insolvency.

Section 2.4 would repeal G.S. 58-26-35, entitled Maintenance of the Statutory Premium Reserve, which sets forth what is required of a title insurance company if the company's statutory premium reserve falls below what is required i.e. written notice to the Commissioner of Insurance, and prohibition to write or assume any title insurance until the deficiency is cured and Commissioner approval is received.

Section 3 would amend G.S. 58-71-145 to require each professional bondsman who acts as surety on bail bonds in this State to maintain with the Department of Insurance a deposit of securities having a fair market value equal to the greater of $15,000 or one-twelfth the amount of all bonds or undertakings written in this State on which the bondsman is either absolutely or conditionally liable as of the first day of the current month.

EFFECTIVE DATE: Sections 2.1-2.4 of this act become effective October 1, 2018. The remainder of the act is effective when it becomes law.

Staff Attorney Howard Marsilio substantially contributed to this summary.