



# SENATE BILL 140: Title Insurance Revisions/Bailbondsmen Deposits.

2017-2018 General Assembly

<b>Committee:</b>		<b>Date:</b>	August 22, 2018
<b>Introduced by:</b>		<b>Prepared by:</b>	Bill Patterson Staff Attorney
<b>Analysis of:</b>	S.L. 2018-38		

**OVERVIEW:** *S.L. 2018-38 makes 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 act also reduces the deposit required of professional bondsmen who act as sureties on bail bonds in this State.*

*The reduction in the deposit required of professional bondsmen became effective June 22, 2018. The remainder of the act becomes effective October 1, 2018.*

**CURRENT LAW:** Article 26 of Chapter 58 regulates real estate title insurance companies, and sets forth the purposes for which they can be organized, certificate of authority requirement, policies exemption, financial statement and license requirements, limitation of risk requirement, statutory premium reserve requirements, and lien agent registration requirements.

Each professional bondman who acts as surety on bail bonds in this State is required 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:**<sup>1</sup> **Section 2.1** of the act aligns 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** amends 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.

<sup>1</sup> Section 1 of the bill was removed by amendment in House Rules Committee.

Karen Cochrane-Brown  
Director



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- Providing that 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.
- Requiring title insurers to make authorized releases under this section in equal quarterly amounts on March 31, June 30, September 30 and December 31 annually.
- Requiring all amounts held as of December 31, 2018, in excess of the requirements set forth in 58-26-25(a1) if enacted, to be released to net profits of the title insurance companies.

**Section 2.3** repeals statutory provisions stating the requirements for premium reserves held by a title insurance company and permissible uses of the reserve funds in the event of insurer insolvency.

**Section 2.4** repeals statutory provisions requiring a title insurance company to notify the Commissioner if its statutory premium reserve falls below the required amount and prohibits the writing of title insurance until the deficiency is cured.

**Section 3** amends the deposit requirements for a professional bondsman who acts as surety on bail bonds in this State by requiring the bondsman 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 through 2.4 of this act become effective October 1, 2018. The remainder of the act became effective on June 22, 2018.

*Staff Attorney Howard Marsilio substantially contributed to this summary.*