

NORTH CAROLINA GENERAL ASSEMBLY
1969 SESSION

CHAPTER 897
SENATE BILL 707

1 AN ACT TO CREATE AN UNEARNED PREMIUM RESERVE REQUIREMENT AS AN
2 ADDITION TO ARTICLE 14 OF CHAPTER 58 OF THE GENERAL STATUTES OF
3 NORTH CAROLINA.
4

5 The General Assembly of North Carolina do enact:
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7 **Section 1.** Article 14 of Chapter 58 of the General Statutes of North Carolina is
8 amended by adding immediately after G.S. 58-134.1 the following:

9 **"G.S. 58-134.2. Unearned premium reserve.** Every domestic title insurance company shall,
10 in addition to other reserves, establish and maintain a reserve to be known as the "unearned
11 premium reserve" for title insurance, which shall at all times and for all purposes be considered
12 and constitute unearned portions of the original risk premiums and shall be charged as a reserve
13 liability of such title insurance company in determining its financial conditions.

14 **"G.S. 58-134.3. Amount of unearned premium reserve.** (a) The unearned premium reserve
15 of every domestic title insurance company shall consist of the aggregate of:

16 (1) The amount of the unearned premium reserve held as of the effective date of
17 this Act.

18 (2) The amount of all additions required to be made to such reserve by this
19 Section 58-134.3, less the reduction of such aggregate amount required here-
20 by.

21 (b) On each contract of title insurance issued by a domestic title insurance company on
22 and after the effective date of this Act, there shall be reserved initially as an unearned premium
23 reserve a sum equal to ten per centum (10%) of the original risk premium charged therefor.

24 (c) After the aggregate of the amounts set aside in unearned premium reserves reaches a
25 total of one hundred fifty thousand dollars (\$150,000) then those amounts set aside in any
26 calendar year pursuant to Subsection (b) of this Section 58-134.3, shall be reduced annually, at
27 the end of each calendar year following the year in which the policy is issued, at the annual rate
28 of one-twentieth (1/20th) of the aggregate of such amounts. Provided, the aggregate total of the
29 unearned premium reserves shall not be reduced below one hundred fifty thousand dollars
30 (\$150,000); provided, however, that if the laws of another jurisdiction in which a domestic title
31 insurance company is licensed has requirements for the maintenance of reserves in excess of
32 those contained in this Section, such requirements shall be complied with.

33 (d) The entire amount of the unearned premium reserve held as of the effective date of
34 this Act shall be presumed to have been added to the reserve in the calendar year next
35 preceding the effective date of this Act and shall be released from said reserve and restored to
36 net profits at the annual rate of one-twentieth (1/20th) of the said entire amount.

37 (e) If substantially the entire outstanding liability under all policies, contracts of title
38 insurance or reinsurance agreements of any such title insurance company shall be reinsured, the
39 value of the consideration received by a reinsuring title insurance company authorized to
40 transact the business of title insurance in this State, shall constitute, in its entirety, unearned
41 portions of original premiums and be added to its unearned premium reserve and deemed, for
42 recovery purposes, to have been provided for liabilities assumed during the year of such
43 reinsurance. The amount of such addition to the unearned premium reserve of such assuming

1 title insurance company shall be not less, however, than two-thirds (2/3rds) of the amount of
2 the unearned premium reserve required to be maintained by the ceding title insurance company
3 at the time of such reinsurance.

4 **"G.S. 58-134.4. Unearned premium reserve on policies issued by foreign or alien title**
5 **insurance companies.** Every foreign or alien title insurance company licensed to transact title
6 insurance in this State shall reserve and maintain the same reserves as are required of domestic
7 companies under the provisions of G.S. 58-134.4, unless by the laws of the state or country of
8 domicile of such company there is required to be set aside and maintained an unearned
9 premium reserve in at least as great an amount as is required of domestic companies by that
10 Section.

11 **"G.S. 58-134.5. Maintenance of the unearned premium reserve.** If by reason of any cause,
12 other than depreciation in the market value of investments, the amount of the assets of a title
13 insurance company held as investments of its unearned premium reserve should on any date be
14 less than the amount required to be maintained by law in such reserve, and the deficiency shall
15 not be promptly cured, such title insurance company shall forthwith give written notice thereof
16 to the Commissioner and shall make no further policies, contracts of title insurance or
17 reinsurance agreements of title insurance until the deficiency shall have been eliminated and
18 until it shall have received written approval from the Commissioner authorizing it to again
19 issue such policies, contracts of title insurance or agreements.

20 **"G.S. 58-134.6. Use of the unearned premium reserve on liquidation, dissolution or**
21 **insolvency.** (a) If a title insurance company becomes insolvent, or is in the process of
22 liquidation or dissolution, or in the possession of the Commissioner:

23 (1) Such amount of the assets of such title insurance company equal to the
24 unearned premium reserve then remaining as is necessary may be used by or
25 with the written approval of the Commissioner, to pay for reinsurance of the
26 liability of such title insurance company upon all outstanding policies or
27 contracts or reinsurance agreements of title insurance, as to which claims for
28 losses by the holders are not then pending, the balance, if any, of assets
29 equal to the unearned premium reserve fund then remaining, then to be
30 transferred to the general assets of the title insurance company.

31 (2) The assets other than the unearned premium reserve shall be available to pay
32 claims for losses sustained by holders of policies then pending or arising up
33 to the time reinsurance is effected. In the event that claims for losses are in
34 excess of such other assets of the title insurance company, such claims, when
35 established, shall be paid pro rata out of the surplus assets attributable to the
36 unearned premium reserve, to the extent of such surplus, if any.

37 (b) In the event that reinsurance is not obtained, the unearned premium reserve and
38 assets constituting minimum capital, or so much as remains thereof after out- standing claims
39 have been paid, shall constitute a trust fund to be held by the Commissioner for twenty (20)
40 years, out of which claims of policyholders shall be paid as they arise. The balance, if any, of
41 such fund shall, at expiration of twenty (20) years, revert to the general assets of the title
42 insurance company."

43 **Sec. 2.** All laws and clauses of laws in conflict with this Act are hereby repealed.

44 **Sec. 3.** This Act shall be in full force and effect upon its ratification.

45 In the General Assembly read three times and ratified, this the 19th day of June,
46 1969.