

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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SENATE BILL 981
Commerce Committee Substitute Adopted 5/5/09

Short Title: Mortgage Guaranty Insurance Revisions.

(Public)

Sponsors:

Referred to:

March 26, 2009

A BILL TO BE ENTITLED

AN ACT TO GIVE THE COMMISSIONER OF INSURANCE DISCRETION TO WAIVE
THE MINIMUM POLICYHOLDERS POSITION REQUIREMENT UNDER CERTAIN
CIRCUMSTANCES FOR MORTGAGE GUARANTY INSURERS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-10-125 reads as rewritten:

"§ 58-10-125. Policyholders position and capital and surplus requirements.

(a) For the purpose of complying with G.S. 58-7-75, a mortgage guaranty insurer shall maintain at all times a minimum policyholders position of not less than one twenty-fifth of the insurer's aggregate insured risk outstanding. The policyholders position shall be net of reinsurance ceded but shall include reinsurance assumed.

(b) ~~If Subject to the provisions of subsections (i) through (l) of this section, if a mortgage guaranty insurer does not have the minimum amount of policyholders position required by this section it shall cease transacting new business until the time that its policyholders position is in compliance with this section.~~

(c) A mortgage guaranty insurer shall at all times maintain capital and surplus in the greater of the amount required by G.S. 58-7-75 or ~~subsection (a) of this section~~, unless a waiver is obtained by the mortgage guaranty insurer pursuant to subsection (i) of this section.

(d) through (h) Repealed by Session Laws 2007-127, s. 5, effective July 1, 2007.

(i) The Commissioner may waive the requirement found in subsection (a) of this section at the written request of a mortgage guaranty insurer upon a finding that the mortgage guaranty insurer's policyholders position is reasonable in relationship to the mortgage guaranty insurer's aggregate insured risk and adequate to its financial needs. The request must be made in writing at least 90 days in advance of the date that the mortgage guaranty insurer expects to exceed the requirement of subsection (a) of this section and shall, at a minimum, address the factors specified in subsection (j) of this section.

(j) In determining whether a mortgage guaranty insurer's policyholders position is reasonable in relation to the mortgage guaranty insurer's aggregate insured risk and adequate to its financial needs, all of the following factors, among others, may be considered:

- (1) The size of the mortgage guaranty insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force, and other appropriate criteria.
- (2) The extent to which the mortgage guaranty insurer's business is diversified across time, geography, credit quality, origination, and distribution channels.
- (3) The nature and extent of the mortgage guaranty insurer's reinsurance program.



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- 1 (4) The quality, diversification, and liquidity of the mortgage guaranty insurer's
2 assets and its investment portfolio.
- 3 (5) The historical and forecasted trend in the size of the mortgage guaranty
4 insurer's policyholders position.
- 5 (6) The policyholders position maintained by other comparable mortgage
6 guaranty insurers in relation to the nature of their respective insured risks.
- 7 (7) The adequacy of the mortgage guaranty insurer's reserves.
- 8 (8) The quality and liquidity of investments in affiliates. The Commissioner
9 may treat any such investment as a nonadmitted asset for purposes of
10 determining the adequacy of surplus as regards policyholders.
- 11 (9) The quality of the mortgage guaranty insurer's earnings and the extent to
12 which the reported earnings of the mortgage guaranty insurer include
13 extraordinary items.
- 14 (10) An independent actuary's opinion as to the reasonableness and adequacy of
15 the mortgage guaranty insurer's historical and projected policyholders
16 position.
- 17 (11) The capital contributions which have been infused or are available for future
18 infusion into the mortgage guaranty insurer.
- 19 (12) The historical and projected trends in the components of the mortgage
20 guaranty insurer's aggregate insured risk, including, but not limited to, the
21 quality and type of the risks included in the aggregate insured risk.
- 22 (k) The Commissioner may retain accountants, actuaries, or other experts to assist the
23 Commissioner in the review of the mortgage guaranty insurer's request submitted pursuant to
24 subsection (i) of this section. The mortgage guaranty insurer shall bear the Commissioner's cost
25 of retaining those persons.
- 26 (l) Any waiver shall be (i) for a specified period of time, not to exceed two years unless
27 the Commissioner determines that a longer period is reasonable and justified under the
28 circumstances, and (ii) subject to any terms and conditions that the Commissioner shall deem
29 best suited to restoring the mortgage guaranty insurer's minimum policyholders position
30 required by subsection (a) of this section."

31 **SECTION 2.** This act becomes effective July 1, 2009.