

Section 12. Extension Affidavits.—In the case of a chattel mortgage filed or last extended during the period beginning July one, one thousand nine hundred forty-nine, and ending five years prior to the effective date of this act, if an affidavit of the mortgagee or his assignee has been filed with the prothonotary on or after July one, one thousand nine hundred fifty-four, and prior to the effective date of this act in the manner provided by the Chattel Mortgage Act, or if an affidavit is filed within sixty days after the effective date of this act in the manner provided by section seven hereof stating the amount secured by a chattel mortgage at the time of the affidavit, the mortgage shall be a lien on the mortgaged property which shall be good and valid against and superior to all rights of all persons who, after the effective date of this act, become purchasers, mortgagees, lienors, or encumbrancers of and all persons who, after the effective date of this act, deal with the mortgaged property or acquire a security interest therein, and shall remain a lien on the mortgaged property as to them for a period of five years from the date of filing.

Section 13. Construction.—(a) This act shall not be construed to adversely affect or impair the lien of or rights under any existing chattel mortgage, nor shall this act be construed to repeal or affect any act relating to chattel mortgages not herein expressly repealed.

(b) The provisions of this act shall be liberally construed to hold valid chattel mortgages made in good faith to secure bona fide loans and which substantially comply with the provisions of this act.

Act effective  
immediately.

Section 14. Effective Date.—This act shall take effect immediately.

APPROVED—The 24th day of January, A. D. 1956.

GEORGE M. LEADER

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No. 289

AN ACT

Amending the act of May seventeen, one thousand nine hundred twenty-one (Pamphlet Laws 682), entitled "An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such com-

panies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws," defining and providing for the establishment, maintenance and the amount of and use of unearned premium reserves, the release of unearned \*premium reserves for unpaid losses and loss expense and the investment of reserve funds.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

The Insurance Company Law of 1921.

Section 1. Sections six hundred ninety, six hundred ninety-one, six hundred ninety-two, six hundred ninety-three and six hundred ninety-four, act of May seventeen, one thousand nine hundred twenty-one (Pamphlet Laws 682), known as "The Insurance Company Law of 1921," added July one, one thousand nine hundred thirty-seven (Pamphlet Laws 2540), are repealed.

Sections 690, 691, 692, 693 and 694, act of May 17, 1921, P. L. 682, added July 1, 1937, P. L. 2540, repealed.

Section 2. The act is amended by adding, after section six hundred eighty-nine, five new sections to read:

Act of May 17, 1921, P. L. 682, amended by adding five new sections 690, 691, 692, 693 and 694.

*Section 690. Establishment and Maintenance of Unearned Premium Reserve.—(a) Each company having the powers of a title insurance company, as defined in section six hundred eighty-five of this act, shall, in addition to other reserves, establish and maintain a reserve to be known as the "unearned premium reserve" for title insurance, which shall, at all times for all purposes, be deemed and shall constitute the unearned portions of the original premiums and shall be charged as a reserve liability of such company in determining its financial condition.*

Unearned premium reserve established.

*(b) The unearned premium reserve shall be retained and held by such company for the protection of the policy-holders' interest in policies which have not expired. Except as provided in section six hundred ninety-one of this act, assets equal to the amount of such reserve shall not be subject to distribution among depositors or other creditors or stock-holders of such company having the powers of a title insurance company, as defined in section six hundred eighty-five of this act, until all claims of policyholders or holders of other title insurance contracts or agreements of such company have been paid in full and all liability on the policies or other title insurance contracts or agreements, whether contingent or actual, has been discharged or lawfully reinsured. Income from the investment of the amount of such reserve shall be the unrestricted property of the company.*

*Section 691. Amount of Unearned Premium Reserve; Release of Earned Premium.—(a) The unearned premium reserve of every company having the powers*

\* "premiums" in original.

of a title insurance company, as defined in section six hundred eighty-five of this act, shall be cumulative and shall consist of:

(1) The amount of the reinsurance reserve fund, title reserve fund and title reserve held or which should have been held as of the effective date of this act, pursuant to or under permission granted by any prior act of assembly; and

(2) The amount of all additions required to be made to such reserve by this section, less the withdrawals therefrom as permitted by this section.

(b) Except as otherwise provided in this subsection, every company having the powers of a title insurance company, as defined in section six hundred eighty-five of this act, shall add to its unearned premium reserve, in respect of each policy or contract or reinsurance agreement issued by it, a sum of money out of its receipts from the fees for such title insurance made by it, net of all reinsurance applicable thereto, a sum equal to one dollar for each such policy or contract or agreement, plus ten cents for each one thousand dollars (\$1000) face amount of retained liability, and shall each year separately record the amounts so set aside in respect of policies, contracts or agreements written in such year, but, if substantially the entire outstanding liability of any such company shall be reinsured, then the unearned premium reserve of the reinsurer shall be equal in amount to the reserve of the ceding company in respect of such outstanding liability so reinsured.

(c) The amounts set aside as additions to the unearned premium reserve shall be deducted in determining net profits of any company having the powers of a title insurance company as defined in section six hundred eighty-five of this act.

(d) Whenever any policy or contract or reinsurance agreement of title insurance is surrendered or cancelled by the holder, or liability thereon is discharged or reinsured after the year in which the policy or contract or reinsurance agreement was issued, the unearned premium on such policy or contract or agreement shall be withdrawn from the unearned premium reserve for the year in which the insurance was issued and shall be considered as part of net profit \*for the year in which the withdrawal is made.

(e) The remaining balance of any addition or presumed addition to such reserve, which has been held, or which pursuant to the provisions of this subsection is deemed to have been held for a period of twenty (20)

\* "of" in original.

years, shall be released, shall no longer constitute a part of the unearned premium reserve, shall constitute a part of net profit for the year in which the release is made and may be used for any corporate purposes, including the payment of dividends. For the purposes of making withdrawals from the unearned premium reserve established hereby, the reinsurance reserve funds, title reserve funds, and title reserves established and maintained by any company, having the powers of a title insurance company, as defined in section six hundred eighty-five of this act, pursuant to or under permission granted by any prior act of assembly, shall be presumed to have been established out of income in twenty (20) equal annual additions over the past twenty (20) years, whether or not such company shall have been in existence for that period.

(f) For the purposes of determining the amounts of the unearned premium reserve that may be withdrawn, and the interest of the policyholders therein under section six hundred ninety-two of this act, all policies, contracts or reinsurance agreements of title insurance shall be considered as dated on July one in the year of issue.

*Section 692. Use of Unearned Premium Reserve.—*

(a) If a company having the powers of a title insurance company as defined in section six hundred eighty-five of this act becomes insolvent, or is in the process of liquidation or dissolution, or in the possession of the insurance commissioner, such amount of the assets of such company equal to the unearned premium reserve as is necessary shall be used to pay for reinsurance with the written approval of the Insurance Commissioner of the outstanding liability of such company upon all in-force policies or contracts or reinsurance agreements of title insurance, or, if reinsurance cannot be obtained, shall be distributed to the holders of in-force contracts and policies of title insurance in proportion to the unearned premiums thereon.

(b) If by \* reason of depreciation in the market value of investments or other cause, the amount of the assets eligible for investment of unearned premium reserve of any company having the powers of a title insurance company, as defined in section six hundred eighty-five of this act, should on any date be less than the amount required to be maintained by law in such reserve, and the deficiency shall not be promptly cured, such company shall forthwith give written notice thereof to the Insurance Commissioner and shall make no further policies or contracts or reinsurance agreements of title

\* any" in original.

*insurance until the amounts of such eligible investments shall have been restored and until it shall have received written approval from the Insurance Commissioner authorizing it to again issue such policies or contracts or agreements.*

*Section 693. Reserves for Unpaid Losses and Loss Expense.—(a) Each company having the powers of a title insurance company, as defined in section six hundred eighty-five of this act, shall at all times establish and maintain, in addition to other reserves, (1) a reserve against unpaid losses and (2) a reserve against loss expense and shall calculate such reserves by making a careful estimate in each case of the loss and loss expense likely to be incurred, by reason of every claim presented or that may be presented, pursuant to notice from or on behalf of the insured, of a title defect in or lien or adverse claim against the title insured that may result in a loss or cause expense to be incurred for the proper disposition of the claim. The sums of the items so estimated shall be the total amounts of the reserves against unpaid losses and loss expenses of such company.*

*(b) The amounts so estimated shall from time to time be revised as circumstances warrant.*

*(c) The amounts set aside in such reserves in any year shall be deducted in determining the net profits for such year of any company having the powers of a title insurance company, as defined in section six hundred eighty-five of this act.*

*Section 694. Investment of Reserves.—The amount of the required reserves applicable to the title insurance business of each company having the powers of a title insurance company, as defined in section six hundred eighty-five of this act, shall be invested by each such company in securities which shall be designated for such reserve and shall consist of the classes of investments authorized by this act for the investment of the reserves of life insurance companies organized under the laws of this Commonwealth, except policy loans, and shall be subject to the same general investment provisions and restrictions that govern investments of Life Insurance companies organized under the laws of this Commonwealth.*

Effective date  
of act.

*Section 3. This act shall take effect on the first day of the calendar month next following the date of approval hereof.*

APPROVED—The 24th day of January, A. D. 1956.

GEORGE M. LEADER