

**40-1108. Reserves of surety company.** (a) An insurance company transacting surety business shall at all times keep and maintain adequate reserves on its suretyship obligations as follows: (1) An unearned premium reserve of fifty percentum of the current annual premiums upon all outstanding suretyship obligations: Provided, That the commissioner of insurance, in estimating the condition of such an insurance company, may charge it with a premium reserve equal to the unearned portions of the gross premiums charged, computed on each risk, from the date of the issuance of such suretyship obligation; and (2) a loss reserve at least equal to the aggregate estimated amounts due or to become due on account of all losses and claims of which the corporation has received notice: Provided, That such loss reserve shall also include the estimated liability on any notices received by the insurance company of the occurrence of any event which may result in a loss, and the estimated liability of all losses which have occurred but on which no notice has been received.

(b) For the purpose of such reserves, the insurance company shall keep a complete and itemized record showing all losses and claims on which it has received notice, including all notices received by it of the occurrence of any event which may result in a loss; and, in its annual statement to the commissioner of insurance, shall include a schedule showing all losses and claims of which the insurance company has received notice during the year for which the statement is made and which remains unpaid and undisposed of on December thirty-first of such year, and shall also include a schedule showing all the losses and claims of the insurance company unpaid on December thirty-first of the year next preceding, specifying whether the claims have been settled or remain unadjusted, and setting opposite each claim the amount of the reserve carried or maintained against it.

(c) Whenever, in the judgment of the commissioner of insurance, the loss reserves on the suretyship obligations of any insurance company, calculated in accordance with the provisions of this section, are inadequate, he may, in his discretion, require such insurance company to maintain additional reserves.

**History:** L. 1927, ch. 231, 40-1108; June 1.