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**INSURANCE CODE - INS**

**DIVISION 2. CLASSES OF INSURANCE [1880 - 12880.8]** ( *Division 2 enacted by Stats. 1935, Ch. 145.*  )

**PART 6. INSURANCE COVERING LAND [12340 - 12661]** ( *Part 6 enacted by Stats. 1935, Ch. 145.*  )

**CHAPTER 2A. Mortgage Guaranty Insurance [12640.01 - 12640.20]** ( *Chapter 2A added by Stats. 1961, Ch. 719.*  )

**ARTICLE 6. Financial Statements [12640.16- 12640.16.]** ( *Article 6 added by Stats. 1961, Ch. 719.*  )

**12640.16.** (a) The provisions of Article 10 (commencing with Section 900), Chapter 1, Part 2, Division 1, relating to financial statements, shall apply to mortgage guaranty insurers.

(b) The unearned premium reserve shall be computed in accordance with the other applicable sections of this code, except that on all policies covering a risk period of more than one year the unearned premium reserve shall be computed in accordance with standards promulgated by the commissioner after appropriate hearings.

(c) In addition to the contingency reserve required under Section 12640.04, the case basis method shall be used to determine the loss reserve, which shall include a reserve for claims reported and unpaid and claims incurred but not reported, including:

- (i) Estimated losses on insured loans which have resulted in the conveyance of property which remains unsold.
- (ii) Insured loans in the process of foreclosure.
- (iii) Insured loans in default for four or more months.

(*Added by Stats. 1961, Ch. 719.*)