Unofficial Copy C4 2002 Regular Session 2lr1842

By: Delegates Gordon, Busch, Donoghue, Mitchell, and McClenahan Introduced and read first time: January 30, 2002 Assigned to: Economic Matters A BILL ENTITLED 1 AN ACT concerning 2 Title Insurance Producers and Agencies - Statements of Financial 3 **Condition - Repeal of Filing Requirement** 4 FOR the purpose of repealing the requirement that a title insurer have on file by a 5 certain date a certain statement of financial condition of each title insurance 6 producer and agency with an appointment with the title insurer; repealing the 7 exception to the financial statement requirement for certain employees, officers, 8 directors, partners, or members; repealing the exception to the financial statement requirement for law firms and individual attorneys practicing in law 9 10 firms; and generally relating to statements of financial condition of title insurance producers and agencies required to be filed with title insurers. 11 12 BY repealing and reenacting, with amendments, 13 Article - Insurance 14 Section 10-121(j) and 10-125 Annotated Code of Maryland 15 (1997 Volume and 2001 Supplement) 16 17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF 18 MARYLAND, That the Laws of Maryland read as follows: 19 **Article - Insurance** 20 10-121. Except as provided in subparagraph (ii) of this paragraph, no 21 (j) (1) [(i) 22 later than December 31 of the year following the year covered by the financial 23 statement, for each title insurance producer and agency that has an appointment 24 with a title insurer, the title insurer shall have on file a statement of financial 25 condition of each title insurance producer and agency with an appointment with the 26 title insurer, as of the end of the previous calendar year, setting forth an income 27 statement of business done during the preceding year and a balance sheet showing 28 the condition of its affairs as of December 31st preceding certified by the title

29 insurance producer or agency as being a true and accurate representation of the title

30 insurance producer's or agency's financial condition.

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3 4	(ii) An individual who is an employee, officer, director, partner, or member of a licensed title insurance agency shall be considered to have met the requirements of subparagraph (i) of this paragraph if a statement of financial condition of the agency with which the individual is associated is on file with the title insurer as provided under this paragraph.
8 9 10	(2)] (i) The title insurer shall, at least annually, conduct an on-site review of the underwriting, claims, and escrow practices of each title insurance producer appointed by the insurer as a principal agent as designated in the title insurance agency contract between the insurer and the producer. The on-site review shall include a review of the title insurance producer's or agency's policy blank inventory and processing operations.
14	(ii) If the title insurance producer or agency does not maintain separate bank or trust accounts for each title insurer it represents, the title insurer shall verify that the funds held on its behalf are reasonably ascertainable from the books of account and records of the title insurance producer or agency.
	[(3)] (2) A written report setting forth the results of the on-site review shall be prepared by the title insurer and is subject to financial examination under § 2-205 of this article.
21 22	[(4)] (3) If, as a result of the examination, a title insurer has reasonable cause to believe that a title insurance producer or agency has failed to remit premiums or funds owed or that any other violation of this article has been committed, the title insurer shall report in writing the suspected violation to the Commissioner and submit a copy of the examination.
26	[(5)] (4) The examination required under this section is in addition to any examination conducted by the Commissioner to determine compliance with the accounts maintained for the benefit of the Maryland Affordable Housing Trust under § 22-103 of this article.
28	10-125.
29	(a) (1) In this section the following words have the meanings indicated.
30 31	(2) (i) "Law firm" means an association of attorneys who are admitted to practice before the Court of Appeals of the State who:
32	1. are primarily engaged in the practice of law; and
33 34	2. solicit, procure, or negotiate title insurance contracts only as an incident to the practice of law.
35	(ii) "Law firm" includes a sole practitioner.
36	(iii) "Law firm" does not include:

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1 2	1. an attorney or an association of attorneys who own, operate, or share an interest in a title agency; or
3	an attorney who is employed by a title agency as a title insurance producer.
	(3) (i) "Title agency" means a business formed for the primary purpose of soliciting, procuring, or negotiating title insurance contracts and providing settlement services.
8 9	(ii) "Title agency" includes a sole proprietor, partnership, or corporation.
10 11	(b) Subject to this section, the Commissioner may issue a limited lines license to an attorney at law of the State to act as a title insurance producer.
12 13	(c) All licensing provisions of this subtitle apply to title agencies even if the title agency is established or owned by an attorney or a law firm.
14	(d) Notwithstanding any other provision of this subtitle:
	(1) the bonding requirements of this subtitle relating to title insurance producers do not apply to law firms and individual attorneys practicing law in law firms;
	(2) the limited liability company, corporate, and partnership requirements of this subtitle relating to title insurance producers do not apply to law firms; AND
	(3) the education, experience, and examination requirements of this subtitle relating to title insurance producers do not apply to individual attorneys[; and
26	(4) the requirement under § 10-121(j)(1) of this subtitle for each title insurance producer and agency that has an appointment with a title insurer to file an annual statement of financial condition with the title insurer does not apply to law firms and individual attorneys practicing in law firms].
28 29	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2002.