
By: Delegates Busch and Frank

Introduced and read first time: January 24, 1996

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 7, 1996

CHAPTER ____

1 AN ACT concerning

2 **Title Insurance**

3 FOR the purpose of altering the information that a corporation shall include in an
4 application for a title insurance certificate of qualifications; repealing a certain
5 provision requiring title insurance insurers to comply with the licensing and bonding
6 requirements applicable to title insurance agents and title insurance brokers under
7 the State insurance laws; clarifying a certain definition; repealing a certain
8 requirement that a director of a corporation must hold a title insurance certificate
9 of qualification; altering the type of surety bond that an applicant for a title
10 insurance certificate of qualification shall file with the Insurance Commissioner;
11 altering the time period within which a title insurer shall have on file a certain
12 financial statement; construing the satisfaction of a certain filing requirement for
13 certain individuals under certain circumstances; altering the on-site review
14 requirement for a title insurer; altering a certain notification requirement for title
15 insurance agents or brokers under certain circumstances; altering the authority of
16 the Commissioner regarding the status of a certificate of qualification of a
17 corporation or partnership; altering the reasons for which the Commissioner may
18 alter the status of a certificate of qualification under certain circumstances;
19 clarifying restrictions applicable to a certain certificate of qualification; providing
20 for the future codification of certain provisions of this Act; and generally relating to
21 title insurance.

22 BY repealing and reenacting, with amendments,

23 Article 48A - Insurance Code

24 Section 168(e)(2), 168A(a), (e)(2), (g)(1), (m)(1) and (2)(i), and (n)(1), and 175(b)

25 Annotated Code of Maryland

26 (1994 Replacement Volume and 1995 Supplement)

2

1 BY repealing

2 Article 48A - Insurance Code
3 Section 168A(c)
4 Annotated Code of Maryland
5 (1994 Replacement Volume and 1995 Supplement)

6 BY repealing and reenacting, with amendments,

7 Article - Insurance
8 Section 10-101(c) ~~and 10-112(d), 10-121(c)(2), (e)(1), (k)(1) and (2)(i), and (l)(1),~~
9 ~~10-125(b), and 10-126(b)~~
10 Annotated Code of Maryland
11 (1995 Volume)
12 (As enacted by Chapters 36 and 635 of the Acts of the General Assembly of 1995)

13 BY repealing

14 Article - Insurance
15 Section 10-121(a)
16 Annotated Code of Maryland
17 (1995 Volume)
18 (As enacted by Chapters 36 and 635 of the Acts of the General Assembly of 1995)

19 BY renumbering

20 Article 48A - Insurance Code
21 Section 168A(d) through (o), respectively
22 to be Section 168A(c) through (n), respectively
23 Annotated Code of Maryland
24 (1994 Replacement Volume and 1995 Supplement)

25 BY renumbering

26 Article - Insurance
27 Section 10-121(b) through (l), respectively
28 to be Section 10-121(a) through (k), respectively
29 Annotated Code of Maryland
30 (1995 Volume)
31 (As enacted by Chapters 36 and 635 of the Acts of the General Assembly of 1995)

32 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
33 MARYLAND, That the Laws of Maryland read as follows:

34 **Article 48A - Insurance Code**

35 168.

36 (e) (2) To obtain a certificate of qualification, a partnership or corporation
37 must:

3

- 1 (i) Be primarily engaged in the insurance business;
- 2 (ii) File the appropriate form as adopted by the Commissioner;
- 3 (iii) Pay the fee set forth in § 41 of this article; and
- 4 (iv) In addition to any other information required on the application,
5 provide the name and address of each insurance agent or broker employed by the
6 corporation or partnership and each owner OR DIRECTOR of the corporation or
7 partnership.

8 168A.

- 9 (a) (1) In this section, "title insurance agent" or "title insurance broker" means
10 a person who, for compensation, in any manner solicits, procures, or negotiates title
11 insurance contracts.
- 12 (2) "Title insurance agent" or "title insurance broker" includes a person
13 who provides escrow, closing, or settlement services which may result in the issuance of a
14 title insurance contract.
- 15 (3) "Title insurance agent" or "title insurance broker" does not include:
 - 16 (i) Individuals employed and used by title insurance agents or title
17 insurance brokers for the performance of clerical, stenographic, and similar office duties;
18 [or]
 - 19 (ii) A financial institution as defined in § 1-101(h) of the Financial
20 Institutions Article that does not solicit, procure or negotiate title insurance contracts for
21 compensation; OR
 - 22 (III) A TITLE INSURANCE INSURER THAT IS LICENSED UNDER THIS
23 ARTICLE.
- 24 [(c) Notwithstanding any other provision of this subtitle, a title insurance insurer:
 - 25 (1) Is subject to the certificate of qualification requirements under this
26 subtitle applicable to title insurance agents and title insurance brokers; and
 - 27 (2) Is not subject to the bonding requirements of this subtitle relating to title
28 insurance agents and title insurance brokers.]
- 29 (e) (2) If an applicant for a certificate of qualification is a corporation, each
30 officer [and director] must hold a certificate of qualification to act as a title insurance
31 agent or title insurance broker and, if applicable, an appointment with a title insurer.
- 32 (g) (1) In addition to meeting any of the applicable requirements for obtaining
33 a certificate of qualification under § 168(e) of this article, a sole proprietor, a corporate,
34 or partnership applicant for a certificate of qualification as a title insurance agent or a
35 title insurance broker shall file with the Commissioner:
 - 36 (i) A blanket fidelity bond covering appropriate employees; and
 - 37 (ii) 1. A BLANKET surety bond; or

1 2. A letter of credit.

2 (m) (1) (I) [For] EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS
3 PARAGRAPH, NO LATER THAN DECEMBER 31 OF THE YEAR FOLLOWING THE YEAR
4 COVERED BY THE FINANCIAL STATEMENT, FOR each title insurance agent and agency
5 that has an appointment with a title insurer, the title insurer shall have on file a statement
6 of financial condition of each title insurance agent and agency with an appointment with
7 the title insurer, as of the end of the previous calendar year, setting forth an income
8 statement of business done during the preceding year and a balance sheet showing the
9 condition of its affairs as of December 31st preceding certified by the title insurance
10 agent or agency as being a true and accurate representation of the title insurance agent's
11 or agency's financial condition.

12 (II) AN INDIVIDUAL WHO IS AN EMPLOYEE, OFFICER, DIRECTOR,
13 PARTNER, OR MEMBER OF A LICENSED TITLE INSURANCE AGENCY SHALL BE
14 CONSIDERED TO HAVE MET THE REQUIREMENTS OF SUBPARAGRAPH (I) OF THIS
15 PARAGRAPH IF A STATEMENT OF FINANCIAL CONDITION OF THE AGENCY WITH
16 WHICH THE INDIVIDUAL IS ASSOCIATED IS ON FILE WITH THE TITLE INSURER AS
17 PROVIDED UNDER THIS PARAGRAPH.

18 (2) (i) The title insurer shall, at least annually, conduct an on-site review
19 of the underwriting, claims and escrow practices of [its] EACH title insurance [agents
20 and agencies, which] AGENT APPOINTED BY THE INSURER AS A PRINCIPAL AGENT AS
21 DESIGNATED IN THE TITLE INSURANCE AGENCY CONTRACT BETWEEN THE
22 INSURER AND THE AGENT. THE ON-SITE REVIEW shall include a review of the title
23 insurance agent's or agency's policy blank inventory and processing operations.

24 (n) (1) A title insurance agent or title insurance broker shall notify the
25 Commissioner, AND ANY INSURER WITH WHOM THE TITLE INSURANCE AGENT OR
26 TITLE INSURANCE BROKER HOLDS AN APPOINTMENT, if an individual licensed under
27 this subtitle leaves the employment of or ends an association with the title insurance
28 agent or title insurance broker.

29 175.

30 (b) Subject to the hearing provisions of §§ 35 through 39 of this article, the
31 Commissioner may [suspend] DENY, REFUSE TO RENEW, SUSPEND, or revoke the
32 certificate of qualification of a corporation or partnership [for any violation of this
33 subtitle by] IF an agent, broker, director, officer, [or] partner, OWNER, OR EMPLOYEE
34 of a partnership or a corporation HAS:

35 (1) VIOLATED ANY PROVISION OF THIS SUBTITLE;

36 (2) BEEN CONVICTED OF A FELONY, A CRIME OF MORAL TURPITUDE,
37 OR ANY CRIMINAL OFFENSE INVOLVING DISHONESTY OR BREACH OF TRUST; OR

38 (3) HAD ANY PROFESSIONAL LICENSE SUSPENDED OR REVOKED FOR A
39 FRAUDULENT OR DISHONEST PRACTICE.

40 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
41 read as follows:

1 (k) (1) (I) [For] EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS
2 PARAGRAPH, NO LATER THAN DECEMBER 31 OF THE YEAR FOLLOWING THE YEAR
3 COVERED BY THE FINANCIAL STATEMENT, FOR each title insurance agent and agency
4 that has an appointment with a title insurer, the title insurer shall have on file a statement
5 of financial condition of each title insurance agent and agency with an appointment with
6 the title insurer, as of the end of the previous calendar year, setting forth an income
7 statement of business done during the preceding year and a balance sheet showing the
8 condition of its affairs as of December 31st preceding certified by the title insurance
9 agent or agency as being a true and accurate representation of the title insurance agent's
10 or agency's financial condition.

11 (II) AN INDIVIDUAL WHO IS AN EMPLOYEE, OFFICER, DIRECTOR,
12 PARTNER, OR MEMBER OF A LICENSED TITLE INSURANCE AGENCY SHALL BE
13 CONSIDERED TO HAVE MET THE REQUIREMENTS OF SUBPARAGRAPH (I) OF THIS
14 PARAGRAPH IF A STATEMENT OF FINANCIAL CONDITION OF THE AGENCY WITH
15 WHICH THE INDIVIDUAL IS ASSOCIATED IS ON FILE WITH THE TITLE INSURER AS
16 PROVIDED UNDER THIS PARAGRAPH.

17 (2) (i) The title insurer shall, at least annually, conduct an on-site review
18 of the underwriting, claims, and escrow practices of [its] EACH title insurance [agents
19 and agencies, which] AGENT APPOINTED BY THE INSURER AS A PRINCIPAL AGENT AS
20 DESIGNATED IN THE TITLE INSURANCE AGENCY CONTRACT BETWEEN THE
21 INSURER AND THE AGENT. THE ON-SITE REVIEW shall include a review of the title
22 insurance agent's or agency's policy blank inventory and processing operations.

23 (l) (1) A title insurance agent or title insurance broker shall notify the
24 Commissioner, AND ANY INSURER WITH WHOM THE TITLE INSURANCE AGENT OR
25 TITLE INSURANCE BROKER HOLDS AN APPOINTMENT, if an individual licensed under
26 this subtitle leaves the employment of or ends an association with the title insurance
27 agent or title insurance broker.

28 10-125.

29 (b) Subject to this section, the Commissioner may issue a special restricted
30 certificate of qualification to an attorney at law of the State TO ACT AS A TITLE
31 INSURANCE AGENT OR TITLE INSURANCE BROKER.

32 10-126.

33 (b) Subject to the hearing provisions of Title 2 of this article, the Commissioner
34 may [suspend] DENY, REFUSE TO RENEW, SUSPEND, or revoke the certificate of
35 qualification of a partnership or corporation [for any violation of this subtitle by] IF an
36 agent, broker, director, officer, [or] partner, OWNER, OR EMPLOYEE of the partnership
37 or corporation HAS:

38 (1) VIOLATED ANY PROVISION OF THIS SUBTITLE;

39 (2) BEEN CONVICTED OF A FELONY, A CRIME OF MORAL TURPITUDE,
40 OR ANY CRIMINAL OFFENSE INVOLVING DISHONESTY OR BREACH OF TRUST; OR

41 (3) HAS ANY PROFESSIONAL LICENSE SUSPENDED OR REVOKED FOR A
42 FRAUDULENT OR DISHONEST PRACTICE.

7

1 SECTION 3. AND BE IT FURTHER ENACTED, That Section(s) 168A(d)
2 through (o), respectively, of Article 48A - Insurance Code of the Annotated Code of
3 Maryland be renumbered to be Section(s) 168A(c) through (n), respectively.

4 SECTION 4. AND BE IT FURTHER ENACTED, That Section(s) 10-121(b)
5 through (l), respectively, of Article - Insurance of the Annotated Code of Maryland (as
6 enacted by Chapters 36 and 635 of the Acts of the General Assembly of 1995) be
7 renumbered to be Section(s) 10-121(a) through (k), respectively.

8 SECTION 5. AND BE IT FURTHER ENACTED, That Sections 1 and 3 of this
9 Act shall take effect October 1, 1996.

10 SECTION 6. AND BE IT FURTHER ENACTED, That Sections 2 and 4 of this
11 Act shall take effect October 1, 1997.