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By: **Delegates Gordon, Busch, Donoghue, Mitchell, and McClenahan** Introduced and read first time: January 30, 2002 Assigned to: Economic Matters

Committee Report: Favorable House action: Adopted Read second time: February 26, 2002

CHAPTER_____

1 AN ACT concerning

2 Title Insurance

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Title Insurance Producers and Agencies - Statements of Financial 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

9 statement requirement for law firms and individual attorneys practicing in law

10 firms; and generally relating to statements of financial condition of title

11 insurance producers and agencies required to be filed with title insurers.

12 BY repealing and reenacting, with amendments,

- 13 Article Insurance
- 14 Section 10-121(j) and 10-125
- 15 Annotated Code of Maryland
- 16 (1997 Volume and 2001 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

18 MARYLAND, That the Laws of Maryland read as follows:

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Article - Insurance

20 10-121.

21 (j) (1) [(i) Except as provided in subparagraph (ii) of this paragraph, no

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

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1 with a title insurer, the title insurer shall have on file a statement of financial

2 condition of each title insurance producer and agency with an appointment with the

3 title insurer, as of the end of the previous calendar year, setting forth an income

4 statement of business done during the preceding year and a balance sheet showing

5 the condition of its affairs as of December 31st preceding certified by the title

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

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

8 An individual who is an employee, officer, director, partner, or (ii) 9 member of a licensed title insurance agency shall be considered to have met the 10 requirements of subparagraph (i) of this paragraph if a statement of financial 11 condition of the agency with which the individual is associated is on file with the title 12 insurer as provided under this paragraph. 13 (2)] (i) The title insurer shall, at least annually, conduct an on-site 14 review of the underwriting, claims, and escrow practices of each title insurance 15 producer appointed by the insurer as a principal agent as designated in the title 16 insurance agency contract between the insurer and the producer. The on-site review 17 shall include a review of the title insurance producer's or agency's policy blank 18 inventory and processing operations. 19 If the title insurance producer or agency does not maintain (ii) 20 separate bank or trust accounts for each title insurer it represents, the title insurer 21 shall verify that the funds held on its behalf are reasonably ascertainable from the 22 books of account and records of the title insurance producer or agency. 23 [(3)] A written report setting forth the results of the on-site review (2)24 shall be prepared by the title insurer and is subject to financial examination under § 25 2-205 of this article. 26 [(4)](3) If, as a result of the examination, a title insurer has reasonable 27 cause to believe that a title insurance producer or agency has failed to remit 28 premiums or funds owed or that any other violation of this article has been 29 committed, the title insurer shall report in writing the suspected violation to the 30 Commissioner and submit a copy of the examination. 31 [(5)] (4)The examination required under this section is in addition to 32 any examination conducted by the Commissioner to determine compliance with the 33 accounts maintained for the benefit of the Maryland Affordable Housing Trust under 34 § 22-103 of this article. 35 10-125.

36 (a) (1) In this section the following words have the meanings indicated.

37 (2) (i) "Law firm" means an association of attorneys who are admitted
38 to practice before the Court of Appeals of the State who:

39 1. are primarily engaged in the practice of law; and

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1 2 as an incident to the practice of	2. solicit, procure, or negotiate title insurance contracts only f law.
3 (ii)	"Law firm" includes a sole practitioner.
4 (iii)	"Law firm" does not include:
 an attorney or an association of attorneys who own, operate, or share an interest in a title agency; or 	
7 8 insurance producer.	2. an attorney who is employed by a title agency as a title
9 (3) (i) "Title agency" means a business formed for the primary purpose 10 of soliciting, procuring, or negotiating title insurance contracts and providing 11 settlement services.	
12 (ii) 13 corporation.	"Title agency" includes a sole proprietor, partnership, or
14 (b) Subject to this section, the Commissioner may issue a limited lines license 15 to an attorney at law of the State to act as a title insurance producer.	
16 (c) All licensing provisions of this subtitle apply to title agencies even if the 17 title agency is established or owned by an attorney or a law firm.	
18 (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 	
28 (4) the requirement under § 10-121(j)(1) of this subtitle for each title 29 insurance producer and agency that has an appointment with a title insurer to file an 30 annual statement of financial condition with the title insurer does not apply to law 31 firms and individual attorneys practicing in law firms].	
32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect 33 October 1, 2002.	

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