

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 197 (Chairman, Economic Matters Committee)
(By Request – Departmental – Insurance Administration, Maryland)

Economic Matters

Title Insurance - Converted or Misappropriated Trust Moneys - Responsibility of Title Insurer

This departmental bill requires a title insurer to be responsible for the trust monies converted or misappropriated by its title insurance producer if: (1) the title insurance producer converted or misappropriated the trust money while acting as a title insurance producer or providing escrow, closing, or settlement services; and (2) the required bond or letter of credit is insufficient to cover the converted or misappropriated trust money.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: The bill would not materially affect the finances or operations of the Maryland Insurance Administration (MIA).

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: In addition to meeting any of the applicable requirements for a license to act as an insurance producer, an applicant for a license as a title insurance producer must file a blanket fidelity bond covering appropriate employees and a blanket surety bond or letter of credit. Unless the Maryland Insurance Commissioner approves a lesser amount,

each bond or letter of credit must be for \$100,000. The Commissioner may specify, by regulation, when a lesser amount is authorized. The Commissioner may waive the requirement for a bond or letter of credit if bonds are not generally available or reasonably affordable. The Commissioner must make a specific finding that states the reason for accepting a bond or letter of credit for less than \$100,000.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2003
ncs/jr

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