

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1460
Economic Matters

(Delegate Doory)

Finance

Title Insurers and Title Insurance Producers

This bill establishes standards for “title insurance producer independent contractors.” The bill also makes various other changes to the provisions governing title insurance and title insurance producers.

Fiscal Summary

State Effect: The bill’s changes could be handled with the existing budgeted resources of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: Before using or accepting the services of a title insurance producer independent contractor, a title insurance producer that desires to issue a title insurance policy resulting from a settlement, escrow, or closing conducted by a title insurance producer independent contractor must first determine whether the independent contractor holds an appointment with the title insurer with whom the contract of title insurance will be placed. A title insurance producer independent contractor is a person that: (1) is a licensed title insurance producer; (2) provides escrow, closing, or settlement services as an independent contractor for, or on behalf of, a licensed and appointed title insurance producer; and (3) is not an employee or, or associated with, the licensed and appointed title insurance producer.

The bonding, experience, and requirements relating to title insurance producers do not apply to an employee or officer of an authorized title insurer.

The bill alters the requirement that a title insurer conduct an annual on-site review of “principal agents” so that the review is not required for the calendar year in which the title insurance producer’s appointment is initiated under specified conditions. The bill also alters provisions governing attorneys who act as a title insurance producer.

The bill modifies the requirement to retain the original signed statement from a buyer about title insurance on a real estate transaction that involves a purchase money mortgage. The bill also provides that the disclosure and statement requirements do not apply to specified commercial loans.

Current Law: Unless specifically exempted, an insurance producer may not sell, solicit, or negotiate any insurance on behalf of an insurer for which the insurance producer does not have an appointment.

Generally, before a person may act as an insurance producer, the person must be licensed and must be appointed with an insurer. However, these licensing requirements do not apply to an officer, director, or employee of an insurer or of an insurance producer who does not receive any commission on the policies written or sold under specified circumstances, which generally exclude the sale, solicitation, or negotiation of insurance.

An applicant for an insurance producer license must successfully complete a course of study approved by the Maryland Insurance Commissioner. For property and casualty lines, including title insurance, this includes 96 hours of study. The holder of an insurance producer license is required to receive 16 hours of continuing education during the 2-year renewal period if the holder has held a license for less than 25 consecutive years. If the holder has held a license for 25 or more consecutive years, the holder must receive eight hours of continuing education during the renewal period. Applicants must have a minimum amount of experience (generally one year) in the insurance business.

In addition, a sole proprietor, limited liability company, partnership, or corporation that applies for licensure as a title insurance producer must file with the Commissioner: (1) a blanket fidelity bond covering appropriate employees; and (2) a blanket surety bond or letter of credit. Unless the Commissioner approves a lesser amount, each bond or letter of credit must be for \$100,000.

A title insurer, at least annually, must conduct an on-site review of the underwriting, claims, and escrow practices of each title insurance producer appointed as a principal

agent. The Commissioner may issue a limited lines license to a Maryland attorney to act as a title insurance producer.

In a real estate transaction that involves a purchase money mortgage, the title insurance producer must retain the original signed statement from a buyer about title insurance on the transaction until the policy is issued. After that, the title insurer must retain the statement for three years.

Additional Information

Prior Introductions: None.

Cross File: SB 463 (Senator Gladden) – Finance.

Information Source(s): Judiciary (Administrative Office of the Courts), Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2006
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