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TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
SENATE FINANCE COMMITTEE

JANUARY 19, 2022

SENATE BILL 170 – TITLE INSURANCE – INSURANCE AND INSURANCE PRODUCERS - REQUIREMENTS

POSITION: SUPPORT

Thank you for the opportunity to provide written comments regarding Senate Bill (SB) 170.

SB 170 amends §10-121 of the Insurance Article to remove the requirements that: (1) statutorily mandated audits of agents by the title insurer be conducted on-site and in person; and (2) title insurance agents maintain inventories of policy blanks. These requirements are outdated, do not reflect current industry practices or best audit practices, and do not provide any regulatory value.

Currently, §10-121(k)(1) requires a title insurer, during the calendar year, to conduct an on-site, in person, review of the underwriting, claims, and escrow practices of their agent at the agent's principal place of business in Maryland. During the COVID-19 pandemic, the Maryland Insurance Administration (MIA) issued Bulletin 20-29, which suspended the on-site agent review requirements for the 2020 calendar year, provided that the insurer submitted a plan that demonstrated that the virtual remote review was designed to assure that all statutory requirements were met. As expected, given the available technologies in the insurance and title industries, and the evolution of remote auditing techniques, the MIA found that title insurers were able to effectively conduct remote virtual reviews of their agents while meeting all statutory requirements.

Given the ability of title insurers to effectively conduct virtual remote audits during the COVID-19 pandemic, the MIA believes that it is appropriate to make the virtual audit option

permanent and to remove the on-site requirement of §10-121(k)(1). Regardless of the on-site component, these reviews necessarily include virtual and remote aspects. To conduct complete, compliant reviews, title insurers must have access to their agent's systems and databases. The completeness of the review, in this instance, is dependent on the title insurers' access to electronically stored data and the virtual accessibility of personnel – not the access to a physical brick-and-mortar location.

In addition to removing the on-site requirement, SB 170 amends §10-121(k)(2) by removing the language that requires agents to maintain a policy blank inventory. Industry practices no longer require agents to have policy blank inventories. This information can now be obtained electronically and directly from the title insurers' websites. The removal of this requirement would - again - align with industry and regulatory practices in the conduct of audits and reviews.

In consideration of the above, the MIA respectfully requests a favorable report on SB 170.