

SB 170 2022 MIA Pre-Filed Testimony Final.pdf

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Position: FAV

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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 These requirements are outdated, do not reflect current industry practices or best audit practices, and do not provide any regulatory value.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.

MLTA SB 170 written testimony [support with amendm

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To: Members of the Finance Committee
From: MLTA Legislative Committee
Date: January 14, 2022 [Hearing date: January 19, 2022]
Subject: **SB 170** – Title Insurance – Insurers and Insurance Producers – Requirements
Position: **Support with Amendments**

The Maryland Land Title Association (MLTA) **supports with amendments Senate Bill 170** – Title Insurance – Insurers and Insurance Producers – Requirements. The bill seeks to eliminate the requirement that title insurers conduct their annual review of their policy issuing title producers in person “on-site” at the title producer’s place of business.

This departmental bill authorizes a title insurer in the State to conduct annual insurance producer reviews virtually or remotely by repealing the requirement that such reviews be conducted “on-site.” For 2020 and 2021 the Commissioner has allowed title insurers to conduct such review remotely given the health emergency created by COVID-19. All stakeholders recognize that the “in-person” (aka on-site) requirement adds anxiety to the process with no benefit to the process or review.

The MLTA proposes the amendments below to make the statute consistent and coherent. The word “examination” in (k)(3) and (4) should be removed in three places. The statute does not require title insurers to conduct an “examination”. Instead, it is a review of certain specified matters. The Commissioner conducts examinations; title insurers conduct reviews. Thus, the second use of the word in k(4) is appropriate and should remain. The second amendment clarifies that such report be submitted on the Commissioner’s form.

Proposed Amendment: On Page 5 starting with line 22 and continuing to line 29:

(3) If, as a result of the ~~review examination~~, a title insurer has reasonable cause to believe that a title insurance producer or agency has engaged in any of the prohibited activities set forth in § 10-126 of this subtitle, the title insurer shall report in writing the suspected violation to the Commissioner ~~and submit a copy of~~ **in the report prepared under paragraph (2)- examination.**

(4) The ~~review examination~~ required under this section is in addition to any examination conducted by the Commissioner to determine compliance with the accounts maintained for the benefit of the Maryland Affordable Housing Trust under § 22-105 of this article.

For these reasons, the MLTA **supports with amendments Senate Bill 170 and asks that the amendments be adopted in a favorable report.**
