

SB0086/477173/1

BY: Finance Committee

AMENDMENTS TO SENATE BILL 86

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 3, after “that” insert “, with certain exceptions,”; in the same line, strike “have” and substitute “exercise”; in line 4, strike “or custody of”; strike beginning with “requiring” in line 7 down through “regulations” in line 8 and substitute “requiring the Commission to Study the Title Insurance Industry in Maryland to examine the adequacy of a certain blanket surety bond or letter of credit and to make a certain determination under certain circumstances; defining a certain term; providing for the effective dates of this Act; providing for the application of certain provisions of this Act”; and after line 14, insert:

“BY repealing and reenacting, with amendments,

Article – Insurance

Section 10–121(e) and (f)

Annotated Code of Maryland

(2003 Replacement Volume and 2008 Supplement)

(As enacted by Section 1 of this Act)

BY repealing and reenacting, with amendments,

Chapter 356 of the Acts of the General Assembly of 2008

Section 1(g)

BY repealing and reenacting, with amendments,

Chapter 357 of the Acts of the General Assembly of 2008

Section 1(g)”.

(Over)

AMENDMENT NO. 2

On page 1, in line 19, after “(A)” insert “**(1) IN THIS SUBSECTION, “TRUST MONEY” MEANS A DEPOSIT, PAYMENT, OR OTHER MONEY THAT A PERSON ENTRUSTS TO ANOTHER PERSON IN CONNECTION WITH THE PROVISION OF ESCROW, CLOSING, OR REAL ESTATE SETTLEMENT SERVICES.**”

(2)”;

in line 19, strike “**ONLY**” and substitute “**EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, ONLY**”; in the same line, strike “**HAVE**” and substitute “**EXERCISE**”; in line 20, strike “**OR CUSTODY OF MONEY RECEIVED OR HELD IN ESCROW OR IN**”; in line 21, after “**TRUST**” insert “**MONEY**”; and after line 21, insert:

(3) THIS SUBSECTION DOES NOT APPLY TO TRUST MONEY THAT IS ENTRUSTED TO:

(I) A LAW FIRM AS DEFINED IN § 10-125 OF THIS SUBTITLE;

OR

(II) A TITLE INSURER.”.

On page 3, in lines 6, 8, 13, and 23, in each instance, strike the brackets; in lines 6, 8, 13, and 23, in each instance, strike “**\$250,000**”.

On page 5, after line 34, insert:

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Insurance

10-121.

(e) (1) In addition to meeting any of the applicable requirements for a license to act as an insurance producer under this subtitle, a sole proprietor, a limited liability company, a partnership, or a corporate applicant for a license as a title insurance producer shall file with the Commissioner:

(i) a blanket fidelity bond covering appropriate employees and title insurance producer independent contractors; and

(ii) 1. a blanket surety bond; or

2. a letter of credit.

(2) Unless the Commissioner approves a lesser amount, each bond or letter of credit shall be for [~~\$100,000~~] **\$150,000**.

(3) The Commissioner may adopt regulations that specify when it is appropriate for a bond or letter of credit to be less than [~~\$100,000~~] **\$150,000**.

(4) Notwithstanding paragraph (2) of this subsection, the Commissioner may waive the requirement for a bond or letter of credit if the Commissioner finds that bonds are not generally available or reasonably affordable.

(5) The Commissioner shall make a specific finding that states the reason for accepting a bond or letter of credit for less than [~~\$100,000~~] **\$150,000**.

(f) (1) The surety bond or letter of credit shall be for the benefit of any person that suffers a loss if the title insurance producer converts or misappropriates money received or held in escrow or trust while:

(i) acting as a title insurance producer; or

(Over)

(ii) providing any escrow, closing, or settlement services.

(2) The fidelity bond shall be for the benefit of the employer of the title insurance producer who suffers any loss as described in paragraph (1) of this subsection.

(3) The total liability of the surety insurer under each bond or letter of credit may not exceed [\$100,000] **\$150,000.**”.

AMENDMENT NO. 3

On page 5, before line 35, insert:

“SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Chapter 356 of the Acts of 2008

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That:

(g) In order to develop recommendations, the Commission shall:

(1) review State laws relating to the title insurance industry;

(2) review the mechanisms available to enforce State laws relating to the title insurance industry and the effectiveness of those mechanisms;

(3) identify title insurance industry issues that affect consumers in Maryland;

(4) examine the rate-setting factors for title insurance premiums;

(5) examine how rates and services in a title plant state compare to those in Maryland;

(6) identify ways to improve consumer education about the title insurance industry;

(7) study whether mechanics' liens on properties scheduled for settlement have an impact on the timeliness of settlements or on title insurance premium rates;

(8) review the time limits, subsequent to closing, for the issuance of title insurance policies;

(9) study affiliated business arrangements among title insurance producers, builders, title insurance companies, realtors, lenders, and other businesses involved with the settlement of real estate transactions to determine the impact of these arrangements on title insurance premium rates; [and]

(10) (I) EXAMINE THE ADEQUACY OF THE BLANKET SURETY BOND OR LETTER OF CREDIT REQUIRED UNDER § 10-121(E) OF THE INSURANCE ARTICLE TO PROTECT CONSUMERS WHO SUFFER A LOSS FROM THE CONVERSION OR MISAPPROPRIATION BY A TITLE INSURANCE PRODUCER OF MONEY RECEIVED OR HELD IN ESCROW OR TRUST; AND

(II) IF THE COMMISSION FINDS THAT AN INCREASE IN THE AMOUNT OF THE BLANKET SURETY BOND OR LETTER OF CREDIT IS WARRANTED, DETERMINE THE IMPACT OF THE ADDITIONAL COST ON TITLE INSURANCE PRODUCERS; AND

[(10)] (11) study any other issue with significant impact on the title insurance industry.

Chapter 357 of the Acts of 2008

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That:

- (g) In order to develop recommendations, the Commission shall:
- (1) review State laws relating to the title insurance industry;
 - (2) review the mechanisms available to enforce State laws relating to the title insurance industry and the effectiveness of those mechanisms;
 - (3) identify title insurance industry issues that affect consumers in Maryland;
 - (4) examine the rate-setting factors for title insurance premiums;
 - (5) examine how rates and services in a title plant state compare to those in Maryland;
 - (6) identify ways to improve consumer education about the title insurance industry;
 - (7) study whether mechanics' liens on properties scheduled for settlement have an impact on the timeliness of settlements or on title insurance premium rates;
 - (8) review the time limits, subsequent to closing, for the issuance of title insurance policies;
 - (9) study affiliated business arrangements among title insurance producers, builders, title insurance companies, realtors, lenders, and other businesses

involved with the settlement of real estate transactions to determine the impact of these arrangements on title insurance premium rates; [and]

(10) (I) EXAMINE THE ADEQUACY OF THE BLANKET SURETY BOND OR LETTER OF CREDIT REQUIRED UNDER § 10-121(E) OF THE INSURANCE ARTICLE TO PROTECT CONSUMERS WHO SUFFER A LOSS FROM THE CONVERSION OR MISAPPROPRIATION BY A TITLE INSURANCE PRODUCER OF MONEY RECEIVED OR HELD IN ESCROW OR TRUST; AND

(II) IF THE COMMISSION FINDS THAT AN INCREASE IN THE AMOUNT OF THE BLANKET SURETY BOND OR LETTER OF CREDIT IS WARRANTED, DETERMINE THE IMPACT OF THE ADDITIONAL COST ON TITLE INSURANCE PRODUCERS; AND

[(10)] (11) study any other issue with significant impact on the title insurance industry.

SECTION 4. AND BE IT FURTHER ENACTED, That the increase in the amount of the fidelity bond and the blanket surety bond or letter of credit required for licensing as a title insurance producer under § 10-121(e) of the Insurance Article, as enacted by Section 2 of this Act, shall apply to all title insurance producer licenses issued or renewed on or after October 1, 2009.

SECTION 5. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take effect October 1, 2009.”;

in line 35, strike “2.” and substitute “6.”; and in line 35, after “That” insert “, except as provided in Section 5 of this Act,”.