

Title 31 MARYLAND INSURANCE ADMINISTRATION

Subtitle 04 INSURERS

Chapter 22 Title Insurers

Authority: Insurance Article, §§2-108, 2-109, 10-121, and 10-128.1, Annotated Code of Maryland

.02 Scope.

This chapter:

- A. Establishes the minimum standards and procedures for conducting [an on-site] *a* review; and
- B. Provides for the filing of [an on-site] *a* review report with the Commissioner.

.03 Definitions.

A. In this chapter, the following terms have the meanings indicated.

B. Terms Defined.

(1) – (2) (text unchanged)

(3) “Certification” means a written statement signed by the principal agent that the information provided to the title insurer during the [on-site] review is, to the best of the principal agent’s knowledge, information, and belief, full, complete, and truthful and that the principal agent has undertaken an adequate inquiry to make the required certification.

(4) – (15) (text unchanged)

[(16) “On-site review” means a review of the underwriting, claims, and escrow practices of each principal agent conducted by a title insurer or its designee, at the principal agent’s principal place of business in the State and, if the principal agent’s information to be reviewed is not kept at its principal place of business in the State, then at each site where such information is kept.]

[(17)] (16) – [(18)] (17) (text unchanged)

(18) “Review” means a review of the underwriting, claims, and escrow practices of each principal agent conducted by a title insurer or its designee.

(19) – (24) (text unchanged)

.04 Conducting [an On-Site] *a* Review.

A. A title insurer:

(1) Shall, except as provided in §A(4) of this regulation, conduct [an on-site] *a* review during each calendar year of the underwriting, claims, and escrow practices of each principal agent;

(2) Shall conduct [an on-site] *a* review during normal business hours;

(3) May not be required to provide advance notice to the principal agent of the beginning of [an on-site] *a* review; and

(4) May not be required to conduct [an on-site] *a* review of a principal agent for the calendar year during which the principal agent is initially appointed, if the appointment is made on or after June 30 of that calendar year.

B. The [on-site] review required under §A of this regulation shall, at a minimum, include:

(1) A determination of whether:

(a) (text unchanged)

(b) The principal agent’s escrow accounts have been properly reconciled as of the date of the completed [on-site] review and contain sufficient funds to disburse the trust money from all settlement files necessary to establish the lien, title or interests insured in accordance with title insurance policies issued by the title insurer conducting the [on-site] review;

(2) (text unchanged)

(3) A review [and reconciliation of a principal agent’s policy blank inventory] *of the title insurance producer’s or agency’s policy issuing and processing operations*;

(4) To the extent that a title insurer delegates the responsibility to the principal agent to handle any aspect of a claim, a review of whether the principal agent is in compliance with the title insurer’s policies and procedures for handling a claim;

(5) – (6) (text unchanged)

(7) Receipt of the written certification of the principal agent which shall contain:

(a) – (b) (text unchanged)

(c) The following statement in at least 12 point font: I hereby certify that the information provided to the title insurer or its designee during the [on-site] review is, to the best of my knowledge, information, and belief, full, complete, and truthful and that I have undertaken an adequate inquiry to make this certification.

C. (text unchanged)

D. A title insurer may enter into a written contract with a third party to perform [an on-site] *a* review.

E. A title insurer that enters into a written contract with a third party to perform [an on-site] *a* review is:

(1) – (2) (text unchanged)

.05 Failure to Cooperate.

A principal agent's failure to cooperate with a title insurer at the beginning of or during [an on-site] a review shall constitute a reason to believe that the principal agent has engaged in a prohibited activity under Insurance Article, §10-126, Annotated Code of Maryland[,] and shall be reported to the Commissioner.

.06 Report.

A. A title insurer shall [file] *prepare a written report setting forth the results of its annual review, which report shall be made available to [with] the Commissioner [within 45 calendar days after the completion of the on-site review] upon request.*

B. *A title insurer shall file a report with the Commissioner within 45 calendar days after the completion of the review if the title insurer has reasonable cause to believe that the title insurance producer or agency at any time engaged in any of the prohibited activities set forth in Insurance Article, §10-126, Annotated Code of Maryland. The report shall be submitted regardless of whether the prohibited activities ceased or were remedied prior to, during the course of, or as a result of the review. The report shall be in writing on a form specified by the Commissioner and submitted by electronic means directed by the Commissioner.*

[B.] (C.) The report shall address the following areas:

(1) *If applicable, a detailed description of the basis for the reasonable cause to believe that the title insurance producer or agency engaged in any of the prohibited activities set forth in Insurance Article, §10-126, Annotated Code of Maryland;*

[(1)] (2) (text unchanged)

[(2)] (3) The name and Maryland producer license number of any insurance producer associated with the principal agent, including the name and license number(s) of any TIPICs utilized by the agency and confirmation that they are appointed with the insurer;

(4) *The file number and property address for each file that was reviewed;*

[(3)] (5) The principal agent's escrow accounts and related practices, including a review to ensure that:

(a) – (b) (text unchanged)

(c) Funds received by the principal agent are accurately accounted for in the books and records of the principal agent;

[and]

(d) The principal agent's escrow accounts have been properly reconciled as of the date of the completed [on-site] review and the trust deposits held on its behalf are reasonably ascertainable from the books of account and records of the principal agent[.];

(e) *The report shall indicate if there are or have been any escrow or account shortages at any time during the review period.*

[(4)] (6) Except for transfers of money between the principal agent's escrow or trust account and the principal agent's operating account for the fees due the principal agent, transfers of money between principal agent's accounts that contain or have contained trust money deposits;

[(5)] (7) Discrepancies between receipts and disbursements[.]; *If discrepancies are found, the report shall describe the discrepancies in detail and state if the title producer or lender prepared the closing disclosure or HUD-1.*

[(6)] (8) – [(10)] (12) (text unchanged)

[C.] (D.) A title insurer is not precluded from providing a more comprehensive description of the [on-site] review.

[D.] (E.) (text unchanged)

.07 Required Notifications.

A. Except as provided in §B of this regulation, if a title insurer has reason to believe that the principal agent has engaged in, or is engaging in, conduct that is prohibited by Insurance Article, §10-126, Annotated Code of Maryland, the title insurer shall notify the Commissioner in writing, *which may be through email, facsimile, or other electronic transmission* within 10 calendar days after obtaining such knowledge or belief, *in addition to filing any required a report.*

B. A title insurer shall notify the Commissioner in writing, *which may be through email, facsimile, or other electronic transmission*, within 2 calendar days if a title insurer has reason to believe that a principal agent has converted or misappropriated money received or held in trust *in addition to filing any required report.*

C. (text unchanged)