§ 10-126. Denials, suspensions, revocations, and refusals to renew or reinstate; penalties

**(a) Grounds. --** The Commissioner may deny a license to an applicant under §§ 2-210 through 2-214 of this article, or suspend, revoke, or refuse to renew or reinstate a license after notice and opportunity for hearing under §§ 2-210 through 2-214 of this article if the applicant or holder of the license:

**(1)** has willfully violated this article or another law of the State that relates to insurance;

**(2)** has intentionally misrepresented or concealed a material fact in the application for a license;

**(3)** has obtained or attempted to obtain a license by misrepresentation, concealment, or other fraud;

**(4)** has misappropriated, converted, or unlawfully withheld money belonging to an insurer, insurance producer, beneficiary, or insured;

**(5)** has willfully and materially misrepresented the provisions of a policy;

**(6)** has committed fraudulent or dishonest practices in the insurance business;

**(7)** has participated, with or without the knowledge of an insurer, in selling motor vehicle insurance without an actual intent to sell the insurance, as evidenced by a persistent pattern of filing certificates of insurance together with or closely followed by cancellation notices for the insurance;

**(8)** has been convicted by final judgment in any state or federal court of a felony or crime involving moral turpitude;

**(9)** has knowingly participated in writing or issuing substantial over-insurance of property insurance risks;

**(10)** has failed an examination required by this subtitle;

**(11)** has willfully failed to comply with or has willfully violated a proper order, subpoena, or regulation of the Commissioner or the insurance regulatory authority of another state;

**(12)** has failed or refused to pay over on demand money that belongs to an insurer, insurance producer, or other person entitled to the money;

**(13)** has otherwise shown a lack of trustworthiness or competence to act as an insurance producer;

**(14)** is not or does not intend to carry on business in good faith and represent to the public that the person is an insurance producer;

**(15)** has been denied a license or certificate in another state or has had a license or certificate suspended or revoked in another state;

**(16)** has intentionally or willfully made or issued, or caused to be made or issued, a statement that materially misrepresents or makes incomplete comparisons about the terms or conditions of a policy or contract issued by an authorized insurer, for the purpose of inducing or attempting to induce the owner of the policy or contract to forfeit or surrender it or allow it to lapse in order to replace it with another;

**(17)** has transacted insurance business that was directed to the applicant or holder for consideration by a person whose license or certificate to engage in the insurance business at the time was suspended or revoked, and the applicant or holder knew or should have known of the suspension or revocation;

**(18)** has solicited, procured, or negotiated insurance contracts for an unauthorized insurer, including contracts for nonprofit health service plans, dental plan organizations, and health maintenance organizations;

**(19)** has knowingly employed or knowingly continued to employ an individual acting in a fiduciary capacity who has been convicted of a felony or crime of moral turpitude within the preceding 10 years;

**(20)** has forged another's name to an application for insurance or to any document related to an insurance transaction;

**(21)** has improperly used notes or any other reference material to complete an examination for a license;

**(22)** has failed to pay income tax or related interest or penalty under:

**(i)** an assessment under the Tax - General Article that is final and no longer subject to review by the tax court; or

**(ii)** an order of the tax court that is final and no longer subject to judicial review; or

**(23)** in providing information under § 10-118 of this subtitle regarding the termination of an appointment with an insurer, has made an inaccurate statement with actual malice.

**(b) Violations by insurance producers and others. --**

**(1)** The Commissioner may deny a license to an applicant business entity under §§ 2-210 through 2-214 of this article, or suspend, revoke, or refuse to renew or reinstate a license of a business entity after notice and opportunity for hearing under §§ 2-210 through 2-214 of this article, if an individual listed in paragraph (2) of this subsection has:

**(i)** violated any provision of this subtitle;

**(ii)** been convicted of a felony, a crime of moral turpitude, or any criminal offense involving dishonesty or breach of trust; or

**(iii)** had any professional license suspended or revoked for a fraudulent or dishonest practice.

**(2)** This subsection applies in any case that involves a business entity if the violation was committed by an individual who is:

**(i)** an insurance producer;

**(ii)** 1. in the case of a limited liability company, an officer, director, member, or manager;

2. in the case of a partnership, a partner; and

3. in the case of a corporation, a director, officer, or owner; or

**(iii)** an individual with direct control over the fiscal management of the business entity.

**(c) Penalty. --** Instead of or in addition to suspending or revoking the license, the Commissioner may impose on the holder of the license a penalty of not less than $ 100 but not exceeding $ 500 for each violation of this article.

**(d) Restitution. --** Instead of or in addition to suspending or revoking the license, the Commissioner may require that restitution be made to any citizen who has suffered financial injury because of the violation of this article.

**(e) Reinstatement. --** If the license is suspended under this section, the Commissioner may require the individual to pass an examination and file a new application before the suspension is lifted.

**(f) Report of adverse administrative action. --**

**(1)** Within 30 days after the final disposition of the matter, an insurance producer shall report to the Commissioner any adverse administrative action taken against the insurance producer:

**(i)** in another jurisdiction; or

**(ii)** by another governmental unit in this State.

**(2)** The report shall include a copy of the order, consent order, and any other relevant legal documents.

**(g) Report of prosecution for crime. --**

**(1)**

**(i)** In this subsection, the term "charging document" means a written accusation alleging that a defendant has committed an offense.

**(ii)** In this subsection, the term "charging document" includes:

**1.** a citation;

**2.** an indictment;

**3.** an information; and

**4.** a statement of charges.

**(2)** This subsection does not apply to a misdemeanor violation of the Maryland Vehicle Law or the vehicle law of another jurisdiction.

**(3)** If an insurance producer is prosecuted for a crime in any jurisdiction, the insurance producer shall report the prosecution to the Commissioner within 30 days after the insurance producer's initial appearance before a court, including an appearance before:

**(i)** a judicial officer of the District Court due to an arrest;

**(ii)** the District Court in response to a summons;

**(iii)** the circuit court due to execution of a warrant; or

**(iv)** the circuit court in person or by written notice of counsel in response to a summons.

**(4)** The report shall include a copy of:

**(i)** the charging document;

**(ii)** any order issued by a court; and

**(iii)** any other relevant legal documents.

**(h) Child support arrears or subpoena. --** An individual is subject to denial or suspension of a license under § 10-119.3 of the Family Law Article if the individual:

**(1)** is in arrears in the payment of child support amounting to more than 120 days under the most recent order; or

**(2)** has failed to comply with a subpoena issued by the Child Support Administration under § 10-108.6 of the Family Law Article.

## § 22-103. Notice to buyer about title insurance

(a) In general. -- Except as provided in subsection (d) of this section, when, in connection with a real estate transaction that involves a purchase money mortgage or deed of trust on land in the State, a title insurer accepts a premium for a policy that insures the title to the property or the title insurer, its agent, or employee accepts a premium for mortgagee title insurance, the person first accepting the premium:

(1) shall insert the name of each insured in the title insurance commitment for the title insurance; and

(2) immediately on receipt of the premium, shall deliver to the buyer or agent or attorney of the buyer written notice:

(i) of the name of each insured under the policy;

(ii) of the face amount of the policy;

(iii) of the buyer's right and opportunity to obtain simultaneous title insurance in the buyer's favor;

(iv) of the additional premium that will be required for purchase of simultaneous title insurance in the buyer's favor;

(v) that the buyer's title insurance will be subject only to the contingencies and conditions contained in the title insurance commitment and policy;

(vi) of the buyer's right to review the title insurance commitment or a sample of the form of policy in which the contingencies and conditions will be inserted;

(vii) that contains a clear statement of the contingencies that must be satisfied to make the buyer's policy effective, if the buyer's policy is not effective on payment of the premium; and

(viii) that the title insurance commitment or sample of the form of policy into which the contingencies and conditions for insuring will be inserted:

1. does constitute a statement of the terms and conditions on which the title insurer is willing to issue its policy of title insurance if the title insurer accepts a premium for the policy;

2. is not a representation as to the state of title; and

3. does not constitute an abstract of title.

(b) Statement of receipt of notice. -- Before disbursing any funds, the person required to give notice under subsection (a) of this section shall obtain from the buyer, at the time the person delivers the notice, a statement in writing that the buyer has received the notice described in subsection (a) of this section and that the buyer wants or does not want owner's title insurance.

(c) Retention of statement and notice. --

(1) The person required to give notice under subsection (a) of this section shall retain the original signed statement of receipt required by subsection (b) of this section and a copy of the notice required by subsection (a) of this section for 3 years.

(2) The statement of receipt and notice shall be available for inspection by the Commissioner on request.

(d) Applicability. -- This section does not apply to a real estate transaction involving a mortgage or deed of trust securing an extension of credit made:

(1) solely to acquire an interest in or to carry on a business or commercial enterprise; or

(2) to any business or commercial organization.

## § 10-802. Trust money in escrow for residential real estate transaction.

(a) Definitions. --

(1) In this section the following words have the meanings indicated.

(2) "Beneficial owner" means a person other than the owner of the trust money for whose benefit an escrow agent is entrusted to hold trust money.

(3) "Escrow agent" means a person engaged in the business of receiving escrows for deposit or delivery.

(4) "Trust money" means a deposit, an additional deposit, or a down payment made by a purchaser that the purchaser entrusts to an escrow agent to hold for:

(i) The benefit of the owner or beneficial owner of the trust money; and

(ii) A purpose that relates to the purchase or sale of residential real estate in the State.

(b) Applicability of section. --

(1) This section applies only to:

(i) Real property improved by four or fewer single-family dwelling units that are designed principally and are intended for human habitation; and

(ii) Unimproved real property zoned for residential use by the local zoning authority of the county or municipality in which the real property is located.

(2) This section does not apply to:

(i) Banks, trust companies, savings and loan associations, savings banks, or credit unions;

(ii) A homebuilder registered under Title 4.5 of the Business Regulation Article who is engaged in the initial sale of residential real estate; or

(iii) A real estate salesperson, associate real estate broker, or real estate broker licensed under Title 17 of the Business Occupations and Professions Article.

(c) Written agreement. --

(1) When an escrow agent agrees to hold trust money in escrow for a residential real estate transaction, the escrow agent shall enter into a written agreement with the purchaser and seller of the residential real estate.

(2) The written agreement under this subsection must contain the following information:

(i) The amount of the trust money entrusted to the escrow agent;

(ii) The date the trust money was entrusted to the escrow agent;

(iii) The responsibility of the escrow agent to notify the purchaser and seller of trust money returned due to dishonored funds;

(iv) The conditions under which the escrow agent may release the trust money; and

(v) The process to address disputes over the release of the trust money.

(d) Transfer of trust money to another escrow agent. -- Nothing in this section may be construed to prohibit an escrow agent from transferring trust money to another escrow agent if the purchaser of the residential real estate for which the trust money is held chooses the escrow agent to whom the trust money is transferred.

## § 10-121. Title insurance producers

(a) Definitions. --

(1) In this section the following words have the meanings indicated.

(2) "Controlling person" means an individual who exercises day-to-day direct control over the operation of a title agency doing business in the State, irrespective of whether the person is an officer, a manager, or an owner.

(3) "Entity authorization" means a resolution or consent document executed in accordance with the formalities and governing provisions of the particular business entity and verified under oath.

(4) "Owner" means a person that individually, or through one or more ownership tiers, ultimately holds a 10% or more equity interest in the business entity applying for a title insurance producer license or renewal of a title insurance producer license.

(5) "Title agency" has the meaning stated in § 10-125(a)(4) of this subtitle.

(6) "Trust money" means a deposit, a payment, or any other money that a person entrusts to a licensed title insurance producer in connection with the provision of escrow, closing, or real estate settlement services relating to property within the State.

(7) "Trust money controller" means a person within a title agency who has day-to-day direct control over trust money.

(b) Who may exercise control; applicability. --

(1) Except as provided in paragraph (2) of this subsection, only a licensed title insurance producer may exercise control over trust money.

(2) Paragraph (1) of 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.

(c) Conversion or misappropriation of money. -- A person may not convert or misappropriate money received or held in escrow or trust while:

(1) acting as a title insurance producer; or

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

(d) Licensing; individuals and business entities -- Investigation of character. --

(1) Each controlling person and each trust money controller shall hold a license to act as a title insurance producer and, if applicable, an appointment with a title insurer.

(2) If an applicant for a license is a business entity, the application shall be accompanied by an entity authorization that:

(i) identifies each controlling person;

(ii) designates each person that will be a trust money controller for the title agency;

(iii) identifies each owner; and

(iv) identifies each officer, director, manager, general partner, or other person designated by the business entity to act as the business entity's principal contact with the Administration.

(3) When the application of a business entity for a license as a title insurance producer is submitted, the Commissioner shall investigate the character of each person identified as a controlling person and each person identified as a trust money controller in the entity authorization included with the application.

(e) Bond or letter of credit -- Required. --

(1) In addition to meeting any of the applicable requirements for a license to act as an insurance producer under this subtitle, a business entity 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 $ 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 $ 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 $ 150,000.

(f) Bond or letter of credit -- Persons benefited; liability. --

(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

(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 $ 150,000.

(g) Bond or letter of credit -- When filed. -- The title insurance producer shall file the bond or letter of credit with the Commissioner:

(1) after the Commissioner notifies the title insurance producer of the approval of the application for a license; and

(2) before the Commissioner issues the license.

(h) Bond or letter of credit -- Duration; cancellation. --

(1) Each bond or letter of credit shall remain in force until:

(i) the surety insurer is released from liability by the Commissioner; or

(ii) the bond or letter of credit is canceled by the surety insurer.

(2) A surety insurer shall notify the title insurance producer and the Commissioner at least 30 days before canceling a bond or letter of credit.

(3) If a surety insurer fails to notify the title insurance producer and the Commissioner as required by paragraph (2) of this subsection, the bond or letter of credit remains in effect until the surety insurer notifies the title insurance producer and the Commissioner.

(4) A cancellation under this subsection does not affect any liability that occurred during the life of the bond or letter of credit and before the date of cancellation.

(i) Renewal of license. -- Before the Commissioner renews the license of a title insurance producer, the title insurance producer shall submit satisfactory evidence of compliance with this section.

(j) Restraining order. --

(1) If a title insurance producer has been charged with a violation of this section or this article that could result in suspension or revocation of the license of the title insurance producer, the Commissioner may seek an immediate restraining order from a circuit court to prohibit the title insurance producer from providing title insurance, escrow, closing, or settlement services.

(2) A restraining order issued by a court under this subsection is effective until:

(i) the court lifts the restraining order; or

(ii) the charges are dismissed or adjudicated.

(k) Statement of financial condition; on-site review. --

(1)

(i) Except as provided in paragraph (5) of this subsection, the title insurer shall during each calendar year conduct an on-site review of the underwriting, claims, and escrow practices of each title insurance producer appointed by the insurer as a principal agent as designated in the title insurance agency contract between the insurer and the producer.

(ii) The on-site review shall include a review of the title insurance producer's or agency's policy blank inventory and processing operations.

(iii) If the title insurance producer or agency does not maintain separate bank or trust accounts for each title insurer it represents, the title insurer shall verify that the funds held on its behalf are reasonably ascertainable from the books of account and records of the title insurance producer or agency.

(iv) Subject to the requirement under paragraph (3) of this subsection to report suspected violations that the title insurer has reasonable cause to believe have occurred, if the title insurance producer or title agency holds an appointment with more than one title insurer, the title insurer may limit its review to files, separately held accounts, and written documentation relating to its title insurance policies.

(2) A written report setting forth the results of the on-site review shall be prepared by the title insurer and is subject to examination under § 2-205 of this article.

(3) If, as a result of the 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 the examination.

(4) The 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.

(5) The title insurer is not required to perform the on-site review of a title insurance producer for the calendar year during which the title insurance producer is initially appointed if the appointment is made on or after June 30 of that calendar year.

(l) Notification of employment; exceptions to bonding requirement. --

(1) A title insurance producer shall notify any title insurer with whom the title insurance producer holds an appointment whenever a person licensed under this subtitle becomes employed by, or associated with, the title insurance producer.

(2) The bonding requirements of this subtitle relating to title insurance producers do not apply to an employee or officer of an authorized title insurer.

(m) Leaving employment or ending association. --

(1) A title insurance producer shall notify the Commissioner, and any insurer with whom the title insurance producer holds an appointment, if an individual licensed under this subtitle leaves the employment of or ends an association with the title insurance producer.

(2) The title insurance producer required to provide notice under this subsection shall notify the Commissioner within 5 working days after the day the individual leaves employment or ends the association.

(3) The notice required under this subsection shall be in writing and by certified mail.

(n) Blanket fidelity bond, blanket surety bond or letter of credit. -- Notwithstanding subsections (e) and (g) of this section, a title insurance producer independent contractor who provides escrow closing or settlement services that may result in the issuance of a title insurance contract for or on behalf of a title insurance producer is not required to file a blanket fidelity bond, blanket surety bond, or letter of credit with the Commissioner.

(o) Compliance with section. -- In addition to any requirements under this subtitle, title insurance producers shall comply with this section.