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**BODY:**

A key state lawmaker says he will propose legislation early next month to bring tighter controls to Maryland's title insurance business, including a measure to bar from the industry those who have mishandled clients' money.

"The main thrust will be that the consumer must be protected," said Del. Michael E. Busch, chairman of the House Economic Matters Committee. "Consumers must have an assurance that their money isn't being placed into risky hands."

Mr. Busch said he's asked the state Insurance Administration, which regulates the insurance industry in Maryland, to draft a package of reforms, and he will base his final proposal on those recommendations.

Meanwhile Sen. F. Vernon Boozer, a Republican member of the Budget & Taxation Committee, has drafted a bill that would repeal the licensing exemption for lawyers selling title insurance.

The Baltimore County lawmaker's bill also would raise the amount of the bond that title insurance companies must post to be licensed to \$ 500,000 from the current \$ 100,000.

The move toward reforms follows a Dec. 21 article in The Sun showing that Maryland title insurance agents who have admitted or been convicted of stealing clients' money from escrow accounts have returned with ease to the same industry.

Title agents can sidestep state registration by hiding behind a corporate name or working for firms controlled by lawyers who are exempt from state insurance licensing, the story showed.

Jean E. Bienemann, the associate state insurance commissioner in charge of the Property & Casualty Section, said her office likely will recommend that anyone selling or marketing title insurance -- including lawyers -- must obtain state insurance licenses.

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She also said the state may propose that all title company owners and employees undergo in-depth background checks before licensing -- with the intent of not licensing those with criminal backgrounds. All license applicants would be required to fully disclose whether they had criminal records or have been a party in lawsuits involving missing client money.

Additionally, the state may require title insurance companies to buy fidelity bonds, protecting them from employees who steal clients' money. That would be in addition to the \$ 100,000 surety bonds title insurance licensees must post to protect their customers from losses.

While title insurance is not well understood by many outside the insurance industry, it is an important element in many property transactions. It protects the buyer from responsibility for old liens against the property and covers the loss of mortgage money if it is stolen while held in a title company or law office's escrow account.

Title companies and lawyers commonly prepare the paperwork and handle the disbursement of mortgage money for most property transactions.

The proposed reforms are welcomed by some in the industry. "There are a lot of frightening things occurring in this business that need to be addressed so the average property owner doesn't have to worry about whether their money is at risk," said Stuart Resnick, a Pikesville lawyer who also operates a title insurance and settlement business. He has been among those recently clamoring for reforms.

Ms. Bienemann said that another safeguard against theft would be if major insurance underwriters conducted intensive background checks on the people and firms they hire to sell their title policies locally. These checks now are limited.

"The insurance companies really need to be more aggressive," she said.

Mr. Busch said he also may propose that the state establish a fund to cover the losses of clients who also face the loss of their properties because they did not have title insurance to protect them from an escrow account theft. The state fund might be bankrolled by a fee of no more than \$ 5 charged at the time of a property settlement, Mr. Busch said.

Attorney General J. Joseph Curran Jr. also has been considering a set of recommendations to the state legislature to tighten regulation of the title industry. But he now plans to hold off on any proposals until Mr. Busch's legislation is crafted.

**GRAPHIC:** PHOTO, Michael Busch

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