May 26, 1994

The Honorable Casper R. Taylor, Jr.
Speaker of the House of Delegates
State House
Annapolis, Maryland 21401

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed House Bill 314.

House Bill 314 would repeal the option of obtaining a fidelity bond to satisfy the bonding requirements set forth in the title agent law. Additionally, the bill would increase the title agents' bonding requirement from $100,000 to $200,000.

The General Assembly enacted, in 1990, the title bond agent's requirement. The bond requirement was set at $100,000. This figure was reached out of a compromise between the agents and consumers so as to protect the public while ensuring the availability of the bond.

Numerous title agents and surety companies contend that raising the bond to $200,000 is an onerous requirement that will ultimately put smaller title agent companies out of business. They argue that a number of agents will not qualify for a $200,000 bond because the surety companies require the title agents to have net financial assets in an amount at least equal to the face value of the bond.

As House Bill 314 was introduced, the bill would repeal the title agent's option to obtain a fidelity bond to satisfy the bonding law. However, in the last days of the Session, the General Assembly amended the bill to increase the bonding requirement. A full public evaluation of the impact that doubling the bond would have on small title agent companies was never performed. At the very least, a thorough study of the issue should be done before such a significant change is made to the title agent bonding requirement.

During the Session, the General Assembly considered other legislation that attempted to ensure that consumers would be protected in case of insurance agent or broker misconduct. However, recognizing that further study was needed, the General Assembly requested the Insurance Commissioner to conduct a study on methods, including bond requirements, whereby the consumer would be made whole.

In light of the above, it would be more appropriate for the title agent bonding issue to be made part of the Insurance Commissioner's study. Therefore, I have directed the Commissioner to include in the study, an examination of the issues raised in House Bill 314 in the study.

For these reasons, I have vetoed House Bill 314.

Sincerely,
William Donald Schaefer
Governor