

SENATE BILL REPORT

HB 1452

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, March 27, 1997

Title: An act relating to title insurers.

Brief Description: Providing definitions concerning title insurers.

Sponsors: Representatives L. Thomas, Wolfe, Zellinsky, Alexander and Keiser.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 3/25/97, 3/27/97 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Kline and Prentice.

Staff: Catherine Mele (786-7470)

Background: Title insurance provides protection against financial loss resulting from a defect in an insured title. Under title insurance policies, the title insurance company agrees to indemnify the insured for any financial loss suffered as a result of the transfer of a defective title, subject to exceptions listed in the title insurance policy.

In order to transact title insurance in Washington State, a title insurance company must be a stock corporation and maintain a complete set of tract indexes for the county in which its principal Washington office is located. A title insurance company also must keep on deposit with the Office of the Insurance Commissioner a guaranty fund in an amount established in statute based on the population of the county or counties in which the company does business.

The deposit and other requirements for title insurance companies do not apply to companies that prepare, issue, or certify abstracts of title, provided the companies do not insure the titles.

Summary of Bill: Clarification is made between an abstract of title, a title policy, and a preliminary title report, commitment, or binder. An abstract of title is a written representation listing all recorded conveyances, instruments, or documents which, by law, impart constructive notice with respect to the chain of title to real property. A title policy is an agreement to provide title insurance, and an abstract of title is not a title insurance policy. A preliminary report, commitment, or binder is an offer to issue a title policy.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill clarifies the difference between abstracts of title and title insurance. Abstracts are harder to create and to read, and abstracts do not provide insurance. In designing and purchasing title insurance products, consumers must know they are purchasing title insurance and not an abstract of title. The lack of clear definitions in this statute has caused some litigation, and we want to avoid this litigation.

Testimony Against: None.

Testified: Dwight Bickel, Curt Johnson, Washington Land Title Association (pro); Tom Peterson, attorney at law (pro).