
Financial Institutions &
Insurance Committee

HB 1290

Brief Description: Establishing bond requirements for title insurance agent licenses.

Sponsors: Representatives Sump and Mielke.

Brief Summary of Bill

- Requires title insurance agents involved in escrow transactions to obtain fidelity and surety bonds.

Hearing Date: 2/11/03.

Staff: Thamas Osborn (786-7129).

Background:

The Insurance Commissioner (Commissioner) is responsible for the licensing and regulation of title insurers and agents. To do business in this state, a title insurer must have a certificate of authority from the Commissioner, and its agents are required to be licensed as insurance agents. Once licensed by the Commissioner, title insurance agents may engage in escrow transactions without being subject to the licensing regulations applicable to escrow agents, which include the requirement that an escrow agent acquire fidelity and surety bonds.

Summary of Bill:

Financial responsibility requirements: In order to participate in escrow transactions, an applicant for a title insurance agent's license must meet financial responsibility requirements that are similar to those required of escrow agents. These financial responsibility requirements include:

- a fidelity bond in the amount of \$200,000, with a deductible not greater than \$10,000, which covers the agent, officers, partners, and employees; and
- a surety bond in the amount of \$10,000 (but not required if the fidelity bond has no deductible).

Fidelity bond: The fidelity bond is for the benefit of the title agent to cover potential losses resulting from fraud or dishonesty on the part of an owner, officer, or employee.

Surety bond: The surety bond is for the benefit of the public and is for the purpose of covering losses resulting from violations of law or rule.

Appropriation: None.

Fiscal Note: Requested on February 3, 2003.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill is passed.