

HOUSE BILL REPORT

HB 1290

As Reported by House Committee On:

Financial Institutions & Insurance

Title: An act relating to bond requirements for title insurance agents.

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

Sponsors: Representatives Sump and Mielke.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/11/03, 2/28/03 [DPS].

Brief Summary of Substitute Bill

- Requires title insurance agents involved in escrow transactions to obtain a surety bond, as well as a fidelity bond or fidelity insurance.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Schual-Berke, Chair; Simpson, Vice Chair; Benson, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Cairnes, Carrell, Cooper, Hatfield, Hunter, Roach and Santos.

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 Substitute 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 or fidelity insurance 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/fidelity insurance. The fidelity bond or fidelity insurance 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.

Substitute Bill Compared to Original Bill:

The substitute bill allows a title insurance agent to obtain fidelity insurance in lieu of a fidelity bond.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Original Bill) Many title insurance agents are neither bonded nor insured, and this has resulted in losses to consumers when title insurance agencies run into financial difficulties. This bill would subject title insurance agents to the same bonding requirements imposed on escrow agents, which is appropriate because they commonly engage in escrow activities. These bonding requirements are needed to protect consumers.

With Concerns: (Original Bill) The bill should be amended so as to allow fidelity insurance to be obtained in lieu of a fidelity bond, since it is easier for an injured party to be paid via an insurance policy.

Testified: (In support) Representative Sump, prime sponsor.

(With concerns) Bill Rohnhaar, Washington Land Title Association.