
**Financial Institutions &
Insurance Committee**

SSB 5310

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

Sponsors: Senate Committee on Financial Services, Insurance & Housing (originally sponsored by Senators Morton, Hargrove and Haugen).

Brief Summary of Substitute Bill

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

Hearing Date: 3/25/03.

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.

Under current law, escrow agents are required to have a fidelity bond in the aggregate amount of \$200,000 and with a deductible not greater than \$10, 000, as well as a surety bond in the amount of \$10,000, unless the fidelity bond does not have a deductible.

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 the same as those required of escrow agents. These financial responsibility requirements include:

- a fidelity bond in the aggregate amount of \$200,000, or the minimum required of escrow

agents, whichever is greater, and 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, or the minimum required of escrow agents, whichever is greater (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: Not Requested.

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