

# SENATE BILL REPORT

## SSB 5310

---

---

As Passed Senate, March 16, 2003

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

**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 History:**

**Committee Activity:** Financial Services, Insurance & Housing: 2/6/03, 2/20/03 [DPS].  
Passed Senate: 3/16/03, 47-1.

---

### SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

**Majority Report:** That Substitute Senate Bill No. 5310 be substituted therefor, and the substitute bill do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Keiser, Prentice, Roach and Zarelli.

**Staff:** Alison Mendiola-Hamilton (786-7576)

**Background:** The Office of the Insurance Commissioner regulates title insurance companies and agents, including the escrow activities of title insurance companies and agents.

If a title insurance company has a valid certificate of authority and a title agent is duly licensed, they may conduct the business of an escrow agent and are exempt from escrow licensing and escrow agent financial responsibility, which includes fidelity bonds and surety bonds.

**Summary of Bill:** When applying for or renewing a title agent license, if the applicant conducts the business of an escrow agent, the applicant must provide satisfactory evidence of financial responsibility, as is required of licensed escrow agents.

The title agent must have evidence of a fidelity bond providing coverage in the aggregate amount of \$200,000, or the minimum required under RCW 18.44.201, whichever is greater, with a deductible no greater than \$10,000 and evidence of a surety bond in the amount of \$10,000, or the minimum required under RCW 18.44.201, whichever is greater, unless the fidelity bond does not have a deductible.

For title insurance agents, the fidelity and surety bonds are required prior to the agent's authority to transact escrow business in this state.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** Many title agents do the work of an escrow agent but are not subject to the bonding requirements; therefore, there is not enough protection for a consumer.

**Testimony Against:** Historically, title agents are exempt from the bonding requirements of escrow agents. Work of title insurers differs from that of escrow agents. Title agents have financial responsibility requirements under the Office of Insurance Commissioner. This bill is the result of one case of fraud where the client was made whole.

**Testified:** Senator Morton, prime sponsor (pro); Gary Kissling, Curt Johnson, Bill Ronhaar, WA Land Title Assn. (con).

**House Amendment(s):** Eliminates bonding parity between title insurance agents doing the business of escrow agents. Title insurance agents may purchase fidelity insurance in lieu of a fidelity bond. Language tying fidelity and surety bonding requirements to escrow agents (RCW 18.44.201) is eliminated.