

SENATE BILL REPORT

SB 5629

As Reported by Senate Committee On:
Financial Institutions & Insurance, February 14, 2017

Title: An act relating to creating and establishing the rights and duties for title insurance rating and advisory organizations.

Brief Description: Creating and establishing the rights and duties for title insurance rating and advisory organizations.

Sponsors: Senators Angel and Hobbs.

Brief History:

Committee Activity: Financial Institutions & Insurance: 2/09/17, 2/14/17 [DP].

Brief Summary of Bill

- Authorizes title insurers to become members of rating and advisory organizations for the purpose of making title insurance form and rate filings with the Office of the Insurance Commissioner.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Angel, Chair; Mullet, Ranking Minority Member; Fain, Fortunato, Hobbs and Kuderer.

Staff: Jeff Olsen (786-7428)

Background: Title insurance offers protection against the risk that title to property may be encumbered. Before issuing a policy, title insurers conduct a title search in order to determine possible defects in the title. The Office of the Insurance Commissioner (OIC) issues certificates of authority to qualified title insurers and regulates the title insurance industry.

Title insurers must file title insurance forms and rates with the OIC. Premium rates for the insuring or guaranteeing of titles may not be excessive, inadequate, or unfairly

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discriminatory. Insurers' rate filings must include sufficient information to allow the OIC to determine whether the filed rates meet the standard.

An insurer may subscribe to the services of a rating organization to fulfil the insurer's obligation to file insurance forms and rates with the OIC. A rating organization is an entity that consists of member insurers, and its purpose is the adoption of insurance forms or rates for its members and subscribers. A subscriber is an insurer that employs the services of a rating organization for the purpose of making filings. Rating organizations are required to furnish their services without discrimination as between their members and subscribers. The OIC licenses qualified rating organizations.

Advisory organizations are not required to be licensed, but must provide the OIC with the same information as an applicant for a license as a rating organization. An advisory organization is an entity that is a group of insurers that assists insurers or rating organizations but does not make filings.

The OIC must designate a statistical reporting agent to assist in gathering information on title insurance policy issuance. The costs and expenses of the statistical reporting agent must be borne by all the authorized title insurers and title insurance agents licensed to conduct title insurance in Washington. Annually, title insurers must submit a report to the statistical reporting agent of their policy issuance, business income, expenses, and loss experience in Washington. The statistical reporting agent must file the information for each title insurer and title insurance agent with the OIC.

Summary of Bill: Title insurers may use the services of rating organizations and advisory organizations to adopt title insurance forms and rates. The OIC may accept form and rate filings on a title insurer's behalf made by a rating organization licensed by the OIC. The OIC has authority to license, examine, and review decisions of title insurance rating organizations. The OIC is responsible for examining rating organizations and their records and may adopt rules to enable the OIC to recover the costs of such examinations.

Rate filings made by a rating organization on behalf of its members or subscribers become effective only if approved by the OIC in a written decision. The written decision must include a summary of any public hearings, market investigations, studies, or other information collected during the review. Deviations from the rating organization's filings are permitted only when filed with the OIC and a copy of a deviation filing must be sent simultaneously to the rating organization. To protect title insurance companies' confidential information, the only information open to public inspection is aggregated information.

The OIC may suspend or revoke a rating organization license for cause including not meeting license requirements and failure to comply with an order. In addition, the OIC may review the reasonableness of any rating organization rule in its application to subscribers.

Rating organizations may exchange aggregated information and experience data with title insurers, other rating organizations in Washington, and the statistical reporting agent designated by the OIC. The statistical reporting agent designated by the OIC is authorized to exchange aggregate information and experience data with title insurers and rating organizations in Washington.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: Filing rates with the OIC under their new regulations, with several actuaries, was a challenging process. Oregon has a rating bureau and it is a fair and efficient process, and it allows all of the title insurers to compete on a level playing field. Title insurers compete on service, and unlike other insurance business, they do their work before getting paid. Rating bureaus would help small businesses, result in more consistency, and a cost savings to the OIC. Rates for title insurance are mostly for the work of agents to perform the title research, not on the risk assumed. Real estate and mortgage companies support the bill.

OTHER: The OIC has been working with stakeholders on this issue and may have some possible amendments to the bill.

Persons Testifying: PRO: Bill Ronhaar, Whatcom Land Title Company, Inc.; Alan Brickley, citizen; Megan Powell, First American Title Insurance Company; Stuart Halsan, Washington Land Title Association; Dwight Bickel, Washington Land Title Association; Jim Blair, citizen; Maureen Pfaff, Washington Land Title Association President.

OTHER: Lonnie Johns-Brown, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.