

HOUSE BILL REPORT

HB 1857

As Reported By House Committee On:

Financial Institutions & Insurance

Title: An act relating to title insurers.

Brief Description: Defining terms that relate to title insurers.

Sponsors: Representatives Pelesky, Carrell, L. Thomas, Hargrove and B. Thomas.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/20/95, 2/22/95 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benton; Campbell; Costa; Dyer; Huff; Kessler; Mielke; Ogden and Pelesky.

Staff: Charlie Gavigan (786-7340).

Background: Title insurance provides protection against financial loss resulting from a defect in an insured title. Under title insurance policies, the title insurance company agrees to indemnify the insured for any financial loss suffered as a result of the transfer of a defective title, subject to exceptions listed in the title insurance policy.

In order to transact title insurance in Washington State, a title insurance company must: (1) be a stock corporation; (2) maintain a complete set of tract indexes for the county in which its principal Washington office is located; and (3) keep on deposit with the Office of the Insurance Commissioner a guaranty fund in an amount established in statute based on the population of the county or counties in which the company does business.

The deposit and other requirements for title insurance companies do not apply to companies that prepare, issue, or certify abstracts of title, provided the companies do not insure the titles.

Summary of Substitute Bill: Clarification is made between an abstract of title, a title policy, and a preliminary title report, commitment, or binder. An abstract of title is a written representation listing all recorded conveyances, instruments, or documents which, by law, impart constructive notice with respect to the chain of title to real property. A title policy is an agreement to provide title insurance; an abstract of insurance is not a title policy. A preliminary report, commitment, or binder is an offer to issue a title policy.

Substitute Bill Compared to Original Bill: Clarification is made that an abstract of title is not a preliminary report, commitment, or binder.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This clarifies the difference between an abstract of title and title insurance policies and related documents. This area has been subject to litigation because of a lack of clear definitions.

Testimony Against: None.

Testified: Rep. Grant Pelesky, prime sponsor (pro); Curt Johnson, Washington Land Title Association (pro); Dwight Bickel, Transamerica Title Insurance, Commonwealth Title Insurance and WSTA (pro); and Betty Schall, Chicago Title Insurance Company and WSTA (pro).