

SENATE BILL REPORT

SHB 1857

As Reported By Senate Committee On:
Financial Institutions & Housing, February 22, 1996

Title: An act relating to title insurers.

Brief Description: Defining terms that relate to title insurers.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Pelesky, Carrell, L. Thomas, Hargrove and B. Thomas).

Brief History:

Committee Activity: Financial Institutions & Housing: 3/24/95; 2/15/96, 2/22/96 [DPA].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

Staff: Catherine Mele (786-7470)

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 be a stock corporation and maintain a complete set of tract indexes for the county in which its principal Washington office is located. In addition, a title insurance company must 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 Amended 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, but an abstract of insurance is not a title policy. A preliminary report, commitment, or binder is an offer to issue a title policy and is not an abstract of title.

Amended Bill Compared to Substitute Bill: The striking amendment applies the bill prospectively only, and preserves any existing rights and obligations that have arisen under current statute. The striking amendment removes the description of the rights, duties, or responsibilities of title insurers, and deletes the description of the legal effect of preliminary reports, commitments, and binders.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This bill will not have any effect on current title policies because it simply clarifies that difference between title insurance and abstractors of title. It will help to facilitate real property transactions.

Testimony Against: None.

Testified: Rep. Grant Pelesky, prime sponsor.