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SENATE BILL 6012

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State of Washington

52nd Legislature

1992 Regular Session

By Senator Conner

Read first time 01/13/92. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to protecting the customers of escrow agents; and  
2 amending RCW 18.44.050.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 18.44.050 and 1979 c 70 s 1 are each amended to read  
5 as follows:

6 At the time of filing an application as an escrow agent, or any  
7 renewal or reinstatement thereof, the applicant shall satisfy the  
8 director that it has obtained the following as evidence of financial  
9 responsibility:

10 (1)(a) A fidelity bond providing coverage in the aggregate amount  
11 of two hundred thousand dollars covering each corporate officer,  
12 partner, escrow officer, ((and)) employee of the applicant engaged in  
13 escrow transactions, and customer of the applicant; and

1 (2) An errors and omissions policy issued to the escrow agent  
2 providing coverage in the minimum aggregate amount of fifty thousand  
3 dollars or, alternatively, cash or securities in the principal amount  
4 of fifty thousand dollars deposited in an approved depository on  
5 condition that they be available for payment of any claim payable under  
6 an equivalent errors and omissions policy in that amount and pursuant  
7 to rules and regulations adopted by the department for that purpose.

8 For the purposes of this section, a "fidelity bond" shall mean a  
9 primary commercial blanket bond or its equivalent satisfactory to the  
10 director and written by an insurer authorized to transact surety  
11 business in the state of Washington. Such bond shall provide fidelity  
12 coverage for any fraudulent or dishonest acts committed by any one or  
13 more of the employees or officers as defined in the bond, acting alone  
14 or in collusion with others. Said bond shall be for the ~~((sole))~~  
15 benefit of the escrow agent and ~~((under no circumstances whatsoever~~  
16 ~~shall the bonding company be liable under the bond to any other party))~~  
17 the escrow agent's customers. The bond shall name the escrow agent as  
18 obligee and shall protect the obligee against the loss of money or  
19 other real or personal property belonging to the obligee or the  
20 obligee's customers, or in which the obligee has a pecuniary interest,  
21 or for which the obligee is legally liable or held by the obligee in  
22 any capacity, whether the obligee is legally liable therefor or not.  
23 The bond may be canceled by the insurer upon delivery of thirty days'  
24 written notice to the director and to the escrow agent.

25 For the purposes of this section, an "errors and omissions policy"  
26 shall mean a group or individual insurance policy satisfactory to the  
27 director and issued by an insurer authorized to transact insurance  
28 business in the state of Washington. Such policy shall provide  
29 coverage for unintentional errors and omissions of the escrow agent and

1 its employees, and may be canceled by the insurer upon delivery of  
2 thirty days' written notice to the director and to the escrow agent.

3       Except as provided in RCW 18.44.360, the fidelity bond and the  
4 errors and omissions policy required by this section shall be kept in  
5 full force and effect as a condition precedent to the escrow agent's  
6 authority to transact escrow business in this state, and the escrow  
7 agent shall supply the director with satisfactory evidence thereof upon  
8 request.