

HOUSE BILL REPORT

SSB 5310

As Passed House - Amended:

April 14, 2003

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

Brief Description: Establishing bond requirements for title insurance agent licenses.

Sponsors: By Senate Committee on Financial Services, Insurance & Housing (originally sponsored by Senators Morton, Hargrove and Haugen).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 3/25/03, 4/1/03 [DPA].

Floor Activity:

Passed House - Amended: 4/14/03, 92-0.

Brief Summary of Substitute Bill (As Amended by House)

- Requires a title insurance agent to obtain a fidelity bond or fidelity insurance, as well as a surety bond or other equivalent security.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives Schual-Berke, Chair; Simpson, Vice Chair; Benson, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Cairnes, Carrell, Cooper, Hatfield, Hunter, Roach and Santos.

Staff: Thamas Osborn (786-7129).

Background:

The Insurance Commissioner (Commissioner) is responsible for the licensing and regulation of title insurers and agents. To do business in this state, a title insurer must have a certificate of authority from the Commissioner, and its agents are required to be licensed as insurance agents. Once licensed by the Commissioner, title insurance agents may engage in escrow transactions without being subject to the licensing regulations

applicable to escrow agents, which include the requirement that an escrow agent acquire fidelity and surety bonds.

Under current law, escrow agents are required to have a fidelity bond in the aggregate amount of \$200,000 and with a deductible not greater than \$10,000, as well as a surety bond in the amount of \$10,000, unless the fidelity bond does not have a deductible.

Summary of Amended Bill:

Financial responsibility requirements. An applicant for a title insurance agent's license must meet financial responsibility requirements that are similar to those required of escrow agents. These financial responsibility requirements include:

- a fidelity bond or fidelity insurance in the amount of \$200,000, with a deductible not greater than \$10,000, which covers the agent, officers, partners, and employees; and
- a surety bond in the amount of \$10,000, or some other form of security approved by the Commissioner (but not required if the fidelity bond has no deductible).

Fidelity bond/fidelity insurance. The fidelity bond or fidelity insurance is for the benefit of the title agent to cover potential losses resulting from fraud or dishonesty on the part of an owner, officer, or employee.

Surety bond. The surety bond is for the benefit of the public and is for the purpose of covering losses resulting from violations of law or rule.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Original bill) This bill is necessary in order to protect consumers and should be passed. Some title companies engage in escrow transactions and, thus, a bonding requirement is needed to protect consumers in the event of a defalcation or bankruptcy.

(In support with concerns) (Original bill) There has been no defalcation by a title insurer in the last 100 years. However, title agents support the language in the companion House bill. Agents should be given the option of obtaining fidelity insurance in lieu of a fidelity bond, insofar as such insurance is more readily available in the marketplace than are bonds. Also, title agents should have the option of obtaining some other form of security approved by the Commissioner in lieu of the surety bond requirement.

Testimony Against: None.

Testified: (In support) Senator Morton, prime sponsor.

(In support with concerns) Dan Albrecht, Gretchen Valentine, and Stu Halsan,
Washington Land Title Association.