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**Financial Institutions &  
Insurance Committee**

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**HB 2457**

**Brief Description:** Allowing title insurance companies to provide a guarantee covering its agents.

**Sponsors:** Representatives Hatfield and Buck.

**Brief Summary of Bill**

- Authorizes title insurance companies to provide a guarantee, approved by the Insurance Commissioner, in lieu of a fidelity bond or fidelity insurance, accepting financial responsibility for up to \$200,000 for fraudulent or dishonest acts committed by its employees.

**Hearing Date:** 1/30/04

**Staff:** Carrie Tellefson (786-7127).

**Background:**

Home buyers purchase title insurance to guard against the risk that title to their property may be encumbered. Prior to issuing a title policy, title companies conduct a title search in order to determine existing encumbrances, if any. The abstract of title lists all recorded conveyances, instruments, or documents that serve as notice with respect to the chain of title to the real property.

The Insurance Commissioner (Commissioner) is responsible for the licencing and regulation of insurance companies doing business in this state. The authority of the Commissioner includes the oversight of title insurance companies and title insurance agents.

Title agents must receive a license from the Commissioner. As part of the licensing process, they must show evidence of financial responsibility in the following manner:

- by posting a fidelity bond or fidelity insurance of \$200,000 with a deductible of no more than \$10,000; and,
- by posting a surety bond of \$10,000, unless the fidelity bond does not have a deductible.

A title insurer must receive a certificate of authority from the Commissioner. In order to receive a certificate of authority, a title insurer must deposit with the Commissioner a guaranty fund. The amount required to be deposited is based on the size of the county in which the insurer is

authorized to transact business, ranging from \$10,000 for a county population of less than 15,000 to \$200,000 for a county population above 500,000.

**Summary of Bill:**

A title insurance company with a certificate of authority in Washington may provide a guarantee, subject to approval by the Commissioner, accepting financial responsibility up to \$200,000 for fraudulent acts committed by its employees.

In an application for a new or renewal title insurance agent license, this guarantee may be provided in lieu of a fidelity bond or fidelity insurance.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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