

2014 -- S 2447 AS AMENDED

LC004700

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

A N A C T

RELATING TO INSURANCE -- TITLE INSURERS ISSUING CLOSING OR SETTLEMENT PROTECTION

Introduced By: Senator Erin P.Lynch

Date Introduced: February 27, 2014

Referred To: Senate Commerce

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-2.6-6 of the General Laws in Chapter 27-2.6 entitled "Rhode
2 Island Title Insurers Act" is hereby amended to read as follows:

3 **27-2.6-6. Limitations on powers.** -- (a) No insurer that transacts any class, type, or kind
4 of business other than title insurance shall be eligible for the issuance or renewal of a license to
5 transact the business of title insurance in this state, nor shall title insurance be transacted,
6 underwritten, or issued by any insurer transacting or licensed to transact any other class, type, or
7 kind of business.

8 (b) A title insure shall not engage in the business of guaranteeing payment of the
9 principal or the interest of bonds or mortgages.

10 (c)(1) Notwithstanding subsection (a) of this section, and to the extent such coverage is
11 lawful within this state, a title insurer is expressly authorized to issue closing or settlement
12 protection to a proposed insured upon request if the title insurer or its title agent issues a
13 preliminary report, binder, or title insurance policy. Such closing or settlement protection must be
14 provided in connection with the issuance of any loan policy insuring a lender's interest in
15 residential property intended for residential occupancy containing four (4) or less units. Nothing
16 in this section shall prohibit the title insurer from providing such closing or settlement protection
17 in connection with the issuance of any loan policy insuring a lender's interest in any other type of
18 residential or commercial property. ~~Such~~ The closing or settlement protection shall conform to

1 the terms of coverage and form of instrument as approved by the commissioner and may
2 indemnify a proposed insured solely against loss of settlement funds only because of the
3 following acts of a title insurer's named title insurance agent:

4 (i) Theft of settlement funds; and

5 (ii) Failure to comply with written closing instructions by the proposed insured when
6 agreed to by the title insurance agent relating to title insurance coverage.

7 (2) The fee charged by a title insurer for each party receiving closing protection coverage
8 shall be filed with, and approved by, the commissioner pursuant to § 27-2.6-16. The fee shall not
9 be subject to any agreement requiring a division of fees or premiums collected on behalf of the
10 title insurer. The single fee shall be for the protection of all parties receiving the benefit of closing
11 protection, to wit: The buyer(s) or borrower(s) and the lender(s) in connection with the real
12 property transaction giving rise to the issuance of the closing or settlement protection.

13 ~~(2)~~(3) A title insurer shall not provide any other coverage ~~which~~ that purports to
14 indemnify against improper acts or omissions of a person with regard to escrow, settlement, or
15 closing services, except for an insured closing letter in a form approved by the department.

16 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO INSURANCE -- TITLE INSURERS ISSUING CLOSING OR SETTLEMENT
PROTECTION

1 This act would permit title insurance companies and their agents to issue closing funds
2 protection insurance on residential property closings for property consisting of four (4) units or
3 less.

4 This act would take effect upon passage.

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