



NEWS RELEASE

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New Rules for Title Insurance Take Effect May 1, 2010

Although many homebuyers are not educated in the intricacies of title insurance, the Division of Insurance is working to update title rules and regulations to ensure consumer interests are protected in real estate transactions.

Effective May 1, 2010, there's a newly adopted version of Division of Insurance Regulation 3-5-1, which governs the title insurance industry in Colorado.

"When purchasing a home, having title insurance in good order helps buyers be sure that there are no problems with the home's title and that the seller really owns the property," said Colorado Insurance Commissioner Marcy Morrison. "The recent update to our regulation recognizes the inherent value in services provided by title insurance companies and agencies, and moves to ensure these entities are compensated for valuable services, rather than passing hidden costs back to consumers in the form of higher premiums and closing fees."

While much of the regulation has remained the same as past versions, there are a number of important changes in the way title insurance entities must now conduct business:

- Free property reports – title insurance companies and agencies are no longer permitted to issue property reports (known as ownership and encumbrance reports, or O&Es) without charge. Also included in this prohibition is the issuance of preliminary title commitments (known as TBD commitments) without charge. These products represent a considerable expense for the title industry, expenses that are passed back to consumers in the form of higher premiums and closing fees.
- Free classes for real estate agents – while title entities may still teach classes relating to title insurance without charge to the attendees, but any costs associated for classes not primarily related to the business of title insurance must be passed back to the attendees. Classes such as internet marketing for real estate brokers, or how to prepare a real estate contract, may not be provided without charge.
- Title commitments and disclosures – a number of updates affect the internal operation of title entities, including clarifications on what is considered a reasonable search and exam, disclosure requirements on the title commitments regarding true ownership of properties, and prohibitions against overly broad coverage exceptions.
- Consumer funds – title entities are no longer permitted to invest the funds they hold for other parties without first receiving written approval from necessary parties. Additionally, a title entity that earns interest on fiduciary funds must now give disclosure that interest is or was earned, and give consumers the opportunity to receive payment for any interest over certain administrative fees.

The updated regulation can be viewed at:

http://www.dora.state.co.us/insurance/regs/F3-5-1_030510.pdf

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DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.