

COMMONWEALTH OF VIRGINIA

SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

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TO: All licensed title insurance companies; agents, agencies, and companies who are registered settlement agents ("title settlement agents"); and interested parties.

RE: Charges Associated with Closing Protection Letters

On November 3, 2017, the Bureau of Insurance ("Bureau") issued Administrative Letter 2017-04, which instructed title insurance companies that impose a charge for a closing protection letter ("CPL") to treat the charge as insurance premium. Be advised that previously, there had been inconsistencies in the way title insurance companies characterized a CPL charge and the Bureau had informed settlement agents to disburse any administrative fees within two business days of settlement pursuant to § 55-525.11 of the Code of Virginia ("Code"), and to hold and disburse premium pursuant to § 55-525.24 of the Code.

In light of the recent Administrative Letter identifying a charge associated with the issuance of a CPL as insurance premium, the Bureau instructs title settlement agents to characterize CPL charges as insurance premium on closing documents. However, if a title insurance quote with a CPL has already been issued, and the CPL charge was quoted as an administrative fee, the CPL charge can remain an administrative fee and does not have to be changed to insurance premium on the HUD-1 or Closing Disclosure for the transaction. By April 15, 2018, the Bureau expects all CPL charges to be quoted as insurance premium by title settlement agents and reflected on the HUD-1 or Closing Disclosure as insurance premium.

Title settlement agents are reminded to hold title insurance premiums, including CPL premiums, payable to title insurers and agents in a fiduciary capacity, and to disburse such funds accordance with § 55-525.24 B of the Code. Title insurance premiums may be:

- i. Held in the settlement agent's settlement escrow account, identified and itemized by file name or file number, as a file with a balance;
- ii. Disbursed in the form of a check drawn upon the settlement escrow account payable to the title insurer or agent but maintained within the settlement file of the settlement agent; or
- iii. Transferred within two business days into a separate title insurance premium escrow account, separate from the business or personal funds of the settlement agent. Any transferred title insurance premium funds shall be itemized and identified within the separate title insurance premium escrow account.

All title insurance premiums payable to title insurers or agents by title settlement agents must be paid in the ordinary course of business pursuant to § 38.2-1813 A of the Code.

Please direct any questions or comments regarding these matters to Chuck F. Myers, Supervisor of RESA Investigations Unit, Bureau of Insurance, (804) 371-9741 or e-mail chuck.myers@scc.virginia.gov.