

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET
SAN FRANCISCO, CA 94105**

**Bulletin No. 2016-1
January 5, 2016**

TO: All underwritten title companies, title insurers, controlled escrow companies and other interested persons

SUBJECT: Notice of changes to Underwritten Title Company licensing and permitted escrow service activities for licensed companies permitted to conduct escrows

The CDI is publishing this First Notice to make certain all interested parties are aware of the changes in the law effective the first of the year and July 1, 2016. This First Notice will be supplemented by a Second Notice, providing more information on how these new law changes will be implemented. It is intended for a Second Notice to be issued in March of 2016 with more detailed directions from the CDI about how to comply with these law changes and will spell out detailed regulatory implementation procedures.

AB 704, an act of the California legislature which becomes effective in 2016, changes important provisions of Insurance Code section 12389 and adds a new section 12340.13 defining "business locations" of underwritten title companies and controlled escrows. Some of the changes are effective January 1, 2016; others are take effect July 1, 2016. As of July 1, 2016, new financial security amounts for underwritten title companies which are authorized to conduct escrow will require changes in security deposited for this purpose. Current law requires \$7,500 per county be deposited with the state Treasurer. As of July 1, 2016, financial security in the form of a surety bond or deposit of \$100,000 or \$50,000, depending on the counties of licensure, will be required. More detailed information regarding these changes will be provide in a second notice to be issued in March, 2016.

As of January 1, 2016, underwritten title companies and controlled escrows which are licensed to conduct escrow services will only be permitted to conduct such services in business locations within the California county or counties of its escrow license, but without regard to the location of the property which is the subject of the escrow. As a result of this law change, applicants for an organizational securities permit in anticipation of applying for an original underwritten title company license and applicants for expanded or amended license with escrow authority will be required to disclose business locations within the county or counties of applied for license. Other related escrow business plan information will also be requested. In addition, existing underwritten title company licensees will be asked to report their business locations as a

supplement to the underwritten title company financial statement. In addition to these changes, underwritten title companies will continue to be required to maintain a record of all receipts and disbursements of escrows as a condition of their engaging in escrow business.

Controlled escrow companies, as defined in Insurance Code section 12340.6, are companies affiliated with an underwritten title company or companies or a title insurer or insurers, or both. Affiliation is defined in Insurance Code section 1215 (a). Controlled escrows include natural persons employed by either a title insurer or an underwritten title company. Controlled escrows are not licensed by the CDI, but are subject to certain laws pertaining to the conduct of escrow under the Insurance Code which the CDI implements and enforces, including new Insurance Code section 12340.13, and sections 12396 (a), 12401.1, 12401.2, 12401.3, 12401.7, 12401.71 (a), 12404 *et seq.*, 12407, 12408.5, 12409, 12413.1, 12413.2, 12413.5, 12414.13 *et seq.*, 12414.21 *et seq.* and 12418 *et seq.* Controlled escrows should contact their licensing regulator for more information regarding other additional escrow business requirements.

Questions or concerns regarding this notice should be made to:

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