

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 7, 2008
POSITION: Neutral

BILL NUMBER: SB 1286
AUTHOR: M. Machado
RELATED BILLS: AB 1188 (Coto);

BILL SUMMARY: Escrow Agents' Fidelity Corporation

When an escrow agent has both private insurance coverage and Escrow Agents' Fidelity Corporation (EAFC) insurance coverage, this bill would specify that the private insurance coverage must be applied first in the event of a loss that is coverable by both the private insurance and EAFC.

This bill would clarify the reapplication process for a member of the EAFC whose certificate has been revoked or application denied. The bill also would require a private accountant or other specified entities retained by the escrow agent to immediately notify the Department of Corporations (DOC) and the EAFC upon discovery of various events, such as account irregularities or errors.

FISCAL SUMMARY

The DOC indicates it anticipates no measurable increase in workload or cost associated with this bill.

COMMENTS

Finance notes the following regarding this bill:

- The intent of this measure is to clarify that, when an escrow agent suffers a loss that is coverable by both their private insurance and by the EAFC, the private insurance shall be first applied to reimbursing the associated losses. This will reduce unnecessary strain on the EAFC. Additionally, this bill seeks added protections through earlier detection of problems related to escrow practices.

Analyst/Principal (0761) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

M. Machado

April 7, 2008

SB 1286

ANALYSIS

A. Programmatic Analysis

Under existing law, the DOC is responsible for the licensure and regulation of escrow agents.

Under current law, all persons licensed under the Escrow Law are required to be members of the Escrow Agents' Fidelity Corporation (EAFC), a nonprofit corporation, which was established to indemnify its members against loss.

This bill would require that, when an escrow agent has both private insurance coverage and EAFC insurance coverage, the private insurance coverage must be applied first in the event of a loss that is coverable by both the private insurance and EAFC.

This bill would clarify the reapplication process for a member of the EAFC whose certificate has been revoked or application denied. The bill also would require a private accountant or other specified entities retained by the escrow agent to immediately notify the DOC and the EAFC upon discovery of various events, such as account irregularities or errors.

The intent of this measure is to clarify issues related to liability coverage in the event of a claim and the priority of the obligation for payment. Additionally, this bill seeks added protections through earlier detection of problems related to escrow practices.

B. Fiscal Analysis

The DOC indicates it anticipates no measurable increase in workload or cost associated with this bill.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)							Fund Code		
		PROP 98	FC	2007-2008 FC		2008-2009 FC		2009-2010			
2180/Corporations	SO	No		----- No/Minor Fiscal Impact -----							0067

<u>Fund Code</u>	<u>Title</u>
0067	Corporations Fund, State