

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 11, 2007
POSITION: Neutral, note concerns
SPONSOR: California Land Title Association

BILL NUMBER: SB 133
AUTHOR: S. Aanestad

BILL SUMMARY: Title insurance: title solicitors

This bill would establish application requirements and procedures for obtaining and renewing a certificate of registration as a title marketing representative. This bill would also prohibit a person from marketing title insurance in California unless that person holds a valid certificate of registration as a title marketing representative. This bill would require the Insurance Commissioner to adopt rules and regulations as necessary to administer this program.

FISCAL SUMMARY

The bill would create additional workload for the Department of Insurance (DOI), which is primarily funded by the Insurance Fund. Under this bill, the department would have to: develop rules and regulations, create a form and application for those wishing to register as title marketing representatives, conduct additional enforcement actions, renew applications of certificates, and conduct hearings for the revocation of certificates of registration. DOI estimates costs of approximately \$768,000 in 2008-09, and \$1.025 million annually thereafter for nine positions. According to the Department, those nine positions would be responsible for handling and reviewing applications, reviewing files, handling hearings, reviewing caseload, and working on violations.

The bill would set an unspecified application fee in statute. Therefore, it is not clear what level of revenues would be generated, and whether that revenue would be sufficient to cover the costs associated with implementing this new program. This bill is expected to be amended, and may include the setting of the fee level.

COMMENTS

Finance is concerned about the cost of this program. Additionally, there is the question of whether the unspecified fee would cover the costs sufficiently. DOI anticipates (in an amended version of the bill) that the fee would be set at \$318, the fee would be paid every five years, and there would be about 18,000 applicants. If so, revenues would be sufficient to cover the initial estimated costs of the program, but would not cover any future increased costs without a statutory change to increase the fee. Finance is also concerned about the creation of a new fee, although this would be a fee for service for those persons interesting in holding a title marketing representative certificate.

Title solicitors are salespeople employed by title insurance companies to market the title companies to real estate agents and brokers, who then recommend the title insurance companies to their clients. Current law makes it unlawful for any title insurer, underwritten title company, or controlled escrow company to directly or indirectly pay any commission, compensation, or other consideration to any person as an inducement for the placement or referral of title business. Current law also includes a list of activities that are deemed inducements for the placement or referral of title insurance and are considered unlawful.

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For a 2005 bill that was introduced, but not enrolled (SB 728 (Escutia)), Insurance had noted that an increasing number of title solicitors were offering illegal rebates to the real estate agents and brokers whose business they are seeking. At that time, Insurance had also stated that existing enforcement tools were insufficient to prevent or discourage illegal activity by title solicitors.

This bill would provide application requirements and procedures for a certificate as a title marketing representative.

Analyst/Principal Date Program Budget Manager Date
(0220) R. Baker Todd Jerue

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

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

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

**Form DF-43
BILL NUMBER**

AUTHOR

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	
0845/Insurance	SO	No	C	\$1,025	C	\$1,025		--	0217
1233/Oth Ins Dept	RV	No		----- Unknown, See Fiscal Summary -----					0217
<u>Fund Code</u>	<u>Title</u>								
0217	Insurance Fund								