

Vermont Insurance Division

BULLETIN 108 Title Insurer Closing Protection Letters

January 10, 1996

Title insurers licensed in Vermont have been issuing closing protection letters to indemnify lenders and others for losses that occur in connection with the closing of a mortgage on real property. Title insurers are advised that the coverage provided by closing protection letters must be consistent with the definition of title insurance contained in 8 V.S.A. 3301(a)(9), or be approved by the commissioner to the extent that it exceeds the coverage defined by section 3301(a)(9). Letters that provide coverage for fraud or dishonesty by the lender's agent exceed the scope of title insurance under section 3301(a)(9). Insurers who have questions about writing this type of business should contact the company licensing division, (802) 828-3301.

Title insurers are advised that they must reserve for potential losses covered under closing protection letters. In addition, title insurers who have issued closing protection letters prior to the date of this Bulletin are advised to reserve adequately for any existing exposure for closing protection letters issued prior to the date of this Bulletin and to file a report with the company licensing section that discloses the reserves established.

Lenders who desire indemnification for losses caused by the fraud or dishonesty of agents who conduct closings should consider requiring such agents to produce evidence of bonding or fidelity coverage in an appropriate amount.

Closing protection letters must be on a form approved by the Commissioner of Banking, Insurance and Securities. See 8 V S.A 3541.

Elizabeth R. Costle

COMMISSIONER OF BANKING AND INSURANCE