

AN ACT concerning insurance.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Title Insurance Act is amended by changing Section 3 and by adding Section 18.1 as follows:

(215 ILCS 155/3) (from Ch. 73, par. 1403)

Sec. 3. As used in this Act, the words and phrases following shall have the following meanings unless the context requires otherwise:

(1) "Title insurance business" or "business of title insurance" means:

(A) Issuing as insurer or offering to issue as insurer title insurance; and

(B) Transacting or proposing to transact one or more of the following activities when conducted or performed in contemplation of or in conjunction with the issuance of title insurance;

(i) soliciting or negotiating the issuance of title insurance;

(ii) guaranteeing, warranting, or otherwise insuring the correctness of title searches for all instruments affecting titles to real property, any interest in real property, cooperative units and

proprietary leases, and for all liens or charges affecting the same;

(iii) handling of escrows, settlements, or closings;

(iv) executing title insurance policies;

(v) effecting contracts of reinsurance;

(vi) abstracting, searching, or examining titles;

or

(vii) issuing insured closing letters or closing protection letters;

(C) Guaranteeing, warranting, or insuring searches or examinations of title to real property or any interest in real property, with the exception of preparing an attorney's opinion of title; or

(D) Guaranteeing or warranting the status of title as to ownership of or liens on real property and personal property by any person other than the principals to the transaction; or

(E) Doing or proposing to do any business substantially equivalent to any of the activities listed in this subsection, provided that the preparation of an attorney's opinion of title pursuant to paragraph (1)(C) is not intended to be within the definition of "title insurance business" or "business of title insurance".

(1.5) "Title insurance" means insuring, guaranteeing, warranting, or indemnifying owners of real or personal property

or the holders of liens or encumbrances thereon or others interested therein against loss or damage suffered by reason of liens, encumbrances upon, defects in, or the unmarketability of the title to the property; the invalidity or unenforceability of any liens or encumbrances thereon; or doing any business in substance equivalent to any of the foregoing. "Warranting" for purpose of this provision shall not include any warranty contained in instruments of encumbrance or conveyance. Title insurance is a single line form of insurance, also known as monoline. An attorney's opinion of title pursuant to paragraph (1)(C) is not intended to be within the definition of "title insurance".

(2) "Title insurance company" means any domestic company organized under the laws of this State for the purpose of conducting the business of title insurance and any title insurance company organized under the laws of another State, the District of Columbia or foreign government and authorized to transact the business of title insurance in this State.

(3) "Title insurance agent" means a person, firm, partnership, association, corporation or other legal entity registered by a title insurance company and authorized by such company to determine insurability of title in accordance with generally acceptable underwriting rules and standards in reliance on either the public records or a search package prepared from a title plant, or both, and authorized in addition to do any of the following: act as an escrow agent,

solicit title insurance, collect premiums, issue title reports, binders or commitments to insure and policies in its behalf, provided, however, the term "title insurance agent" shall not include officers and salaried employees of any title insurance company.

(4) "Producer of title business" is any person, firm, partnership, association, corporation or other legal entity engaged in this State in the trade, business, occupation or profession of (i) buying or selling interests in real property, (ii) making loans secured by interests in real property, or (iii) acting as broker, agent, attorney, or representative of natural persons or other legal entities that buy or sell interests in real property or that lend money with such interests as security.

(5) "Associate" is any firm, association, partnership, corporation or other legal entity organized for profit in which a producer of title business is a director, officer, or partner thereof, or owner of a financial interest, as defined herein, in such entity; any legal entity that controls, is controlled by, or is under common control with a producer of title business; and any natural person or legal entity with whom a producer of title business has any agreement, arrangement, or understanding or pursues any course of conduct the purpose of which is to evade the provisions of this Act.

(6) "Financial interest" is any ownership interest, legal or beneficial, except ownership of publicly traded stock.

(7) "Refer" means to place or cause to be placed, or to exercise any power or influence over the placing of title business, whether or not the consent or approval of any other person is sought or obtained with respect to the referral.

(8) "Escrow Agent" means any title insurance company or any title insurance agent, including independent contractors of either, acting on behalf of a title insurance company which receives deposits, in trust, of funds or documents, or both, for the purpose of effecting the sale, transfer, encumbrance or lease of real property to be held by such escrow agent until title to the real property that is the subject of the escrow is in a prescribed condition. An escrow agent conducting closings shall be subject to the provisions of paragraphs (1) through (4) of subsection (e) of Section 16 of this Act.

(9) "Independent Escrowee" means any firm, person, partnership, association, corporation or other legal entity, other than a title insurance company or a title insurance agent, which receives deposits, in trust, of funds or documents, or both, for the purpose of effecting the sale, transfer, encumbrance or lease of real property to be held by such escrowee until title to the real property that is the subject of the escrow is in a prescribed condition. Federal and State chartered banks, savings and loan associations, credit unions, mortgage bankers, banks or trust companies authorized to do business under the Illinois Corporate Fiduciary Act, licensees under the Consumer Installment Loan Act, real estate

brokers licensed pursuant to the Real Estate License Act of 2000, as such Acts are now or hereafter amended, and licensed attorneys when engaged in the attorney-client relationship are exempt from the escrow provisions of this Act. "Independent Escrowee" does not include employees or independent contractors of a title insurance company or title insurance agent authorized by a title insurance company to perform closing, escrow, or settlement services.

(10) "Single risk" means the insured amount of any title insurance policy, except that where 2 or more title insurance policies are issued simultaneously covering different estates in the same real property, "single risk" means the sum of the insured amounts of all such title insurance policies. Any title insurance policy insuring a mortgage interest, a claim payment under which reduces the insured amount of a fee or leasehold title insurance policy, shall be excluded in computing the amount of a single risk to the extent that the insured amount of the mortgage title insurance policy does not exceed the insured amount of the fee or leasehold title insurance policy.

(11) "Department" means the Department of Financial and Professional Regulation.

(12) "Secretary" means the Secretary of Financial and Professional Regulation.

(13) "Insured closing letter" or "closing protection letter" means an indemnification or undertaking to a party to a real estate transaction, from a principal such as a title

insurance company or similar entity, setting forth in writing the extent of the principal's responsibility for intentional misconduct or errors in closing the real estate transaction on the part of a settlement agent, such as a title insurance agent or other settlement service provider.

(14) "Residential real property" means a building or buildings consisting of one to 4 residential units or a residential condominium unit where at least one of the residential units or condominium units is occupied or intended to be occupied as a residence by the purchaser or borrower, or in the event that the purchaser or borrower is the trustee of a trust, by a beneficiary of that trust.

(Source: P.A. 94-893, eff. 6-20-06.)

(215 ILCS 155/18.1 new)

Sec. 18.1. Choice of title insurance company. It is declared to be the public policy of this State that parties to a contract for the sale of residential real property who are obligated to provide and pay for title insurance have the right to choose the title insurance company and title insurance agent that will provide such title insurance. No lender or producer of title business, as the term is defined in this Act, shall, as a condition of making a loan, providing services of any kind, including, but not limited to, services as a broker, agent, lender, attorney, or otherwise, require a party to a contract for the sale of residential real property who is

obligated by that contract to furnish and pay for title insurance at their expense, to procure title insurance from a title insurance company or title insurance agent other than a title insurance company or title insurance agent that is chosen by the party paying for the title insurance.

Section 99. Effective date. This Act takes effect upon becoming law.