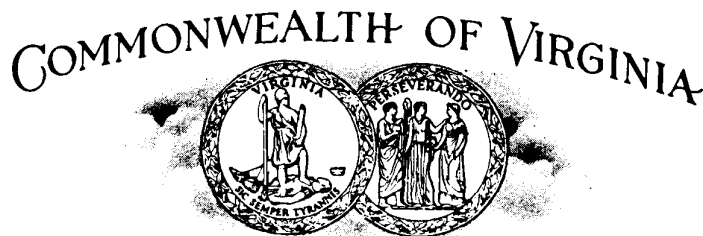


STEVEN T. FOSTER  
COMMISSIONER OF INSURANCE



BOX 1157  
RICHMOND, VIRGINIA 23209  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206

**STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

September 4, 1995

**Administrative Letter 1995-8**

TO: All Companies Licensed to Write Title Insurance in Virginia

RE: Closing Protection Letters

The State Corporation Commission Bureau of Insurance is issuing this administrative letter to advise title insurers licensed in Virginia that closing protection letters may not be used to indemnify lenders for losses which are unrelated to the condition of the title to property or the status of any lien on property. Section 38.2-123 of the Code of Virginia defines title insurance as "...insurance against loss by reason of liens and encumbrances upon property, defects in the title to property, and other matters affecting the title to property or the right to the use and enjoyment of property. 'Title insurance' includes insurance of the condition of the title to property and the status of any lien on property."

By statute, title insurers are monoline insurance companies. Section 38.2-135 prohibits insurers licensed to write title insurance from obtaining a license to write any other lines of insurance. By issuing a closing protection letter that indemnifies lenders for losses which are unrelated to the condition of the title to property or the status of any lien on property, a title insurance company is exceeding its license authority.

Closing protection letters used by title insurance companies licensed in Virginia must, therefore, limit coverage to matters affecting the condition of the title to property or the status of any lien on property. Coverage (whether on an individual or blanket basis) provided beyond this will be considered a violation of §38.2-135. Any closing protection letter issued in the past on a blanket basis which indemnifies lenders for losses unrelated to the condition of the title to property or the status of any lien on property should be rescinded.

Please be advised that title insurance companies are permitted under §38.2-4615 to act in concert with each other and with others with respect to any or all matters pertaining to the preparation of forms of title insurance policies. Section 38.2-4615 also states that title insurers may exchange information, consult, and cooperate with each other with respect to policy forms and contracts. Therefore, title insurance companies licensed

Administrative Letter 1995-8  
September 4, 1995  
Page 2

in Virginia may work together to develop a revised closing protection letter or endorsement that limits coverage to matters affecting the condition of the title to property or the status of any lien on property. Any revisions to existing closing protection letters or endorsements must be filed with the Bureau of Insurance as required by §38.2-4606.

Sincerely,

/s/Steven T. Foster

Steven T. Foster  
Commissioner of Insurance

STF:jgs