

CATIC has sent out recent alerts in order to provide you with the most current information concerning CATIC's procedures and underwriting guidance. These alerts

- Confirm that CATIC is providing gap coverage;
- Recommend that, following a closing, executed documents that cannot be recorded be held in an agent's office;
- Affirm the acceptability of online searches.

We understand that both you and your clients have questions that have arisen over the past several days, and this bulletin is the first of what will be an ongoing series of bulletins and other communications to answer them. This bulletin addresses questions regarding:

GAP COVERAGE

CATIC is providing gap coverage in its title policies, and this coverage protects an Insured when documents cannot be recorded after the closing because a town hall is closed or is not accepting documents for recording.

- **What is the gap?**

The gap is the interval between the last time title to the property was searched and the date of the recording of the deed, mortgage or other conveyance. Normally this is anywhere from a few weeks to a few days, but where the town hall is closed the gap could be much longer.

- **What is gap coverage?**

Gap coverage means that the CATIC title insurance policy, whether it's a Standard or Expanded owner or loan policy, insures against loss resulting from something being recorded within that gap period before the recording of the insured interest.

- **Example:** In preparation for a closing, a search of the town's land records is performed up to March 9, 2020. On March 13, the town hall closes, with no stated reopening date. On March 16, the parties close the transaction, having checked the land records online for anything recorded between March 9 and March 13. On April 6 the town hall reopens, and that same day a lien against the prior owner is recorded. The deed to the new owner is finally recorded on April 7.

To the extent that the intervening lien causes any loss to the new owner or lender, that loss would be covered by the CATIC owner policy or loan policy issued at the time of the closing.

- **Does the policy require any special endorsement to provide the gap coverage?**

CATIC's Standard and Expanded owner and loan policies contain automatic gap coverage provisions that expressly insure against loss resulting from any defect, lien or encumbrance attaching or recorded between the date of policy and the date the insured deed or mortgage is recorded. No endorsement is needed or required.

- **For the policy to provide gap coverage, what date should be used as the Date of Policy?**

If you date your client's policy the date of closing, the policy will effectively insure the gap between the date of the last title search (done prior to the closing), and the date of actual recording.

Recognizing that different lenders and their lawyers have different requirements for dating and completing the title policy, however, the Company is providing gap coverage whether the issued CATIC policy is dated the date of closing, the date of disbursement or the date of recording.

- **The client would like to receive the policy as soon as possible after the closing. Can I deliver the policy to the client without having to wait until the deed or mortgage is recorded when the town hall reopens?**

Absolutely. If you date the policy the date of the closing or, if the insured lender requires, the date of disbursement, the completed policy can be forwarded to the Insured without having to wait for the actual recording of the deed or mortgage. While the policy will not contain any information regarding the recording of, for example, the Insured Mortgage, the Insured may request an endorsement to add that information later.

- **Knowing that gap coverage is included in the policy, are there any other requirements when providing the coverage?**

For now, remember that in most cases standard underwriting guidelines apply when issuing a CATIC policy. Nevertheless, CATIC will assist with the underwriting of the title policy in situations where

1. The title search or your inquiries find a recent history of disputes or economic distress, evidenced by, for example, a recording of involuntary liens; or
2. You, your clients or your staff have any questions or concerns.

In the next Informational Bulletin, CATIC will address questions regarding searching and recording.