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New England Regional Midweek Update
7/8/2026

Dear Stewart partners,

We hope you enjoyed the July 4th holiday weekend! In this week's mid-week update, we feature an article about a Connecticut court decision on zoning coverage (or lack thereof) in a title insurance policy. We are also including an article on home equity contracts and what to do when they appear in your title search.

There are also upcoming educational opportunities for our New England Agents we want you to know about. Two are Stewart webinars, one of which is happening today at 11 AM, and the other is a webinar sponsored by the New England Land Title Association featuring Stewart's Maine State Counsel, Zack Greenfield. For more information, see below.

Connecticut Superior Court Rejects Title Insurance Coverage for Unrecorded Flood-Zoning Violations By: Frank Cammarano, Esq., Connecticut Underwriting Counsel

Quinlan v. Ali, No. AAN-CV-23-6051168, 2025 WL 384161 (Conn. Super. Ct. Jan. 30, 2025), provides valuable guidance regarding the scope of title insurance coverage for zoning and building-code violations. In granting summary judgment for the title insurance company, the Connecticut Superior Court concluded that flood-hazard and zoning compliance violations did not constitute matters affecting title, and that publicly available notices of zoning violations fell outside the coverage afforded by the title insurance policy since such notices were not recorded in the municipal land records. It is important to note that this is a summary of a memorandum of decision on a motion for summary judgment, resulting in the withdrawal of the case without subsequent appeal. As a Connecticut Superior Court decision, it is not binding precedent. However, the court's memorandum is an informative and instructive analysis of the nature and scope of title insurance coverage and its relation to the Connecticut Marketable Record Title Act.

Background
The plaintiffs purchased residential property located in Milford, Connecticut in March of 2021 and purchased an expanded coverage owner's title insurance policy. Unknown to the purchasers, the property sustained substantial damage during Hurricane Sandy in 2012 and was located within a Special Flood Hazard Area subject to Milford's flood-damage reduction regulations. The Milford Planning and Zoning Department issued three citations to the property's former owner in 2013, 2014, and 2017, for noncompliance with flood damage reduction regulations. Specifically, the former owner was required by the regulations to make improvements, such as elevating the house, so that the bottom floor was above the 100-year flood height, at a cost of approximately $200,000. The plaintiffs were unaware of

the property's noncompliance with the flood damage reduction regulations at the time of purchase. The plaintiffs became aware of the property's noncompliance on October 25, 2022, when they were served with a State Building Code Notice of Violation and Order to Abate, ordering them to cease and desist from using the property until they brought the house into compliance.

After being served with the notice of violation, the plaintiffs contacted the title insurer and submitted a claim under Covered Risk 14 of their title insurance policy. Covered Risk 14 provides coverage for violations or enforcement of building or land regulations so long as notice of such violations or enforcement are in the Public Records. The title insurance company denied the plaintiffs' claim on November 11, 2022, and the plaintiffs subsequently brought this suit.

The Coverage Dispute

The dispute centered on Covered Risk 14 of the expanded owner's policy, which insures against violations or enforcement of governmental regulations, including building and zoning, if a notice describing the violation or intended enforcement is recorded in the Public Records. The policy defined "Public Records" as records that give constructive notice of matters affecting title under applicable state law.

The plaintiffs argued that Milford's zoning and flood-compliance notices were publicly available and therefore fell within the policy's definition of Public Records. They further contended that the inability to lawfully use the residence rendered title unmarketable.

The title insurance company responded that title insurance protects against defects, liens, encumbrances, and unmarketability of title; not defects in the physical condition, habitability, or regulatory compliance of improvements. It also argued that "Public Records" unambiguously referred to land records, not municipal files.

Analysis

"Matters Affecting Title"

Superior Court Judge Bellis relied heavily on the Connecticut Appellate Court's decision in Frimberger v. Anzellotti, 25 Conn. App. 401 (1991), which held that violations of governmental regulations do not constitute encumbrances on title. The court emphasized that regulatory violations may restrict the use of property or expose an owner to enforcement proceedings, but they do not impair ownership itself.

Surveying Connecticut precedent and decisions from numerous other jurisdictions, the court noted the prevailing rule that zoning, building-code, and land-use violations do not create title defects or encumbrances. Expanding the concept of title defects to include regulatory violations would create uncertainty in conveyancing, title examination, and title insurance underwriting.

Applying that principle, the court concluded that the flood-hazard and zoning violations at issue in this case did not affect the plaintiffs' ownership interest in the land. Although the violations limited the property's lawful use, they did not diminish the plaintiffs' title. Accordingly, the violations were not "matters affecting title" within the meaning of the title insurance policy.

"Public Records"

The court also rejected the plaintiffs' argument that Public Records included publicly available municipal Planning and Zoning Department files. Examining the definition of "Public Records" in the title policy, the court found that the term cannot be susceptible to multiple meanings because the policy itself defines the term as "records that give constructive notice of matters affecting Your Title, according to the state statutes where the Land is located." (Emphasis added.) The key to understanding the meaning of "Public Records" is the policy language, "according to the state statutes." The relevant state statute is the Connecticut Marketable Record Title Act, General Statutes § 47-33b(b), which defines "Records" as "the land records of the town where the particular land is located." In reading the plain meaning of the title insurance policy language, in conjunction with the relevant statute, the court concluded the term "Public Records" clearly and unambiguously means land records.

While municipalities may record notices of zoning violations on the land records as a remedy to enforce regulations, the court observed that Milford did not record the notices at issue in this matter in the City’s land records. Consequently, the notices never became part of the Public Records as defined by the policy.

The court further relied on Connecticut's longstanding policy that purchasers and title examiners may safely rely on the land records when evaluating title. Citing Lee v. Duncan, 88 Conn. App. 319 (2005), the court reaffirmed the long-held principle “that one searching title to land is not bound to search the records at large but is bound with only such facts as appear in the chain of title to the particular lot in question." Requiring title insurers to search municipal files outside the chain of title would be inconsistent with that policy.

Further, because the court found the policy language clear and unambiguous, it refused to invoke the rule requiring strict construction of the terms against the drafter of the document (in this case, the title insurance company) to construe the title insurance contract in the plaintiff’s favor. The court held that the policy plainly limited coverage to violations evidenced by notices recorded in the land records and affecting title.

Conclusion

In Quinlan v. Ali, the Superior Court reaffirmed the distinction between defects affecting ownership of real property and circumstances affecting the property's use or physical condition. By holding that (1) zoning and flood-compliance violations do not affect title and (2) notices of violations thereof not recorded in the municipal land records are not covered by the policy because of the definition of Public Records, the court clarified the scope of Covered Risk 14 and reinforced the traditional principle that, with the exception of various endorsements to modify or add coverage, title insurance insures against matters affecting title; not the quality, condition, or regulatory compliance of the improvements situated upon the land, unless a notice of violation is recorded in the Public Records.

Home Equity Contracts – What are they and what to do when they appear as an encumbrance in your title search? By: Jutta R. Deeney, Esq., New England Regional Underwriting Counsel & Senior Underwriter

Many homeowners have significant equity in their homes. Traditionally, homeowners have accessed that equity through a home equity line of credit secured by a mortgage on their property. A newer financial product, however, is starting to gain traction around the country: home equity contracts, sometimes referred to as home equity investments, HEIs, or shared equity agreements. These products are typically complex financial contracts.

These contracts are generally structured so that the homeowner receives an upfront payment from the contracting party in exchange for agreeing to make a future lump-sum repayment that is based, at least in part, on the home's value at that future date. The homeowner retains the right to reside in the home and continues to assume the obligations and responsibilities of homeownership, including maintenance and tax obligations. The repayment term can vary, sometimes as short as 10 years or as long as 30 years. The contracts also typically include triggering events for repayment, including the sale of the home. Many HEIs may also include the grant of an option to purchase the real estate by the contracting party. According to the CFPB, repayment amounts can be in the hundreds of thousands of dollars and will typically be significantly larger than the upfront payment in most scenarios.

Hometap, Unlock, Unison, and Point are some of the largest players in this field; however, we have also seen smaller, private investors creating their own contracts. Because these companies do not categorize the product as a loan, it is marketed to homeowners as a way to access their home equity without taking on a loan or paying interest on debt. Currently, the Massachusetts Attorney General has brought suit against Hometap, alleging, among other things, that it is offering illegal reverse mortgage loans that fail to comply with consumer protection laws. See the AG's press release here: AG Campbell Files Nation-Leading State Enforcement Action Against Home Equity Investment Company, Alleging Violations Of Consumer Protections, Mortgage Laws | Mass.gov.

For title agents and attorneys, the key underwriting issue is not simply that a home equity contract appears of record, but that the recorded documents may create repayment rights, sale-triggered obligations, options to purchase, or other interests that must be evaluated before the matter can be omitted from a new policy. Because these products are still being developed and the recorded documentation is not uniform, each occurrence should be reviewed on its own terms.

Each recorded document associated with the HEI should be reviewed closely to determine what requirements must be listed on the title commitment and what must be satisfied before a new policy can be issued without taking exception to those matters. Given the lack of uniformity among these products, please reach out to your local Stewart underwriting counsel for guidance on what will be required in order to insure without exception for a recorded HEI and/or related option contract.

To read more about these kinds of products, the CFPB has published an informative overview of these types of contracts on its website, which can be accessed here: Issue Spotlight: Home Equity Contracts: Market Overview | Consumer Financial Protection Bureau.

Reminder – Upcoming Stewart Webinars

Stewart is offering two upcoming webinars for all New England agents. **Back to Basics: Commitment Preparation** is scheduled for July 8, 2026 at 11-11:30AM. **Selling the Value**

of Title Insurance is scheduled for September 23, 2026 from 11-11:30AM. CLE credits will be available for CT, ME, NH, RI and VT. The links to register are as follows:

Commitment Preparation: Register here

Selling the Value of Title Insurance: Register here

New England Land Title Association Webinar

The New England Land Title Association (NELTA) is hosting a webinar on Wednesday, July 16, 2026 from 12 to 1 PM on Hot Topics in Real Estate Practice (Ethics). The live webinar features Zack Greenfield, Stewart's Maine State Counsel, along with John Prendergast, Assistant Bar Counsel for the Maine Board of Overseers of the Bar, and Aria Yee, Executive Director of the Board of Overseers of the Bar. The webinar has been approved for ethics credits in Connecticut, Maine, New Hampshire, Rhode Island, and Vermont. The webinar is free to NELTA members. To register, follow this link: New England Land Title Association

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