



Dear Stewart Partners,

It is a bit hard to believe that we are nearing the end of September and that the New England fall with the beautiful foliage and apple picking will soon be upon us. We hope you all have time to enjoy what is truly one of the most noteworthy times of the year for our region.

In this week's update, our highlights are not state specific, and focus on matters of general interest to all our issuing agents. Topics include a summary of continuation of coverage provisions in Stewart's Homeowner Policy, aka the enhanced policy, a Special Alert bulletin, and information on new 1099 reporting requirements implemented this year.



**Continuation of Coverage - Title Transfers and Possible Loss of Title Insurance Coverage: Benefits of Using the Homeowner's (Enhanced) Policy**

Owner's title insurance coverage is often purchased upon acquisition of real property, is paid for by a onetime premium, and continues in force by the terms of both the regular/basic and enhanced residential policies so long as the insured is liable under warranty covenants. This means that once an insured owner transfers title to the insured property, if a subsequent claim arises that comes back to the insured, his/her title coverage remains in force to protect against such claim so long as the transfer was made by a warranty deed.

For estate planning or other reasons title is often transferred from an original insured to another individual, trust or entity for no consideration, and possibly without the use of a warranty deed. This may cause a loss of coverage unless the transfer is to a grantee considered an "insured" under the definition in the applicable owner title insurance policy. The following is a summary of who is deemed an "insured" under each type of ALTA owner policy. (Note: the discussion below refers to the 2021 ALTA policies of title insurance):

**Standard Owner Title Insurance Policy (aka – basic):** In this policy, the term "insured" is a defined term and identifies several individuals/entities that could become an insured depending on the particular facts and circumstances of how the new individual or entity acquired title. Specifically, the policy defines "insured" as:

- the Insured named in Item 1 of Schedule A;

- the successor to the Title of an Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;
- the successor to the Title of an Insured resulting from dissolution, merger, consolidation, distribution, or reorganization;
- the successor to the Title of an Insured resulting from its conversion to another kind of Entity; or
- the grantee of an Insured under a deed or other instrument transferring the Title, if the grantee is:
  1. an Affiliate;
  2. a trustee or beneficiary of a trust created by a written instrument established for estate planning purposes by an Insured;
  3. a spouse who receives the Title because of a dissolution of marriage;
  4. a transferee by a transfer effective on the death of an Insured as authorized by law; or
  5. another Insured named in Item 1 of Schedule A.

**Homeowner (aka “Enhanced”) Owner Title Insurance Policy:** In this policy, the term insured is dealt with slightly differently than in the Basic Owner Policy. It simply defines “insured” as “[t]he Insured named in Item 1, Schedule A and also the parties identified in Condition 2.b.”

A review of the policy reveals that Condition 2.b. is the section of the policy that deals with continuation of coverage. This section is entitled “This policy also insures:” and lists several distinct scenarios where the policy would continue to provide coverage for individuals not named in Item 1, Schedule. Specifically, the policy lists the following:

- Anyone who receives [the named insured’s] title by operation of law upon the [named insured’s] death;
- [The named insured’s] spouse who receives title because of a dissolution of marriage;
- [The named insured’s] Estate Planning Entity that is granted title by the [named insured] after the Date of Policy;
- Any beneficiary of distributee of the [named insured’s] Estate Planning Entity who receives the [named insured’s] title;
- Anyone who receives the [named insured’s] title by transfer effective upon death as provided for by law.
- Another insured named in Item 1 of Schedule A. This policy does not define “insured” but

If the **Homeowner** policy is eligible for and is issued with Stewart’s proprietary **Homeowner Endorsement (aka “Gold” endorsement)**, the continuation of coverage section is further broadened to add three (3) additional groups of transferees of the named insured as having the benefit of coverage under the policy. They are:

- The [named insured’s] spouse who receives the title by deed from [the named insured] because [the named insured] is the sole owner and [the named insured] transfers with or without consideration the title or a portion thereof to him or her;

- The [named insured's] child or grandchildren who receives the [named insured's] title by gift deed from the [named insured] without payment of any consideration;
- A limited liability company or other entity to which the [named insured] transfers title provided that the [named insured] is the sole owner of that company or entity;

The nuances of whether an owner of real estate has the benefit of a previously purchased policy naming someone other than the current owner can be tricky. Therefore, an existing policy should always be carefully reviewed prior to any transfer to avoid any possible loss of coverage.

If you have any questions about whether a contemplated transfer would impact coverage under an existing policy, please reach out to your state underwriter.



### **Special Alert: SA202312- Xing Lee**

On Monday of this week, the Company issued a Special Alert Bulletin to all policy issuing agents of Stewart. The alert advised all issuing agents to not accept any new orders or close any transactions involving an individual by the name of Xing Lee without the approval of a Stewart Legal Services representative.

In case you missed the bulletin or wish to re-read its contents, please follow this link:

[Special Alert - Xing Lee](#)



### **1099 Reporting Changes – Stewart is Here to Help**

The IRS has implemented new requirements relative to 1099 filings. Beginning with the 2023 tax year, anyone who must file 10 or more 1099 forms, must do so electronically.

To view the IRS details on this new rule, follow this link: [E-file Forms 1099 with IRIS | Internal Revenue Service \(irs.gov\)](#)

Stewart Agency Services provides a streamlined 1099 Reporting process that can help agents increase the accuracy of the information you report while saving you valuable time and resources. If you sign up for this service with Stewart by November 1, 2023, Stewart will waive the annual reporting fee for this year.

To view information about this service, follow this link: [1099 Reporting Process](#)

To learn about all financial services offerings available for agents, follow the link below:

[Financial Services for Title Agencies](#)



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