

Underwriting Bulletin: UNAZ-2024-006

Date: April 17, 2024
To: All Arizona Agents
From: Underwriting Department
RE: **Arizona SB 1042**

Arizona S.B. 1042 amending Section 20-1591, Arizona Revised Statutes: relating to title insurance:

On April 8, 2024, Governor Hobbs signed SB 1042, Sponsored by Representative Laurin Hendrix, into law. Please see below for the final engrossed version:

<https://www.azleg.gov/legtext/56leg/2R/bills/SB1042H.pdf>

The bill will take effect 90 days after the Legislature adjourns, so we can expect the effective date to be sometime this fall.

The basic idea is that if a seller signs an owner's affidavit which includes an indemnity or a universal indemnity: it is only enforceable if it is in writing and any of the following applies:

- The instrument was not of record at the time the indemnity was signed.
- The instrument is specifically described in the indemnity.
- The instrument is shown as an exception from coverage in the title insurance policy.
- The instrument is or secures a monetary obligation of the person AND remains an outstanding and enforceable debt (**AN IMPROVEMENT DISTRICT ASSESSMENT is NOT a monetary obligation of the person**)
- The indemnity indemnifies for or holds harmless against liens that arise from work or labor done OR professional services, materials, machinery, fixtures or tools furnished on the insured property

**Keep in mind: the foregoing does not affect the enforceability of title warranties provided by a person in a deed or mortgage
AND**

An indemnity pursuant to the above must be separate from and not included in the title insurance policy.

Please contact your Agency Manager or Underwriting if we can provide any additional guidance.

FNTI appreciates your business and is here to help!

This Underwriting Bulletin becomes a part of the principles and practices with which you are to comply under the terms of your Underwriting Agreement with First National Title Insurance Company. Should the content of this bulletin address the closing and escrow function, this information should be considered a directive and part of the principles and practices if non-compliance would result in liability to FNTI under either the insured closing service letter or policy of title insurance notwithstanding that the Underwriting Agreement does not include the closing and escrow functions of your agency.