



WFG Rate and Form Bulletin

To: All Ohio Policy Issuing Agents of WFG National Title Insurance Company
From: WFG Underwriting Department
Date: July 7, 2020
Bulletin No: OH 2020-06
Subject: Deletion of General Exception for Mechanics' Liens

It has come to our attention that there is confusion concerning the premium to be charged when deleting the general mechanics' lien exception in loan or owner's policies.

[NOTE: Deletion of the general exception for mechanics' liens is *not* the equivalent of the affirmative coverage for construction loans provided by the ALTA 32 series of endorsements. If requested to issue an ALTA 32 endorsement for a construction loan, there is not a separate charge for removal of the general exception.]

The rules are set forth in the OTIRB Rate Manual as ER-112 (Loan policies) and ER-112.1 (Owner's policies).

Subsection (a) of the Rules state that where there is a risk of loss due to potential mechanics' lien claims, the premium is 40% of the *Original Rate* with a minimum of \$500. The "risk of loss" is determined by the underwriter. Mechanics' Liens constitute an extra-hazardous risk requiring underwriting approval. If there has been delivery of materials and/or equipment, including delivery to the street/road or other real estate adjacent to your property; or if there has been commencement of visible work; or if there has been a filed Notice of Commencement prior to the recording of your documents, you must have underwriting approval to delete the mechanics' lien general exception.

The premium for all other deletions of the general exception (or affirmative coverage) is 10% of the *Original Rate* with minimums of \$150 (loan policies) or \$250 (owner's policies).

PLEASE NOTE THAT THE CALCULATION OF THE M/L DELETION PREMIUM IS BASED UPON THE FULL PREMIUM AS SET FORTH IN THE RATE MANUAL, NOTWITHSTANDING ANY DISCOUNTS THAT MAY BE APPLIED TO THE BASE RATE. In some cases, this will result in multiple premium calculations. For example, assume a refinance loan of \$500,000 that qualifies for a refinance discount. The premium would be 70% of \$1550.00, or \$1085.00. Then if asked to delete the mechanics' lien exception, the calculation is 10% of the full \$1550.00, or \$155.00 additional.

If asked to delete the exception on policies issued for a purchase, the loan policy premium will have to be calculated separately, even if a simultaneous issue. For example, assume a purchase price of \$700,000.00 and a loan amount of \$600,000.00. The premium for an owner's policy would be \$2737.50 and a simultaneous issue premium of \$100.00. If asked to delete the mechanics' lien exception from the owner's policy, the premium would be 10% of \$2737.50, or \$273.75. However, if the lender requests the deletion, the agent must calculate the full premium for a \$600,000.00 loan--\$1775.00. Then the loan policy deletion is additional premium of \$177.50. Thus, the premium for this example is \$2737.50 + \$100 + \$273.75 + \$177.50, a total of \$3288.75.

This calculation based upon the full premium also applies to other endorsements as well; agents are advised to consult the OTIRB manual when requested to issue them.

NOTE: This Bulletin is intended for use by title issuing offices, title insurance agents and approved attorneys of WFG National Title Insurance Company only. Reliance by any other person or entity is unauthorized. This bulletin is intended solely for the purpose of establishing underwriting policies and/or procedures of WFG National Title Insurance Company.