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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**H.B. 230**  
**136<sup>th</sup> General Assembly**

## Bill Analysis

**Version:** As Introduced

**Primary Sponsor:** Rep. Thomas

Nick Thomas, Research Analyst

### SUMMARY

- Amends the definition of “joint venture” to refer to a title insurance company or title insurance agent that has one or more beneficial owners.
- Defines “beneficial owner” as a person or entity that receives a financial benefit from a joint venture and that is either a real estate agent, a home builder, a mortgage lender, or an attorney.
- Restricts the ways in which the incorporating documents of a joint venture can require divestment in the joint venture.
- Repeals a provision that requires, for any joint venture that is set to dissolve or terminate on a specified date, that all members of the joint venture be allowed or invited to join any successor joint ventures formed upon dissolution or termination of the original joint venture.
- Repeals a provision that prohibits the percentage of ownership in any successor joint venture being based upon the percentage of title insurance business referred to the original joint venture.
- Expands the list of persons and entities who are prohibited from acting as an agent of a title insurance company.
- Amends the law related to inducements made by title insurance companies.

### DETAILED ANALYSIS

#### Overview

The bill amends the law related to title insurance companies. Title insurance companies play an important role in real estate transactions, conducting title searches to ensure that a seller holds proper title to sell the property or rights being sold. They also provide insurance policies to

buyers that cover losses if a defect in a title is later discovered, as well as escrow and other services to both buyers and sellers at closing.

## **Joint ventures**

### **Beneficial owners**

The bill amends the law related to title insurance company joint ventures. Under current law, a joint venture is an arrangement undertaken by two or more parties with regard to ownership of a business entity title insurance agent. Under the bill, a joint venture is a title insurance company or agent that has one or more beneficial owners. A beneficial owner is defined as being a person or entity to which both of the following apply:

- The person or entity receives a financial benefit from a joint venture through direct ownership or ownership of a subsidiary, sister entity, or parent entity, regardless of whether such subsidiary, sister entity, or parent entity is, itself, a direct owner of the joint venture;
- The person or entity is one or more of the following:
  - A real estate agent, including a real estate broker or salesperson;
  - A home builder;
  - A mortgage lender, credit union, or any individual associated with such an entity;
  - An attorney who is associated or in a business relationship with, and who has the ability to receive title insurance business from, or refer title insurance business to, any person or entity described above.<sup>1</sup>

### **Annual review**

Continuing law, unchanged by the bill, requires title insurance agents and agencies to have an independent review of their accounts made each year. Current law specifies that for title insurance agencies that are joint ventures, this annual review must demonstrate that all members of the joint venture received revenue commensurate to their ownership in the agency. The bill instead requires the annual review to assess whether a title insurance agency is a joint venture and, if so, whether all beneficial owners of the joint venture received revenue commensurate to their ownership interest in the agency.<sup>2</sup>

### **Incorporating documents**

The bill makes certain prohibitions with regard to the incorporating documents of a joint venture title insurance agency. The bill specifies that no joint venture may require in its incorporating documents either of the following sooner than five years after the formation of the joint venture:

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<sup>1</sup> R.C. 3953.01(O) and (P).

<sup>2</sup> R.C. 3953.331; R.C. 3953.33, not in the bill.

- Dissolution of the joint venture;
- The buy-back or sale of any ownership interests in the joint venture or any subsidiary of the joint venture.<sup>3</sup>

Furthermore, the incorporating or operating or managing documents of a joint venture are prohibited, at any point, from requiring the buy-back or sale of any beneficial owner's ownership interest due to volume of referrals, or lack thereof, of real estate or title insurance business from a beneficial owner.<sup>4</sup>

Notwithstanding the above prohibitions, a joint venture may require a beneficial owner to sell the owner's ownership interests back to the joint venture, subsidiary, or to another party if any of the following apply:

- The beneficial owner is charged with, is convicted of, or pleads guilty to a criminal act;
- The beneficial owner ceases to work in the real estate industry;
- The professional license that qualifies the owner as a beneficial owner is surrendered, suspended, or revoked;
- The beneficial owner files for bankruptcy.

A beneficial owner may also be forced to sell the owner's ownership interest back to the joint venture, subsidiary, or to another party if the beneficial owner commits, coerces to commit, or otherwise attempts to commit acts, by or through the joint venture, that do any of the following:

- Plausibly create legal liability for the joint venture or the joint venture's owners, agents, or employees;
- Jeopardize the licensure of the joint venture, including the individual licenses of the joint venture's owners, agents, notaries, or attorneys;
- Harm the reputation of the joint venture or the joint venture's agents or employees in the marketplace.<sup>5</sup>

## Subsequent joint ventures

The bill repeals a provision that requires, for any joint venture that is set to dissolve or terminate on a specified date, all members of that joint venture be allowed or invited to join any successor joint ventures formed upon dissolution or termination of the original joint venture. It also repeals a provision that prohibits the percentage of ownership in any successor joint venture

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<sup>3</sup> R.C. 3953.36(A).

<sup>4</sup> R.C. 3953.36(B).

<sup>5</sup> R.C. 3953.36(C).

being based upon the percentage of title insurance business referred to the original joint venture.<sup>6</sup>

## **Title insurance company agents**

The bill expands the list of persons and entities who are prohibited from acting as an agent to a title insurance company. Under current law, banks, trust companies, bank and trust companies, or other lending institutions, mortgage service, brokerage, mortgage guaranty companies, escrow companies, or real estate companies are prohibited from acting as an agent of a title insurance company. Individuals engaged as, or subsidiaries of, any of these entities are also prohibited.

The bill expands this provision by also prohibiting employees, representatives, or agents of any of these entities from acting as an agent to a title insurance company. Additionally, instead of merely prohibiting subsidiaries of any of these entities from acting as an agent, the bill prohibits any person or entity related to any of these entities through a common ownership structure, such as a holding, parent, sibling, or subsidiary company, from acting as an agent.<sup>7</sup>

## **Inducements**

The bill amends the law related to inducements made by title insurance companies for the procurement of business. Current law prohibits title insurance companies and title insurance agents from paying or giving any applicant for insurance, or to any person, firm, or corporation who is acting as the agent, representative, attorney, or employee of the owner, lessee, or mortgagee, or of the prospective owner, lessee, or mortgagee, of the real property or any interest therein, either directly or indirectly, any commission or any part of its fees or charges, or any other consideration or valuable thing as an inducement for, or as compensation for, any title insurance business.

The bill expands this provision by also prohibiting paying an inducement to any family member of the applicant for insurance or of the current or prospective owner, lessee, or mortgagee of an interest in the real property.<sup>8</sup>

Continuing law, unchanged by the bill, specifies that this prohibition does not preclude either of the following:

- The payment by a title insurance company of a commission to any attorney, if said attorney is also a licensed title insurance agent of the title insurance company;
- The payment by such a title insurance company or its agent of a fee to an attorney for services rendered in the examination of title or certification thereof.

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<sup>6</sup> R.C. 3953.36, repealed.

<sup>7</sup> R.C. 3953.21(B).

<sup>8</sup> R.C. 3953.26(A).

The bill clarifies that, for an attorney who is also a title insurance agent for the agency to be eligible for this compensation exemption, the attorney must not be an employee of the current or prospective owner, lessee, or mortgagee of the real property or any interest therein.<sup>9</sup>

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## HISTORY

Action	Date
Introduced	04-09-25

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<sup>9</sup> R.C. 3953.26(B).