

Basic Manual Update Series

Countdown to November 1

by Roland Love, TLTA Regulatory Committee Chair

INSTALLMENT 2

EXPANDED COVERAGE FOR ESTATE PLANNING NEEDS: P-57

As part of the November 1 change to the Basic Manual, the revisions to P-57 expand the permitted additional insureds to address estate planning conveyances. The rule outlines requirements for issuing the T-26 Additional Insured Endorsement, which simply adds a party as an insured under an existing Owner's Policy. This endorsement also offers an optional coverage for limited liability companies, which is unaffected by the upcoming change to P-57. The related rate rule R-33 remains unchanged as well.

WHAT IS AN ESTATE PLANNING VEHICLE?

The additional availability of a T-26 for estate planning is accomplished by restructuring P-57 to add as new paragraph 1 a definition of an "Estate Planning Vehicle," which can be a legal entity, a trust, or a trustee of a trust, if the entity or trust is established by the insured for estate planning purposes. Paragraph 2 retains existing language but clarifies who can be added as an additional insured:

- i. an Estate Planning Vehicle to which the insured conveys the title after Policy Date; or
- ii. a distributee who has acquired in interest according to the terms of an Estate Planning Vehicle; or
- iii. a partnership, limited liability company, or corporation solely composed of or owned by members of the Insured's family and the Insured; or
- iv. any partner, member or stockholder that acquires the interests of other owners of the Insured in accordance with the terms and provisions of a written agreement in effect at Date of Policy.

It's useful to note that the requirement to meet underwriting standards (2.a) remains unchanged. Subject to underwriter requirements, this greatly expands the availability of T-26 to estate planning activities.

The endorsement must be requested by the additional insured (Paragraph 3). For cases under 2.b.i-iii, the request must be made within 90 days of the recorded transfer, allowing time for year-end planning. Additionally, the conveyance must include a warranty of title (Paragraph 4).

[Review the revised P-57 here »](#)

EXISTING POLICY COVERAGE, NEW BENEFITS, AND LIMITATIONS

The T-1 Owner's Policy includes coverage for devisees, heirs, survivors, and trustees or beneficiaries of trusts established by the insured for estate planning purposes, listed in Schedule A. The policy also contains coverage to the Insured for warranty liability. The T-1R has similar provisions in Conditions 2.Continuation of Coverage. This updated P-57 now specifically extends policy coverage for future estate planning, including for entities. This beneficial title product meets a longstanding request from estate planning professionals and provides valuable coverage for insured parties years after the Policy Date, avoiding the need for a new policy.

The T-26 does not extend coverage beyond the Policy Date, but the original Insured, who has held the title during this time, should be aware of any potential title defects caused or allowed during their ownership.

Any matter covered in the Additional Insured Endorsement (Form T-26) may be insured only by the endorsement.