

What Is Title Insurance?

More than likely, your home is your biggest investment, and title insurance protects your interest in that investment. Title insurance protects real estate owners against any property loss or damage they might experience because of liens, encumbrances or defects in the title to the property. While other types of insurance (such as flood, auto or homeowners insurance) provide coverage that focuses on possible future events, title insurance protects against loss from hazards and defects already existing in the title to a property. Some examples of such defects might be improperly executed documents from a previous sale of a lien against a previous owner.

Over half of all real estate transactions have a problem somewhere in the chain of title. Many are identified and fixed before your closing, but not all defects are spotted through the title search and examination process. When you have a title insurance policy and a defect is identified, your title insurance company then takes corrective action to clear the title to your property, allowing our customers to have peace of mind about their new home purchase. In situations where corrective actions cannot be made, the policy covers the financial burden of the loss, up to the face value of the policy.

What Does It Cover?

Title insurance protects against claims from defects in the title chain. Defects are things such as another person claiming an ownership interest, improperly recorded documents, fraud, forgery, liens, encroachments, easements and other items that are specified in the insurance policy. (See back of page for more detail.) Without title insurance, these claims could have a significant negative financial impact to you as a homeowner.

How Does Title Insurance Differ From Other Insurance?

Insurance such as car, life, health, etc., protects against potential future events and is paid for with monthly or annual premiums. A title insurance policy insures against events that occurred in the past of the real estate property and the people who owned it, for a one-time premium paid at the close of the escrow. The title insurance policy then provides coverage for as long as the policyholder or their heirs own the property. This is unlike the annual or monthly premiums you must pay for other insurance types.

If a homeowner were to pay the national average cost of a title insurance policy and live in their home for just five years, the annual average cost of the title insurance policy would be less than \$200 a year. By comparison, the national average cost of a homeowner's insurance policy is over \$700 per year.

What Does Title Insurance Cover?

There are few things in life more important than protecting your home. The following matters are examples of why you need a title insurance policy. Remember that the best title examination or search cannot protect your equity and home from matters not appearing in the public records. However, a title policy* can protect you from:

- Documents executed under false, revoked or expired powers of attorney
- False impersonation of the true land owner
- Undisclosed heirs
- Improperly recorded legal documents
- Prescriptive rights in another not appearing of record and not disclosed by survey
- Failure to include necessary parties to certain judicial proceedings
- Defective acknowledgements due to improper or expired notarization
- Corporate franchise taxes as liens on corporate real estate assets
- Gaps in the chain of title
- Mistakes and omissions resulting in improper abstracting
- Forged deeds, mortgages, wills, releases of mortgages and other instruments
- Deeds by minors
- Deeds which appear absolute, but which are held to be equitable mortgages
- Conveyances by an heir, devisee or survivor of a joint estate who attempts to attain title by ill-gotten means
- Inadequate legal descriptions
- Conveyances by undisclosed divorced spouses
- Duress in execution of wills, deeds and instruments conveying or establishing title
- Issues involving delivery of conveying instruments
- Deeds and wills by persons lacking legal capacity
- State inheritance and gift tax liens
- Errors in tax records
- Demolition and substandard building liens
- Administration of estates and probate of wills of missing persons who are presumed deceased
- Issues of rightful possession of the land
- Issues concerning the rightful conveyances by corporate entities
- Deeds and mortgages by foreigners who may lack legal capacity to hold title
- Legal capacity of foreign personal representatives and trustees
- Issues involving improper marital status
- Improper modification of documents
- Rights of divorced parties
- Conveyances in violation of public policy
- Misinterpretation of wills and ancillary instruments
- Deeds by persons falsely representing their marital status
- Claims by creditors of decedent against property improperly conveyed by heirs and devisees
- Issues concerning unlawful takings by eminent domain or condemnation
- Special tax assessments
- Real estate homestead exceptions
- Forfeitures of real property due to criminal acts
- Issues concerning adoption of children
- Conveyances and proceedings affecting rights of military personnel protected by the Soldiers' and Sailors' Civil Relief Act
- Issues concerning interests noted in financial statements filed under Uniform Commercial Code
- Interests arising by deeds of fictitious parties
- Adverse possession
- Lack of jurisdiction or competency of persons in judicial proceedings
- Community property issues
- Utility easements
- False affidavits of death or heirship
- Intestate estates
- Probate matters
- Federal estate and gift tax liens

*Subject to certain limitations set forth in the policy.