

What is Title Insurance?

Top 3 Reasons You Should Have Title Insurance



What is Title Insurance?

Title insurance is different from other forms of insurance because it insures against events that occurred before the title policy is issued, as opposed to insuring against events in the future, as health, property and life insurance do. Title insurance is in essence loss prevention insurance.

When purchasing real estate, it is of utmost importance that you receive clear title to the property. In order to do so, you must first be informed of any existing rights or claims that may be asserted against the property, then any of those rights or claims that are unacceptable to you must be resolved or extinguished prior to your purchase of the property.

In Texas, many property records go back to grants from the 1880s, hence it is important that the full history of the property is thoroughly researched and presented to you.

When is the Premium Paid?

Unlike other forms of insurance, for a relatively low one-time premium, the original title premium is your only cost protecting you for as long as you and your heirs own the property. The premium is paid at closing and there are no annual payments to keep your Owner's Title Insurance Policy in force. Rates for title insurance are regulated by the state and are promulgated in Texas.

1. A property may have changed ownership multiple times over the years through events such as sale, marriage, divorce, inheritance, foreclosure, bankruptcy etc. Title insurance provides you the assurance that a comprehensive search and review of public records has been performed from potentially hundreds of sources including tax records, federal, state and local records, court judgments, and deeds in order to call to your attention any discovered rights or claims against the current or past owners that could have an impact upon title of the property. Once reported to you, these matters can be accepted, resolved or extinguished prior to closing the transaction.
2. Title insurance also provides coverage for future claims or future losses that could threaten ownership of the property due to undiscovered title defects covered by your title insurance policy that are not shown in the public records such as forgery, incompetence, incapacity of the parties, fraudulent impersonation and unknown errors in the records created by some past event.
3. Title insurance helps speed up negotiations when you are ready to sell your property or obtain a loan. Existing title insurance policies can help eliminate delays when passing your title onto someone else. Title insurance also covers attorney's fees and court costs for covered claims. Claims will be disposed or you will be reimbursed exactly as your title policy provides.

