

The Cost of Title Insurance is Worth the Investment



Most types of insurance cover incidents that may occur in the future, which is the case with health, life, auto and homeowner's insurance. The cost of these policies is based on the insurers' estimation of how much they will likely pay out in claims over a given period, plus administrative costs and a reasonable profit. The volume of claims is typically high with these types of insurance.

Title insurance, on the other hand, is based on loss prevention, which means that a much larger percentage of the premium dollar is spent preventing title problems from occurring. These upfront costs cover searching, identifying and eliminating risks that could result in a future claim.

A typical title search involves searching the public records, including visits to the offices of recorders or registers of deeds, clerks of courts and other officials, and the company's own title plant. Title professionals look for such things as second or third mortgages, judgments, liens, street and sewer system assessments, special taxes and levies, and numerous other matters. No other line of insurance does this level of due diligence before issuing a policy.

Over the long term, title insurers pay fewer claims than other insurers, but their operating expenses are much higher because of these upfront costs. To compare, operating expenses for property and casualty companies, which issue auto and homeowners insurance, is less than 30 percent of revenues. The expense ratio for title insurers averages 90 percent.

When there is a claim, it is often due to a title defect that was undetected during the title search. The most common problems resulting in title claims are the result of fraud and forgery. And, when there is a loss, it is usually significant—sometimes in the hundreds of thousands of dollars.

An Owner's Policy of Title Insurance, which can be obtained in addition to a Loan Policy, remains in effect for as long as

the policyholder (or their heirs) owns the property that is insured. A claim could actually be filed 50 or 100 years after the policy was issued. And, an Owner's Policy covers legal expenses involved in defending the title on behalf of the homeowner.

The cost for title insurance is a one-time fee, as opposed to other lines of insurance that charge a monthly, quarterly or annual premium over the life of the policy. When you consider the size of the asset being protected, title insurance is probably the best value among the majority of costs associated with closing on a new home.

For more information about title insurance go to www.or-tc.com or www.homeclosing101.org

Since 1907, Old Republic Title has weathered challenging economic times, meeting obligations to policy holders no matter what the conditions. With underwriting expertise, exceptional products and services, and a commitment to doing business with integrity, Old Republic Title is a name you can trust.

Reprinted with permission from ALTA.org

(7.21.14)

Old Republic is providing this information as a free customer service and makes no warranties or representations as to its accuracy.

Old Republic strongly recommends that consumers confer with their title insurer as underwriting requirements vary among companies and further, obtain guidance and advice from qualified professionals, including attorneys specializing in Real Property, Trusts and/or Title Insurance to get more detailed, and current, information as to any particular situation affecting them.