

# Saving Money on Your Insurance

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TEXAS COMMISSIONER OF INSURANCE

## *Title Insurance—Do You Know What You Are Getting?*

**S**OME KINDS OF INSURANCE, you can buy or pass up. Some you don't have a choice. One of those is title insurance, which your mortgage lender will require when you buy or refinance a home. The price of a "mortgagee" title policy, which protects the lender, is part of the closing costs on your real estate deal.

In all likelihood, you will close the transaction at the office of a title insurance agent. One of the few choices you have is which title company to use. You are not required to use a title company selected by the builder, real estate agent or mortgage lender.

Title insurers and agents differ from one another almost entirely in quality of service. Premiums are uniform from company to company. They are set by the Commissioner of Insurance based on the price of the property to be insured. You pay the full premium at closing, and the policy is good for as long as you own the property. If you refinance, the lender probably will require a new policy, but with a premium discount if your original mortgage is less than seven years old.

As indicated, a lender usually will require a "mortgagee" policy to protect itself from covered defects in the title to your property. The title company also will issue an owner's policy, unless you reject it in writing. An owner's policy protects your interest in the title. You don't have to buy one, but it's valuable because it continues to protect your title even after your mortgage is paid off.

So what are you buying when you purchase title insurance?

Most of all, you're paying for the services of the title agent who researches abstracts or actual deed records, lawsuits, tax records, mechanics' liens and the like to assure that nobody else has an ownership claim against the property. More than 80

percent of your title insurance premium goes to the agent to pay for these services. Secondly, you're buying protection for your lender and yourself against an actual loss if someone establishes a prior interest in your property. You're also getting legal defense against such a claim.

Here are examples of the types of claims covered by title insurance:

- Invalidity of a deed or other document in your chain of title because of forgery, fraud against the rightful owner, an involuntary signature, a signature of someone legally incompetent to sign or signature by an imposter.
- Liens against your title because of a previous owner's failure to pay a tax, judgment or special assessment.
- Boundary disputes if the disputed portion is not shown on a correct survey.
- Errors in executing, recording or delivering the deed.

A title policy, however, does not cover every eventuality that might jeopardize the title to your home. Essentially, it pays for problems that somebody else caused in the past and not those caused by you. For example, the policy won't pay for an unrecorded title defect you know about or allowed to occur. Title insurance also won't pay for financial losses unrelated to your or your lender's ownership interest in the property. A title policy, for example, won't pay for problems arising from violations of building codes, deed restrictions or zoning ordinances.

To learn more about title insurance, call the Texas Department of Insurance's toll-free publications line,

**1-800-599-SHOP** (7467)

for our free brochure, *Title Insurance*. The brochure also is available under the Consumer heading on the Department's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). ★

### **Editors:**

- If you need further information, call: **Texas Department of Insurance  
Public Information Office  
(512) 463-6425**

*We welcome your questions and suggestions about this column.*