



# WHAT IS TITLE INSURANCE?

Title Insurers, unlike property or casualty insurance companies, operate under the theory of risk elimination. Title companies spend a high percentage of their operating income each year collecting, maintaining, and analyzing official records for information that affects the title to real property. Their technical experts are trained to identify the rights others may have in your property, such as recorded liens, legal actions, disputed interests, rights of way, or other encumbrances on your title. Before closing your transaction, the title company will proceed to “clear” those encumbrances, which you do not wish to assume.

This theory is different from most other insurance where, for example, rates and anticipated losses are based on actuarial studies and premiums are pooled on the assumption that a certain number of claims will be made. The distinction is important: title insurance premiums are paid to identify and eliminate potential risks and claims before they happen. Medical and casualty insurance premiums, for example, are paid to insure against an unpredictable future event, knowing that risks exist and claims will, occur. Furthermore, title insurance involves a one-time premium, paid when you close the real estate transaction, while property, casualty, and medical insurance require renewal premiums.

The goal of title companies is to conduct such a thorough search and evaluation of public records that no claims will ever arise. Of course, this is impossible -- we live in an imperfect world, where human error and changing legal interpretations make 100 percent risk elimination impossible. When claims arise, professional claims personnel are assigned to handle them according to the terms of the title insurance policy.

## TYPES OF POLICIES:

### Owner’s Policy

This policy insures the interest of the homeowner. The owner’s title policy protects the homeowner and his/her heirs for as long as they have an interest in the property. During the time that an owner’s policy is in effect, if a defect in the title arises, the homeowner is fully covered, subject to the exceptions and exclusions of the policy, against loss within the limits of the policy. If a claim covered by the title policy is made against the title, the title insurer defends the homeowner and pays the legal expense involved. The premium for the owner’s title policy is a one-time fee that covers claims against the title to your home up to the face amount of the title policy. Remember, there is only one premium to pay at the time of the issuance of the owner’s title policy, and there is no further premium or renewal to be paid. Yet, the protection lasts as long as the homeowner or his heirs retain an interest in the property.

### Lender’s Policy

The loan policy insures the validity and priority of the lien taken against a particular property. If a mortgage is to be placed on your new home, the mortgage lender will probably require that you purchase title insurance to protect its investment. The loan policy does not protect the homeowner; it protects only the mortgage lender.

### Simultaneous Issue

It is financially prudent to get your owner’s title policy and lender’s title policy at the same time. The reason is that a substantial discount is given by virtue of the simultaneous issue. Because two policies are being issued “simultaneously,” the second policy is issued for a minimal flat fee.

## WHAT ARE THE SCHEDULES ON A TITLE COMMITMENT?

### Schedule A:

- Describes the amount of title insurance coverage to be issued in the policy.
- Describes how the title is vested on the effective date.
- Contains the legal description of the property to be insured.

### Schedule B:

- Describes the restrictions and other title exceptions found, including but not limited to easements that affect the property and which will be listed as exceptions in the title policy.

### Schedule C:

- Describes the liens shown of record affecting the property that are being paid off or assumed in the proposed transaction.
- Describes any title curative matters that the title company will require to be handled prior to closing and the issuance of a title policy.

### Schedule D:

- Discloses the ownership, control and senior management of the Title Insurance Company and the issuing Title Insurance Agent.
- Discloses the estimated amount of title premium to be collected and the names of all parties receiving a distribution of any portion of the premium.

*\*This information was compiled from resources through the Texas Department of Insurance and Texas Land Title Association.*



**Houston Region Branches:**  
 Clear Lake Branch  
 Energy Corridor Branch  
 North/1960 Branch  
 Spring Cypress Branch  
 The Woodlands Branch  
 West Loop Branch



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