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THE CO-OP & CONDO RESOURCE

What Is Title Insurance?

What You Need to Know

BY A.J. SIDRANSKY 10 AUGUST 2016

Title insurance is a necessary component in virtually all real estate transactions (iStock).

Title insurance is unique among all other forms of insurance. For example, other insurances guard and secure the holder against future loss, such as life insurance against death; health insurance against illness; and car insurance against an accident or theft. However, title insurance secures the property and lien holders against past imperfections in the chain of ownership that could affect the status of your claim to ownership or lien position. Thus, it insures *past* events, not future ones.

The other component that separates title insurance from other insurances is that has a one-time, single premium payment. Most other forms of insurance require regular payments over time until the termination of the policy.

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Where to Find Title Insurance

Title agents generally provide title insurance services. Title agents represent numerous title insurers and will place the policy with the most appropriate insurer. They also complete the various searches required for and by the title insurer. Some title insurance companies do direct business with consumers. That is one of the ways in which so-called “discount” title insurers are able to lower costs to the consumer. The value of the title agent is in his or her experience and expertise.

Lender's Policy vs. Owner's Policy

As the guardian of what is often your most important asset (your home, condo, co-op or investment property), title insurance is a necessary component in virtually all real estate transactions, whether a purchase or a financing. There are two types of policies, a lender's policy and an owner's policy. A lender's policy protects a lender for as long as they hold their lien on your property, while an owner's policy protects the rights of a homeowner for as long as the person or their heirs own the property. Single-family homes, investment properties and condos are all individual forms of ownership that require insured title. Co-ops, which are held as shares in a corporation that owns the building, do not require title insurance—yet virtually all co-op buildings have underlying permanent mortgages. These underlying permanent mortgages do require title insurance.

Regulating Title Insurance Rates

There is a commonly-held belief that title insurance rates are set by the state. That is not entirely correct. Unlike other segments of the insurance industry, the states of New York and New Jersey, due to the unique nature of this insurance instrument, permit the industry to set their own rates as a cartel and submit those rates for approval to the State Department of Insurance. That does not mean that the title insurance industry is permitted to gouge the public. In the past, the New York State Insurance Commissioner has not accepted the rates set by the industry cartel and forced them to lower the rates. Additionally, the law permits any title insurance company that is unhappy with the rate schedule to set their own rates. Some companies, including OneTitle National Guaranty Company and Entitle Direct, have chosen to do so.

The question then arises as to whether price should be the defining factor in choosing a title insurance company? Not necessarily, says Marianne Laurencell, an associate at Abrams, Fensterman, Fensterman, Eisman, Formato, Ferrara & Wolf, LLP, a law firm located in Lake Success, New York.

"The most important factors in choosing a title insurer are reliability, efficiency and timeliness. The insurer must provide a reliable report free from defects and errors. Their staff must get the documents recorded efficiently and all this must happen in a timely manner," Laurencell explains.

For more information on title insurance, visit the website of the American Land Title Association (ALTA), the trade association of the title insurance industry, at www.alta.org.

http://cooperator.com/article/what-is-title-insurance/full#cut

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Industry Pulse

Insurance News

OneTitle National Guaranty Company, Inc. released a new report showing that buyers of New York State real estate—including home buyers, investors and others—spent an estimated **$155.3 million** in excess title insurance premiums and related fees in 2015. The analysis shows the impact on nearly every real estate transaction, from starter homes to the largest commercial transactions, across every city and town.

The report's findings are based on an exhaustive analysis of **182,487 individual real estate transactions** recorded throughout New York State using data captured from tax and transaction records. The study includes purchases totaling **$140.2 billion,** reflecting the vast majority of transactions in 2015, and weighs the potential for savings through readily available lower cost title insurance options.

"There is a misconception that title insurance rates are set by law. As a result, even knowledgeable attorneys—who often end up making the selection—are unaware that lower cost alternatives exist, and therefore fail to inform their clients how much they can save," said **Daniel C. Price**, founder, president and CEO of OneTitle, a direct title insurance underwriter that works directly with attorneys, lenders, loan officers and buyers.

"This is in contrast to other major expenses in buying and selling real estate, like brokers' fees, mortgages and lawyers' fees, for which residential and commercial buyers understand they can shop around and save a lot of money." For more information, go to *www.onetitle.com*.