

# HOW TITLE INSURANCE WORKS TO PROTECT HOMEOWNERSHIP

*Title insurance, unlike property or casualty insurance, operates under the theory of risk elimination.*

Title companies spend a high percentage of their operating income each year collecting, storing, maintaining and analyzing official records for information that affects title to real property. Those title “plants” include records that may date back more than 100 years. 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 “clears” those issues. In fact, according to the American Land Title Association, more than **one-third** of all title searches reveal a problem that title professionals fix before you go to closing.

Most other types of insurance anticipate losses and collect premiums based on a certain number of claims that will be made over time. Instead, title insurance premiums are paid to identify and eliminate potential risks and claims before they happen. In addition, title insurance involves a one-time premium paid when you close the real estate transaction, while property, casualty and medical insurance require regular 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, we live in an imperfect world where human error and changing legal interpretations make 100 percent risk elimination impossible. So when claims arise, professional claims personnel are assigned to handle them according to the terms of the title insurance policy.



Rates for title insurance are usually regulated by state governments. There are several methods that states use to regulate title insurance, and even in states where there is no direct rate regulation, an overseeing regulatory body can still question a rate that violates standards set by its state statutes. You can search online for your state title insurance department or regulator to determine the regulatory method for a specific state. In addition, as in other competitive business environments, rates may vary from company to company, so you should make a comparison before deciding on a particular title company. Your Real Estate Agent or Broker can assist you with this, and there are many online resources you may also find helpful.

Across the United States, most large counties have been converted to computer-based title plant systems that speed the process of delivering the title search to the customer. This investment in skilled personnel and advanced data processing represents a major part of the title insurance premium dollar. Proper title plant maintenance, research, evaluation and legal interpretation are the foundations upon which a title policy rests. That is where most of your dollar goes when you pay for title insurance at your closing. And that is the source of your protection and peace of mind as a homeowner.

*For additional information about how title insurance protects your homeownership, go to:*

[www.nat.com/Protect](http://www.nat.com/Protect)  
[www.nat.com/NATTV](http://www.nat.com/NATTV)