

## Why Have Title Insurance?

Title insurance is substantially different than other types of insurance coverage, in that it covers errors of the past, rather than some future event. Title insurance also emphasizes risk prevention rather than risk assumption. This emphasis on risk prevention is a labor intensive and costly component of doing business, but the coverage offers the best possible opportunity for avoiding claims and losses in real estate transactions.

Buyers of real property could face substantial financial loss if a serious cloud on the title goes undetected. An expert title search before the purchase of real property will identify the nature of title and fix most problems that might be present. An Owner's Policy offers protection against various hazards, including those even the most thorough search of the public records do not disclose, such as forgeries, missing heirs or recording errors. And, the Owner's Policy will pay valid claims as well as defense costs against attacks on the title. For a one-time premium that is modest in relation to the value of property involved, the purchaser receives the protection of a title policy backed by the reserves and solvency of an insurance company.

Similarly, the seller wants to be sure his or her title is marketable in order to sell the property. A title insurance commitment facilitates the flow of mortgage money by identifying title problems so they can be resolved whenever possible, and then by insuring against title risks.

Financial organizations are acutely concerned when it comes to the security of the funds they lend for real estate investments. The Loan Policy provides the lender a high degree of safety against loss of capital from title hazards. By identifying risks and eliminating them whenever possible, the title industry is a major element in encouraging lending.