

## **WHAT IS TITLE INSURANCE?**

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### **A Word About Real Estate**

Real estate has traditionally been a family's most valuable asset. It is a form of wealth that is protected by many laws. These laws have been enacted to protect one's ownership of real estate and the improvements located on the land. The owner, the owner's family, and the owner's heirs have rights or claims in and to the property that you are buying. Those who may have an interest in or lien upon the property could be governmental bodies, contractors, lenders, judgment creditors, the Internal Revenue Service, or various other individuals or corporations. The real estate may be sold to you without the knowledge of the party having a right or claim in and to the property. In addition, you may purchase the real estate without having any knowledge of these rights or claims. In either event, these rights or claims remain attached to the title to the property that you are buying until they are extinguished.

### **The Past Can Determine Your Future**

Generally, a person thinks of insurance in terms of the payment of future loss due to the occurrence of some future event. For instance, a party obtains automobile insurance in order to pay for future loss occasioned by a future "fender bender" or for the future theft of the car. Title insurance is a unique form of insurance. It provides coverage for future claims or future losses due to title defects which are created by some past event (i.e., event prior to the acquisition of the property.) These risks are far less obvious than those protected against by automobile insurance, but can be just as devastating. The following information will answer some commonly asked questions about title insurance.

### **Will You Get Clear Title?**

It is of utmost importance that you receive clear title to the property when you purchase real estate. In order to do so, you must first be informed of any existing rights or claims that may, in the future, threaten your title and possession to the property. Title insurance provides you with this twofold protection.

### **How Do You Find Out What Claims Exist?**

In order to determine the status of title, we conduct a diligent search of the public records for those documents associated with the property. We then examine those recorded documents in order to determine if there are any rights or claims that may have an impact upon the title to the property. The title search may reveal the existence of recorded defects, liens or encumbrances upon the title such as unpaid taxes, unsatisfied mortgages, judgments and tax liens against the current or past owners, easements, restrictions and court actions. These recorded defects, liens and encumbrances are reported to you prior to your purchase of the property. Once reported, these matters can be accepted, resolved or extinguished prior to the closing of the transaction. In addition, you are protected against any recorded defects, liens or encumbrances upon the title that are unreported to you and which are within the coverage of the particular policy issued in the transaction. This is the first benefit you receive from title insurance.

### **What About Undiscovered Claims?**

The title to the property that you have purchased could be seriously threatened or lost completely by hazards which are considered "hidden risks." "Hidden Risks" are those matters, rights or claims that are not shown by the public records and, therefore, are not discoverable by a search and examination of those public records. Matters such as forgery, incompetency or incapacity of the parties, fraudulent impersonation, and unknown errors in the records are examples of "hidden risks" which could provide a basis for a claim after you have purchased the property. In order to protect you against this possibility, we provide insurance coverage for such claims. This is the second benefit you receive from title insurance.

### **How Does a Title Insurance Policy Protect Against All These Claims?**

If a claim is made against your insured title, we may protect you by: (1) Defending your title, in court if necessary, at no cost to you, and (2) Bearing the cost of settling the case, if it proves valid, in order to protect your title and maintain your possession of your property.

### **Title Insurance Protects Your Asset**

Title insurance gives you the assurance that possible clouds on title to the property you are purchasing - which can be discovered from the public records - have been called to your attention so that such defects can be corrected before you buy. Additionally, it is insurance that if any undiscovered claims covered by your policy arises out of the past to threaten your ownership of real estate, it will be disposed of, or you will be reimbursed exactly as your title insurance policy provides.

### **Only One Premium**

Unlike other forms of insurance, the original premium is your only cost as long as you or your heirs own the property. There are no annual payments to keep your Title Insurance Policy in force.