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Q & A About Title Insurance

Q: What is title insurance?

A: An insurance policy--protecting against loss should the condition of title to land be other than as insured.

Q: Why do I need title insurance?

A: When you buy a home, or any property for that matter, you expect to enjoy certain benefits from ownership. For example, you expect to be able to occupy and use the property as you wish, to be free from debts or obligations not created or agreed to by you, and to be able to freely sell or pledge your property as security for a loan. Title insurance is designed to cover these rights you bargain for.

Q: What if I have a problem? Do I have to lose my property to make a claim?

A: Not at all. At the mere hint of a claim adverse to your title, you should contact your title insurer or the agent who issued your policy. Title insurance includes coverage for legal expenses which may be necessary to investigate, litigate or settle an adverse claim.

Q: What does this cost?

A: The cost varies, depending mainly on the value of your property. The important thing to remember is that you only pay once, then the coverage continues in effect for so long as you have an interest in covered property. If you should die, the coverage automatically continues for the benefit of your heirs. If you sell your property, giving warranties of title to your buyer, your coverage continues. Likewise, if a buyer gives you a mortgage to finance a purchase of covered property from you, your coverage continues to protect your security interest in the property.

Q: If my lender gets title insurance for its mortgage, why do I need a separate policy for myself?

A: The lender's policy covers only the amount of its loan, which is usually not the full property value. In the event of an adverse claim, the lender would ordinarily not be concerned unless its loan became non-performing and the claim threatened the lender's ability to foreclose and recover its principal and interest. And, in the event of a claim there is no provision for payment of legal expenses for an uninsured party. When a loan policy is being issued, the small additional expense of an owner's policy is a bargain.

Q: Can you be a little more specific about the types of claims, or risks, covered by title insurance?

A: Sure. First understand there are basically three different levels of coverage: Standard coverage, extended coverage, and our most comprehensive "EAGLE Policy" coverage.

Standard coverage handles such risks as:

- Forgery and impersonation;
- Lack of competency, capacity or legal authority of a party;
- Deed not joined in by a necessary party (co-owner, heir, spouse, corporate officer, or business partner);
- Undisclosed (but recorded) prior mortgage or lien;
- Undisclosed (but recorded) easement or use restriction;
- Erroneous or inadequate legal descriptions;
- Lack of a right of access; and



First American Title[™] protect against such additional defects as:

• Easement or prescriptive easement;

- Deed to land with buildings encroaching on land of another;
- Incorrect survey;
- Silent (off-record) liens (such as mechanics' or estate tax liens); and
- Pre-existing violations of subdivision laws, zoning ordinances or CC&R's.

Subject to availability in your locale, First American's EAGLE Policy covers all of the risks listed above, plus:

- Post-policy forgery;
- Forced removal of improvements due to lack of building permit (subject to deductible);
- Post-policy construction of improvements by a neighbor onto insured land; and
- Location and dimensions of insured land (survey not required).

For a more detailed list of covered risks, visit "70-Something Ways to Lose Your Property" elsewhere on this website.

As with any insurance contract, the insuring provisions express the coverage afforded by the title insurance policy and there are exceptions, exclusions and conditions to coverage that limit or narrow the coverage afforded by the policy. Also, some coverage may not be available in a particular area or transaction due to legal, regulatory or underwriting considerations. Please contact a First American representative for further information.

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INFORMATION CONCERNING OWNER TITLE INSURANCE

What is title insurance?

Title means the sum of all the facts on which ownership of property is founded or proved. Title insurance provides protection against financial loss which could result from defects in the title to real property, or from errors made in searching that title. Title insurance is not fire or casualty insurance.

Who can be insured?

You, as an owner of real property, can purchase insurance, which protects you from financial loss caused by circumstances which adversely affect or restrict the title to your property. The type of policy which protects you the owner is simply called the Owner Policy.

How expensive is the Owner Policy?

The cost for an Owner Policy is shown on the first page of this form. Please note that title insurance premiums are paid only once when the policy is issued.

What types of risks are covered by the Owner Policy?

Before any of our title insurance policies can be issued, there must be a careful examination of the title to your property. If that examination discloses any defects, these matters must be either eliminated or otherwise resolved to the satisfaction of the Company before a policy can be issued. Even after carefully searching the title and reviewing the closing documents, however, some risks still remain. Examples of these remaining risks, which can be covered by the standard Owner Policy are:

- lost or forged deeds
- undisclosed heirs
- transfers by incapable persons
- incorrectly indexed deeds or liens
- no right of access to your property

Your Owner Policy can protect you from all of these "hidden" risks. In addition, your policy covers all legal expenses incurred in defending a claim against your title, even if that claim has no merit.

For residential property containing a one-to-four family dwelling, and for an additional 10% of the title premium

for a standard Owner Policy, you may obtain an Expanded Protection Owner Policy which can provide additional coverage beyond that provided in the standard Owner Policy, including:

- coverage against loss due to forced removal of the existing residence because the residence:
 - encroaches onto your neighbor's land
 - encroaches into an easement
 - violates an existing zoning law.
- coverage if you lose your property because of a violation of any covenant or restriction that occurred before you acquired the property.
- coverage against loss due to forced removal of the existing residence because any portion of it was built without a building permit.
- coverage against loss caused by the refusal of a buyer or inability to obtain a building permit for remodeling, because of a violation of existing subdivision law.
- coverage against loss resulting from future encroachments onto your property (other than boundary walls or fences).
- coverage against loss by reason of future forgery of an instrument by which someone else claims to own your land or have a mortgage or some other lien on it.

On Expanded Protection Owner Policies only

- survey coverage (coverage against loss resulting from adverse title matters that would have been disclosed by an accurate survey) may, in certain cases, be available without the need to obtain a survey.

You are urged to independently review both forms of Owner Policy coverage to decide whether you would like to purchase owner coverage, and, if so, which type of Owner Policy you would prefer. If you have not already done so, you should consult with an attorney of your choice to help you make the decision.

After reviewing these title insurance options, please indicate your choice on the first page of this form.