



# Title Insurance

The decision to purchase a home (or other real property) or refinance is probably the largest and most important financial decision you will make. You and your lender will want to make sure that title to the property is indeed yours and that, unknown to you, no one else has liens, claims, or encumbrances on your property. Title insurance guarantees you or your lender against losses from any defects in title that may exist in the public records at the time you purchase that property, and certain other risks described in the title insurance policy.

## What is Title Insurance?

Title insurance is a contractual obligation that protects against losses that occur when title to a property is not free and clear of defects (e.g. liens, encumbrances and defects that were unknown when the title policy was issued). Title insurance also guarantees loan priority. The terms of the policy define what risks are covered and what risks are excluded from coverage.

## What's the Difference Between Title Insurance and Homeowner's Insurance?

Title insurance protects against losses due to defects in title. Before issuing a title insurance policy, title companies search and examine title plants or public records to identify liens, claims or encumbrances on the property, and alert you to possible title defects. The premium cost is a one-time fee payable at the time of escrow closing.

In contrast, homeowner's insurance insures your house and contents and may provide coverage for losses due to fire or lightning, theft, vandalism, and personal liability claims brought against you, the policyholder. Homeowner's premiums are often billed monthly, quarterly or annually and installment payment options are often available. Title insurers in California are not permitted to provide homeowners insurance to you.

## How to Save Money When Shopping

Under California law, every title insurer, underwritten title company (agent for one or more title insurance companies), and controlled escrow company must file its schedule of rates, forms, and rate modifications with the Insurance Commissioner. Since each company's loss experience and expenses differ, the rates will differ as well, so you can save money by comparing rates.

## What Does Title Insurance Do?

Title insurance protects you and your lender if someone challenges the title to your property. This may be in the form of an alleged title defect, which was unknown to you at the time you purchased the property, but came to light at some future date during your ownership of the property. A title insurance policy contains provisions for the payment of losses which result from a covered claim. The title insurance policy also covers legal fees in defense of a claim against your property. Coverage can benefit the homeowner or the bank or mortgage company (lender).

## Who Should Purchase Title Insurance?

There are two types of policyholders of title insurance and they differ accordingly: (1) an owner's policy (standard and extended) and (2) a lender's policy. A lender's policy insures that the lender's security interest in the property has priority over claims that others may have in your property. A lender's policy does not protect you. If you want to protect yourself from claims by others against your new home, you will need an owner's policy.

## Who Pays the Premium for the Title Policy?

In California, settlement practices vary from locality to locality. The party who pays the title premium is determined by local custom and practice rather than by law. The premium for a title insurance policy can be paid by either the buyer or the seller, or it can be split between both

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parties, depending on the region. In Southern California, the seller is usually responsible for paying the title insurance premium.

### **How is the Premium Determined and When is it Paid?**

The cost of title insurance is determined by the amount of coverage provided. Every title insurance company must file its rate schedule and forms with the Insurance Commissioner.

Premiums are only paid once, at the end of escrow. Unlike other types of insurance, there are no ongoing premiums.

### **What Is Escrow?**

Escrow is a closing service that handles the funds and documents associated with a real estate transaction. Escrow allows the buyer and seller to work together, seller and buyer to conduct business through a third party.

#### **Important Tips:**

- Be sure to check to see that the title policy amount is correct. The Owner's policy amount should be the purchase price of the property. The Lender's policy amount should be for the amount of the loan.
- Check to see that the effective date given on the policy matches the actual closing date of the escrow.
- Verify that the policy describes all of the property and all of the interests being acquired.
- Discounts may be available for first time buyers and for others with special circumstances. Always ask your title company or its title marketing representative about available discounts. .
- Concurrent rates may be available if the insurer is providing both an owner's and a lender's title insurance policy in the same transaction.

#### **Unlawful Rebates and Commissions:**

It is illegal to pay a commission, either indirectly or directly, to any person in order to generate a referral or actual placement of title insurance. If either of these activities involves a real estate broker, you should notify the Department of Consumer Affairs Bureau of Real Estate and any other relevant government agencies.



Led by Insurance Commissioner Ricardo Lara, the California Department of Insurance is the consumer protection agency for the nation's largest insurance marketplace and your best resource for honest and impartial answers to insurance questions. Knowledgeable insurance professionals are available through our consumer hotline. Call 1-800-927-HELP (4357) or visit [www.insurance.ca.gov](http://www.insurance.ca.gov) to view all of our consumer information guides and insurance resources. These tools are available to consumers free of charge.

If you suspect that a title insurance company, escrow company or title insurer is offering unlawful rebates or commissions, you can report this suspected activity to the California Department of Insurance.

If you have a question, problem, or dispute with a title insurance company, contact the CDI for assistance.

For a list of terms regarding Escrow or Title Insurance, please visit our website at [www.insurance.ca.gov](http://www.insurance.ca.gov)

For Frequently Asked Questions (FAQ) please visit our website as well under the Title Insurance Brochure

### **Filing a Complaint (Request for Assistance)**

CDI is committed to protecting your rights. Many questions can be answered over the phone. If we are unable to resolve the issue over the phone, you have the option of filing a Request for Assistance against the insurer or the agent/broker by mail or online on our website. The system will allow you to attach copies of all necessary documents, such as policies, canceled checks and correspondence. Some examples of the issues the Department may be able to help with include:

- Improper Denial of Claim
- Cancellation or non-renewal of a policy
- Delay in settlement
- Alleged misappropriation of premiums paid
- Alleged misrepresentation by an Agent/Broker or solicitor
- Unfair underwriting practices
- Dishonest or deceptive insurance sales tactics

### **Contact Us**

Consumer Assistance Hotline:  
1-800-927-4357

TTY 1-800-482-4833

Visit us on the web at:  
[www.insurance.ca.gov](http://www.insurance.ca.gov)

To order additional materials contact  
Community Relations & Outreach at:  
[crob@insurance.ca.gov](mailto:crob@insurance.ca.gov)