

UNDERSTANDING TITLE INSURANCE

Q. Who needs title insurance?

A. Buyers and lenders in real estate transactions need title insurance. Both want to know that the property they are involved with is insured against certain title defects.

Q. What does title insurance insure against?

A. Title insurance offers protection against claims resulting from various defects (as set out in the policy) which may exist in the title to a specific parcel of real property, effective on the issue date of the policy. For example, a person might claim to hold an easement giving them right of access across your land. Yet another person may claim that they have a lien on your property securing the repayment of a debt.

Q. What protection am I obtaining with my title policy?

A. A title insurance policy contains provisions for the payment of the legal fees in defense of a claim against your property which is covered under your policy. It also contains provisions for indemnification against losses which result from a covered claim. A premium is paid at the close of a transaction. There are no continuing premiums due.

Q. How should I take ownership of the property I am buying?

A. Because real property has become increasingly more valuable, the question of how parties take ownership of their property has gained greater importance. The form of ownership taken—the vesting of title—will determine who may sign various documents involving the property and future rights of the parties to the transaction. Also, how title is vested can have significant probate implications in the event of death.

Buyers may wish to consult legal counsel to determine the most advantageous form of ownership for their particular situation, especially in cases of multiple owners of a single property.