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Title Insurance Basics

A quick guide for buyers, sellers and borrowers

What is title insurance?

Title insurance is an insurance policy protecting against loss should the condition of the title to land be other than as insured. It insures against losses that occur in the future because of something that happened in the past. Unlike other insurance, you pay a one-time premium.

Standard coverage handles risks such as forgery and impersonation; lack of competency, capacity or legal authority of a party; a deed not joined in by a necessary party; undisclosed but recorded prior liens; undisclosed but recorded easements or use restrictions; erroneous or inadequate legal descriptions; lack of a right of access; and a deed not properly recorded.

What is a title search?

A title search determines that the person selling the property really has the right to sell it, and that the buyer is getting all the rights to the property he or she is paying for. It includes the chain of title, a tax search and a judgment search.

What is a title commitment?

After the title search, the title company issues a commitment to insure, stating the conditions under which it will insure the title. It is good for six months.

The commitment includes the amount to be insured (generally the purchase price for an owner's policy and the loan amount for a lender's policy), who currently has title, who will be insured and what interest they will hold, a description of the property, and the exceptions. Schedule B-I lists what needs to be done to issue the policy; Schedule B-II lists the exceptions to the policy (including standard exceptions), which will remain unless removed before the policy is issued.

What are endorsements?

An endorsement is an addition to or limitation of title insurance coverage. Endorsements can address matters where removing an exception is not possible. Pricing varies and is usually related to the amount of insurance issued.

Owner's policy vs. lender's policy

Owner's Policy: generally issued for the purchase price. It protects the owner and the owner's heirs from unknown risks to the ownership interest for as long as they own the property.

Lender's Policy: most lenders require title insurance as security for their investment; the borrower typically pays for it, and it is issued for the loan amount. It covers the lender up to the full value of the loan policy if the lender suffers a loss, including its ability to foreclose and recover principal and interest, and it ensures the lender's mortgage is in first position (unless the mortgage is meant to be a junior lien).

What does title insurance cost?

The premium is usually determined by the amount of insurance provided. When an owner's policy and a lender's policy are issued together, a reduced simultaneous issue rate applies.

What is a reissue rate?

If the seller has an Owner's Policy from an Ohio-licensed title insurer that is less than 10 years old, the buyer's new Owner's Policy may qualify for a reissue rate of 70% of the standard rate. The discount applies only up to the amount of the prior policy; any coverage above that amount is charged at the standard rate.

A similar discount applies to a refinance: when the same borrower refinances the same property and the original loan policy is 10 years old or less, the new lender's policy is charged 70% of the standard rate on the unpaid balance of the original loan, with any new money charged at the standard rate.

To qualify, we need a copy of the prior policy or enough information to identify it, so please send us your previous owner's or loan policy if you have it. Exact rates and minimum premiums come from the title insurer's filed Ohio rate manual; ask us for a quote for your transaction.

This guide is general information, not legal advice or a quote. Coverage is governed by the terms, conditions and exceptions of the policy issued. Rates reference the Ohio Title Insurance Rating Bureau schedule of rates (Rules PR-4 and PR-10).