

ECONOMY

# Texas title insurance market should be freed from over-regulation

By Brooke Rollins and Bill Hammond, Feb. 12, 2016



Photo by Matthew High

Liberty is the lifeblood of the great American experiment. The mechanism through which liberty is exercised in our free-enterprise system is competition. We see its benefits every day — and we also see the problems caused by its absence.



Unfortunately, we need to look no further than Texas' title insurance market to witness these problems. Competition is a nonfactor in this market; no matter what company they choose, homeowners and businesses seeking to protect their investment in the purchase of land from a faulty title are forced to purchase title insurance with the coverage and price mandated by the Texas Department of Insurance.

One might ask how Texas, the beacon of freedom in the United States, wound up with this type of market for title insurance. The answer is simple: The Texas Legislature has instructed the department to "completely regulate the business of title insurance," making Texas the only state in the country that regulates the title insurance market to this extent.

This hasn't worked out so well for Texans. Texas often has the highest title insurance rates in the nation, adding significant costs for both homeowners and businesses engaging in real estate transactions.

Costs are high because consumers do not have the ability to shop on either price or quality. The price for policies is the same throughout the state and across sellers. Likewise, the options for coverage are severely limited so for most consumers it is a one-size-fits-all policy — whether or not you need that coverage.

Texans instinctively understand the problems with a command-and-control regulatory scheme. In a new poll commissioned by the Texas Association of Business, [91 percent of Texans agree](#) that if they can shop around for automobile and home insurance, they should be able to shop around for the best deals on title insurance.

There is no reason Texas' title insurance market shouldn't have competition like most other title insurance markets across the country — and almost every other businesses in Texas.

A perfect example of why complete government control of this market should be replaced with consumer choice and competition is price regulation in the trucking and airline industries. Until the 1970s, flying was so expensive that relatively few Americans traveled by air, while high trucking rates significantly increased business costs. Airplanes were often flying half empty, but carriers couldn't offer discounts — just like the title insurance market today. Finally, policymakers like U.S. Sen. Ted Kennedy and President Jimmy Carter saw the harm caused by this and led the fight to eliminate price regulation in these markets.

But the best example of why competition and choice are good for everyone is the state of Texas itself. The Texas Model of low taxes and spending, less regulation, a sound civil justice system and less dependence on the federal government has made Texas the nation's leading economic engine. Competition is at the heart of the Texas Model and what makes it work; it will also make the title insurance market work much better and serve Texas consumers.

There is a ray of hope on the horizon for Texas property buyers. With the momentum starting to build in the Texas Capitol around the idea that something ought to be done to bring consumer choice and competition to this market, Texans may soon be able to look forward to experiencing liberty when it comes to title insurance.



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