

OP-ED CONTRIBUTOR

Title Insurance Regulation Ripe for Reform

BILL PEACOCK ([HTTPS://MORNINGCONSULT.COM/AUTHOR/BPEA/](https://morningconsult.com/author/bpea/)) | JUNE 3, 2016

Most taxpayers and consumers are somewhat aware that the government takes their money and hands it over to big business. Examples of this type of “corporate welfare” include the Export-Import Bank, the Farm Bill, and renewable energy subsidies.

A less well-known but more insidious form of this is when businesses cozy up to government through anti-competitive regulatory schemes. These measures help secure high profit margins for established companies at the expense of their competitors and consumers.

Net neutrality is the perfect example of this at the federal level, with various businesses partnering with the Federal Communications Commission to protect their profits through regulation.

One of the most egregious examples of this form of corporate welfare at the state level is title insurance. Throughout much of the country states have restricted competition in this market, resulting in higher prices for consumers and bigger profits for title insurance companies.

The good news is that a reform effort in Texas may soon lead to more choices for consumers and lower prices for title insurance on a national scale.

Texas likes to brag about how its the model for other states when it comes to economic growth, and not without some merit. Over the last decade, Texas has added 1.3 million jobs—the most of any state in the country—and has become the nation’s leader in exports. Texas even boasts the second-lowest adjusted poverty rate among the 12 largest states.

Texas is also a model when it comes to the title insurance market, but for all the wrong reasons. The state has the most heavily regulated market in the country. Unlike most states, the government sets the rate and the coverage for title insurance, preventing competition for consumers’ business.

The resulting high prices – Texas ranks in the top five for residential policies – and excessive profits have made title companies in the Lone Star State the envy of the industry.

Consumers in Texas, though, are waking up to the high costs and limited choices they face when buying or refinancing a home. A recent poll found that 91 percent of Texans believe that because they can shop around for automobile and home insurance, they should also be able to shop around for the best deals on title insurance.

Businesses are also acutely aware of the harm they suffer from prices that can be more than double what they pay in other states.

As a result, a coalition of consumers, taxpayers, and businesses is making it clear that it is time to end the welfare scheme that costs Texans tens of millions of dollars a year. The Republican Party of Texas recently joined the fray when it included a plank in its platform noting that, “We support that all types of insurance rates, to include (but not limited to) health, life, title, auto, and homeowners insurance, be set through free-market forces alone.”



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Make no mistake, a free market is the last thing the Texas title insurance industry wants. Free markets mean competition, and competition means a lot of hard work and potentially lower profits—especially for those businesses that can't adjust to meeting consumer demand.

That is why the industry says it is not time to adopt “radical changes” like consumer choice or to “mess with the safety and simplicity” of the current market. Homeowners and business owners, apparently, shouldn't be troubled with determining the price and coverage of their title insurance policies.

The Texas Legislature is poised to make significant changes to title insurance regulations in 2017. If it does so, Texans likely won't be the only ones to benefit. Consumers in high-cost states like New York, Arizona, Idaho, New Jersey, and Virginia could also see significant savings if these states follow Texas' lead in increasing competition.

The country made welfare reform a top priority in the 1990s. It should do the same today for corporate welfare. No market is riper for this reform than title insurance.

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