

TEXAS TITLE INSURANCE WORKS

FAQs



Q: HOW ARE RATES FOR TITLE INSURANCE SET?

A: The Texas Department of Insurance sets the rates in a public hearing and bases them on actual financial data. TDI actively monitors every title agent's profits and losses to ensure customers have access to the highest quality product at the best price. As a result, rates today are 15% less than they were 25 years ago.

Q: DOES TEXAS HAVE THE HIGHEST TITLE INSURANCE RATES IN THE NATION?

A: No, "title insurance premiums" may *appear* higher or lower in other states, but simplistic comparisons don't work because what is included in that price and who performs that service varies widely. It might appear that there are lower insurance premium rates in other states, but in fact, attorney's fees, abstract fees and higher closing fees push up the total cost.

The Texas Public Policy Foundation came to the faulty conclusion that Texas has the highest rates from studies that used questionable methodology and estimated data from online quoting systems.

Q: HAS THE PRICE OF A TITLE POLICY IN TEXAS INCREASED?

A: No, they have decreased overall in the last 25 years. In fact, title rates in Texas are 15% less today than they were in 1993.

If the TPPF proposal is adopted, some experts predict the cost of a title policy for the average Texas homebuyer will actually rise due to less competition.

Q: IS THERE COMPETITION IN THE TEXAS TITLE INSURANCE MARKET?

A: Yes. Texas' market is fiercely competitive with more choices of title agents than can be found in many other states. Every day, title insurance agents compete for customers' business based on the quality of their work and the service they provide.

Title agents welcome competition, but the negative impact the TPPF file-and-use model would have on homebuyers – fewer choices, higher prices, more risk and less reliability – is something that's not right for Texas.

Q: IS THE COST OF TITLE INSURANCE A BARRIER TO HOME OWNERSHIP IN TEXAS?

A: No. Texas currently has one of the most robust real estate economies in the country. There is simply nothing to indicate that title insurance prices are preventing buyers from buying homes; however, a "file-and-use" system like TPPF wants would produce higher claims and higher costs.

Q: IF TEXAS HAS ADOPTED A "FILE-AND-USE" MODEL FOR AUTO AND HOMEOWNERS INSURANCE, WHY SHOULDN'T WE USE IT FOR TITLE INSURANCE TOO?

A: Title insurance is a risk elimination product with premiums paid only once at closing. It shouldn't be confused with homeowners and auto insurance policies that protect against future unknown hazards and must be purchased every year. Comparing title insurance to auto or homeowners insurance is a faulty comparison.

Q: HOW DOES TEXAS COMPARE TO OTHER STATES IN TERMS OF CLAIMS AND RISK?

A: Texas has one of the lowest claims rates, with claims at only 1.8% of premiums written, according to the latest data, making it one of the safest in the nation. A comparison between Texas and other states shows that loss-to-premium ratios can run as much as seven times higher than our low claims rate.

More risk would actually harm Texas' safe, reliable real estate process, which would have a negative impact on our strong real estate market. Title insurance and the costs associated with the settlement of the real estate transaction remain a very small portion of this important and complex transaction.

Q: WILL THE TPPF PROPOSAL HELP SMALL BUSINESSES AND JOBS IN TEXAS?

A: No. On the contrary, it would shutter many title insurance agencies in our state, the vast majority of which are small businesses. The Texas title industry currently provides more than 15,000 high-quality jobs. This move could eliminate thousands of these jobs and ship many of the remaining jobs out of the state or even out of the country. If we adopt the TPPF changes, our reliable system will be negatively impacted by more risk, fewer choices, less competition, and a loss of thousands of Texas jobs.

Texas Land Title Association

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