

# TEXAS TITLE INSURANCE WORKS

## UNIQUE LINE OF INSURANCE



### More “Assurance” Than “Insurance” and More of a Financial Services Product

Title insurance is completely different than other lines of insurance regulated by the Texas Department of Insurance. **Title insurance does not insure against future risks** like homeowners and auto insurance does with fires, floods, hurricanes and car wrecks. Instead, **title insurance insures against the past.** Before issuing insurance, title agents go through an extensive, labor-intensive search and examination process to find any problems with the title to the property. Then, they work to facilitate those problems being fixed before the property changes hands. So, title insurance insures against mistakes and unknown factors that may exist prior to issuance of the policy, not after, all for a one-time fee rather than an annual fee like homeowners and auto insurance.

Also, in many ways, **title insurance is more of a financial services product** than a traditional insurance product. In fact, in some states the industry is actually regulated under the Department of Banking. Texas title agents handle large amounts of consumers’ money in the course of handling the real estate transaction. For instance, more than \$300 billion alone ran through Texas title agents’ escrow accounts in 2015.

### Claims

**Title insurance is a risk mitigation and avoidance product.** Unlike property and casualty insurance, the **consumer only pays once** at closing, and the policy is good for the life of the loan or as long as the owner owns the home. As an illustration, imagine if fire insurance was to imitate the approach taken by title insurance. Before issuing a fire insurance policy, the agent would inspect the home for any fire hazards, correct any risks such as faulty wiring and perhaps install a sprinkler system. One would only pay for the product once during the life of the home, and in the rare event the house did catch fire from a missed hazard, you would have insurance coverage up to the face value of the policy.

For this reason, title insurers experience **much lower claims** compared to other lines of insurance. Low claims are the goal and how quality is measured. Lower claims do not reflect relative higher profits, but rather a completely different business structure and product.

### Agents

The **role of the title agent is very distinct** from agents in other lines of insurance. In title insurance, **the agent performs the vast bulk of the work of searching and examining the public real property records necessary to insure title.** The insurance product simply functions as a guarantee on the previous extensive title search and examination work performed.