

What is the purpose of title insurance?

Title insurance is the only type of insurance that I know of which insures you for past events (rather than the future) and that you only have to pay for it once, and the policy is good until you sell your home, or refinance. Still many ask, what is its purpose? Why insure history? The reason is simple... when you buy a home, you are buying all assets and liabilities associated with that home. Title is a historic record of that property's past. This history includes past owners, past use, legal description of the property, any liens against it, etc.... Purchasing a title insurance policy means title is clean - or that there are no liabilities associated with the property.

With an active title insurance policy should someone or something show up on title that was not disclosed when you bought the home, you are insured the difference. What could happen? You could find out the lot is smaller than you originally anticipated... title would refund the difference... a lien shows up on title from the past... title would pay for it... a past owner shows up with verifiable proof that you just bought his home... title refunds you your purchase money... the list goes on.

These examples are few and far between, and are not something one should think will happen when purchasing a home...that said there is not point in taking chances and title insurance removes the possibility of your suffering a loss due to a past event however unlikely.

Different title policies cover different deficiencies of title, so know your policy and what it covers; the cost will be determined by property value and the type of policy you are purchasing. Regardless of cost, this one-time expense is worth the money in the long run.