

**What is title insurance?**

A policy of **title insurance** is the contract issued by a title insurance company that assures you the interest

**A:**

in title to real estate you acquire is what you bargained for. The policy agrees to reimburse you or hold you harmless when a monetary loss is caused by an **encumbrance on title** which:

* is not listed in the title insurance policy as an exception to coverage; and
* you were unaware of when the policy was issued. Encumbrances on title include:
* covenants, conditions and restrictions (CC&Rs) limiting

use;

* reservations of a right of way;
* easements;
* encroachments;
* trust deeds or other security devices;
* pendency of condemnation; and
* leases.

Physical conditions on the property are not encumbrances affecting title and are not covered by a title insurance policy.

A policy of title insurance is broken down into six operative sections:

1. the *risks of loss covered*, called insuring clauses, based on a completely unencumbered title at the time of transfer;
2. the *risks of loss not covered*, comprised of encumbrances arising after the transfer or known to you, called exclusions;
3. *your identification* as the insured, the property, the vesting, the dollar amount of the coverage, the premium

paid and the recording of the transfer, called Schedule A;

1. the *recorded interests*, including identified encumbrances affecting title and any observable on-site activities listed as risks you agree to and assume which are not covered by the policy, called exceptions, itemized in Schedule B;
2. the *procedures*, called conditions, for claims you make and for settlement by the insurance company on the occurrence of a loss due to any encumbrance on title granted by the insuring clauses; and
3. *endorsements* for additional coverage, or removal of exclusions and pre-printed exceptions from the policy.

Several types of title coverage are available, including:

* + a California Land Title Association (CLTA) standard policy;
  + an American Land Title Association (ALTA) owner’s extended coverage policy;
  + an ALTA residential (ALTA-R) policy; and
  + an ALTA homeowner’s policy.

Your agent will inform you about the coverage which best suits your transaction when you make an offer to purchase property.

The type of title insurance policy you choose and who will pay the title insurance premium is designated in the purchase agreement’s title insurance provision.

Your title insurance policy provides coverage for as long as you own the property. Coverage is limited to the dollar amount of the policy, which is adjusted for annual inflation.

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