What is “title”?

- Legal right to own, possess, use, control enjoy and/or dispose of an interest in property
What is a “title insurance policy”?

- Insures interest in real property
  - Only insures land and not personal property
- Contract of indemnity
- Insurer will defend or reimburse insured for actual loss caused by defects in title
What isn’t a “title insurance policy”? 

- It is not a guarantee of title.
- It is not a representation of the state of title.
- It is not a warranty of clear title.
- It does not insure that title is flawless.
Contrast With Other Insurance Lines

• **Premium**
  – One time, up front v. continued payments

• **Coverage**
  – Past defects v. future events

• **Duration**
  – As long as insured has an interest v. as long as continued premiums are paid and policy requirements are met
Title Insurers in Pennsylvania

• Certificate of Authority from the PA Dept. of Insurance
  – Authorizes us to issue title insurance policies to consumers in PA in accordance with state regulations

• Direct Operations
• Agents
• Approved Attorneys
Pennsylvania Manual of Rates and Forms
  - Most recent version effective 10/1/19 with CPL Form

Policy forms available:

ALTA Loan Policy of Title Insurance, as modified by TIRBOP (06/17/06)
ALTA Owner's Policy of Title Insurance, as modified by TIRBOP (06/17/06)
ALTA U.S. Policy (12/03/12)
ALTA Short-Form Residential Loan Policy – Current Violations, as modified by TIRBOP (Revised 04/02/15)
Sheriff's Distribution Policy (03/01/95)
ALTA Homeowners Policy of Title Insurance (For a One-to-Four Family Residence) (Revised 12/02/13)
ALTA Expanded Coverage Residential Loan Policy (For a One-to-Four Family Residence) – Current Assessments (Revised 04/02/15)
ALTA Short Form Expanded Coverage Residential Loan Policy (For a One-to-Four Family Residence) – Current Assessments (Revised 04/02/14)
Elements of a Policy

• Jacket
  – Covered Risks
  – Exclusions From Coverage
  – Conditions
• Schedule A
• Schedule B
• Schedule B, Part II (Loan Only)
• Endorsements
Disclaimer

- Summaries following are paraphrases and/or excerpts for educational purposes only.

- To the extent any question arises as to coverage of title insurance policies, the language of the actual policy controls.
Covered Risks  ALTA Loan Policy (06/17/06)

NOTE: covered risks subject to exclusions, exceptions, conditions, date of policy and amount of insurance

1. Title vesting
2. Defects in or liens on title
3. Unmarketable title
4. Legal access
5. Violation/enforcement of law relating to use/occupancy/enjoyment of land/improvement if notice is recorded
Covered Risks  ALTA Loan Policy (06/17/06)

NOTE: covered risks subject to exclusions, exceptions, conditions, date of policy and amount of insurance

6. Government police power if notice is recorded
7. Eminent domain if notice is recorded
8. Government taking binding on a BFP without knowledge
9. Invalidity or unenforceability of lien of insured mortgage
Covered Risks  ALTA Loan Policy (06/17/06)

NOTE: covered risks subject to exclusions, exceptions, conditions, date of policy and amount of insurance

10. Lack of priority of lien of insured mortgage
11. Mechanics’ liens (but see exceptions) and street improvement assessments
12. Invalidity, unenforceability and lack of priority of assignment
NOTE: covered risks subject to exclusions, exceptions, conditions, date of policy and amount of insurance

13. Invalidity, unenforceability, lack of priority or avoidance of the lien of insured mortgage due to creditor’s rights laws (in the chain of title); or because the insured mortgage constitutes a preferential transfer (THIS transaction)

14. Gap coverage
NOTE: covered risks subject to exclusions, exceptions, conditions, date of policy and amount of insurance

1-8. Identical to Covered Risks of ALTA Loan Policy

9. Creditors’ rights in the chain (coverage akin to Covered Risk 13 of ALTA Loan Policy)

10. Gap coverage (coverage akin to Covered Risk 14 of ALTA Loan Policy)
Exclusions From Coverage

- Limit the language of the Covered Risks
- Explain what is specifically NOT insured under the policy
Conditions

- Definitions of terms
- Duration of coverage
- How to file a claim
- How company will handle claims
- Rights and obligations of claimants
<table>
<thead>
<tr>
<th>ALTA LOAN POLICY</th>
<th>ALTA OWNER’S POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and Address of Title Insurance Company</td>
<td>Name and Address of Title Insurance Company</td>
</tr>
<tr>
<td>File No.</td>
<td>File No.</td>
</tr>
<tr>
<td>Loan No</td>
<td>Address Reference</td>
</tr>
<tr>
<td>Address Reference</td>
<td>Amount of Insurance</td>
</tr>
<tr>
<td>Amount of Insurance</td>
<td>Date of Policy</td>
</tr>
<tr>
<td>Date of Policy</td>
<td>1. Name of Insured</td>
</tr>
<tr>
<td>1. Name of Insured</td>
<td>2. The estate or interest in the Land that is insured by this policy is</td>
</tr>
<tr>
<td>2. The estate of interest in the Land that is encumbered by the Insured Mortgage is</td>
<td>3. Title is vested in</td>
</tr>
<tr>
<td>3. Title is vested in</td>
<td>4. The Land referred to in this policy is described as follows</td>
</tr>
<tr>
<td>4. The Insured Mortgage and its assignments, if any, are described as follows</td>
<td>Authorized Countersignature</td>
</tr>
<tr>
<td>5. The Land referred to in this policy is described as follows</td>
<td></td>
</tr>
</tbody>
</table>
Schedule B

**ALTA LOAN POLICY**
- Schedule B: Exceptions from coverage
- Schedule B-II: Subordinate items

**ALTA OWNER’S POLICY**
- Schedule B: Exceptions from coverage
Endorsements

• An endorsement is an attachment or addendum to the policy that does one of the following:
  – Provides additional coverage not already provided under the terms of the policy,
  – Removes certain exceptions listed on Schedule B of the policy, or
  – Corrects or modifies a previously issued policy.
Common Loan Endorsements
(used regularly in residential transactions)

• 100 (04/01/07): Where There is No Apparent Violation of Restrictions by Existing Construction
• 300 (10/01/08): Survey Exception
• 710 (ALTA 6-06) (04/01/07): Variable Rate
• 810 (ALTA 4.1-06) (04/01/07): Condominium
• 820 (ALTA 5.1-06) (04/01/07): Planned Unit Development
• 900 (ALTA 8.1-06) (04/01/07): Environmental Protection
Enhanced (Eagle) Coverage

- Policies specially created for certain types of residential properties
  - Existing 1-4 family residence on the land
  - Owner-occupied
    - Owner must be a natural person (or trustee of a trust)
- Eagle policies include coverages not offered in regular title policies (even post policy coverages)
- 10% added to the premium
Eagle Coverages

• Certain zoning coverage
• Setback regulations
• Actual access
• Post policy forgery
• Post policy encroachments
• Post policy mineral coverage
• Post policy adverse possession
• Post policy cloud on title
• Post policy prescriptive easement
• Pays rent for substitute facility
• Inflation coverage (150% over 5 years)
• Coverage for a lifetime
Expanded Coverage Residential Loan Policy – Current Assessments (Rev. 4/2/15)

• Added covered risks - see comparison
• Incorporates the following endorsements for a mandatory $200 flat fee in addition to the enhanced premium:
  – 810 Condo
  – 820 PUD
  – 710 Variable Rate
  – 710-6.2 Variable Rate / Negative Amortization
  – 900 Environmental
  – 1030 Special Risks
Questions?