



## TEXAS TITLE INSURANCE MARKET:

Protecting Property Rights and Supporting Texas' Robust Real Estate Market



### What Is Title Insurance and How Is it Different?

Title insurance is a key component of real estate transactions, protecting buyers and lenders from financial losses caused by title defects or other problems, such as:

- Outstanding property taxes
- Fraud and forgery found in deeds
- Claims against the property made by unknown heirs

Title insurance, a risk elimination product with premiums paid only once at closing, **shouldn't be confused with homeowners and auto insurance** that protect against future hazards and must be purchased every year.

**The stakes are high when it comes to real estate transactions given the possibility of losing a new home or property due to title defects.** Therefore, Texas regulates title insurance like it regulates other financial services to ensure customers across the state receive:

- Comprehensive protection
- Transparency and consistency
- Best prices for services
- Low claims exposure



### How Has Texas Built One of the Best Title Insurance Markets in the Country?

**Protecting private property rights is a core Texas value, and the quality of the title is an essential element in protecting ownership rights from unforeseen claims against them.**

Texas' ranking as one of the safest states in protecting real estate transactions means Texas customers can rest easy with much less worry about losing their rights to own and enjoy the use of their property.

Texas has been able to maintain **one of the lowest loss-to-premium ratios at rates that have been reduced by 15% since the 1990s by:**

- Setting statewide rates based on market data and actual costs in a transparent public process to ensure customers receive the best prices.
- Requiring consistent, comprehensive protections across the state.
- Conducting regular audits to ensure title companies remain financially sound and deliver the highest safety and quality to customers.

Located in 251 Texas counties, **over 13,000 experienced title insurance professionals** provide certainty, efficiency and security to residential and commercial real estate transactions by:

- Maintaining a complete set of geographically-indexed Texas county property records, with the most current detailed knowledge about the history of local properties.
- Conducting thorough title searches and examinations to identify title defects.
- Communicating with attorneys, surveyors, tax authorities and others to help address any identified title issues.
- Acting as a neutral clearinghouse for all real estate closing activities, including escrow and disbursement, and issuing title insurance.

# DON'T MESS WITH TEXAS REAL ESTATE: PROTECT PRIVATE PROPERTY RIGHTS



Protecting private property rights is a core Texas value.  
The quality of title is an essential element in protecting ownership rights.

Texas has a healthy real estate market, due in part to our simple and secure title insurance process. We have developed one of the best title insurance markets in the country, with consumers across the state benefiting from:

- ✓ **Choice and competition** with a local title agency in almost every county;
- ✓ **Lower prices** for title insurance than 25 years ago (15% less than the 1990s);
- ✓ **Transparent prices** easily accessible by the public without the extra fees found in other states;
- ✓ **Safe real estate transactions** with Texans enjoying one of the lowest "claims rates" in the country;

Plus,

- ✓ Texas' title insurance industry provides more than **13,000 high-quality jobs** throughout the state.

The Texas Association of Business and Texas Public Policy Foundation have proposed radical changes to Texas' title insurance market, turning a system that works today into a risky "file-and-use" model. What would happen if Texas adopted this model?

- ✗ **Less competition** – File-and-use would cause many local title agencies to close, reducing local choice.
- ✗ **Higher prices** – Less competition would expose homebuyers to higher prices.
- ✗ **More claims** – Texans would face substantially higher claims as file-and-use states experience double to 27 times the "claims rate" Texas has today.
- ✗ **Job losses** – Thousands of jobs across the state would either be permanently lost or shipped to other countries.
- ✗ **Picking winners and losers** – File-and-use would reward large corporations and well-heeled individuals at the expense of small businesses and average homebuyers.

We ask you to **reject** TAB/TPPF's radical departure from Texas' successful market.

Adopting this model is **out of step** with Texas' core values of:

Protecting private property rights ▪ Keeping insurance affordable ▪ Giving customers local options

Now is certainly **not the time** to mess with the safety and simplicity of our real estate process.

# Why Should Texas Be Proud of the Benefits Consistently Delivered by Our State's Title Insurance Market?

## 1 MORE CHOICES

Texas' competitive title insurance market provides customers across the state access to a number of choices for quality service at consistent rates.

- Of Texas' 254 counties, **251 have title insurance agents licensed to provide local service**, meaning that customers have access to local title companies that know the area and history of the communities and properties.
- There are more than 550 licensed title insurance agents, with over 13,000 employees, the vast majority of which are **small businesses**.
- When other states have restructured their title insurance markets to allow services and prices to fluctuate, the result has been fewer choices for customers due to market consolidations, reductions in local representation and the shuttering of small businesses.

## 2 BETTER PRICES

Texas' competitive title insurance policies cost less today than they did 25 years ago, ensuring Texas customers receive quality protections at the best prices.

- Texas has one of the most transparent markets in the country, with regular audits and statistical information provided by the industry on an annual basis, to ensure customers across our great state receive quality protections at the best prices.
- The Texas Department of Insurance approves statewide rates based on market data and actual costs in a transparent public process to ensure Texas real estate transactions are protected at the best price.
- This system has resulted in Texas title insurance rates that have actually decreased over the past two and a half decades by about 15%.

Texas' ranking as one of the safest states in protecting real estate transactions means Texas customers can rest easy with much less worry about losing their rights to own and enjoy the use of their property.

## 3 MORE RELIABLE

Texas' competitive title insurance market provides customers across the state a level of service that removes uncertainty and ensures peace of mind during real estate transactions.

- Having a transparent, consistent premium rate, as we do in Texas, takes the guesswork out of this part of the real estate transaction, making it a more **hassle-free** experience.
- Texas' consistent rate includes **costs that often are not included in the described "title insurance rates" in other states**. So, it is very difficult to make apples-to-apples comparisons between states, particularly because many lack the level of transparency that is required in Texas. **It might appear that there are lower insurance premium rates in other states, but in fact, attorneys' fees, abstract fees and higher closing fees push up the total cost.**

## 4 SAFER TRANSACTIONS

Texas' competitive title insurance market consistently ensures safe and secure real estate transactions, as demonstrated by the limited claims exposure of Texas' property owners vs. those in other states.

- Because of our strong economy, Texas provided more title insurance than any other state in 2015, but it had the eighth lowest amount of claims paid per premium. Only Oklahoma, North Dakota, Delaware, Alaska, Iowa, South Dakota and Mississippi had lower loss-to-premium ratios; however, together these seven states provide a mere 12% of the title insurance that Texas provides. **Texas' low number of claims, particularly for the size of our robust real estate market, is one of the strongest indications that our title insurance market is effectively protecting customers.**
- However, a quick comparison between Texas and other states with fluctuating rates shows that **loss-to-premium ratios can run two to 27 times higher than our low claim rate**, with those customers in large states like ours experiencing losses of about five times greater than those experienced in Texas.
- **Title claims mean Texans could lose their property. This is a high stakes industry and Texas' title insurance market provides stability and peace of mind.**