



# Title Insurance: Everything You Need to Know





# Title Insurance: What Do You Need to Know?

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- What is Title Insurance?
- Types of Title Insurance
- What does Title Insurance cover?

# What is Title Insurance?

## KEY THINGS TO KNOW

In its simplest form, title insurance protects the lender and homeowner against a number of risks related to the property's title or ownership.

Title Insurance protects your ownership of your property—your title. It covers losses that can come from things like having your title challenged by a neighbour or the City, someone taking out a fraudulent mortgage on your property in your name, or even losing access to parts of your property.

Title insurance is a form of indemnity insurance that protects lenders and homebuyers from financial loss sustained from defects in **a title** to a property.

# Types of Title Insurance

## Types of Title Insurance

**There are two types of title insurance:**

- **Lender's Title Insurance** (also called a Loan Policy) - Almost all lenders require the borrower to purchase a lender's title insurance policy to protect the lender in the event the seller was not legally able to transfer the title of ownership rights. A lender's title insurance policy protects the financial interests of the company that issues the mortgage (just like mortgage insurance does). An issued policy signifies the completion of a title search, offering some assurance to the buyer.
- **Owner's Title Insurance** (including extended policies) - An owner's title insurance policy protects the homebuyer. Since title searches are not infallible and the owner remains at risk of financial loss, there is a need for additional protection in the form of an owner's title insurance policy. Owner's title insurance, often purchased by the seller to protect the buyer against defects in the title, is optional.

### Is Title Insurance mandatory?

Lender's title insurance is almost always required, but owner's title insurance is optional. An owner's policy can protect you against losing your equity and your right to live in the home if a claim arises after purchase.

Unlike life or house insurance, purchasing title insurance is a one time cost, with no annual premium. The cost is based on the value of your property and the province. The common range in B.C., is \$150-\$350.

*\*Clients should speak to their lawyer about the benefits, and costs, of title insurance.*





## What does Title Insurance cover?

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A clear title is necessary for any real estate transaction. Title companies must do a search on every title to check for claims or liens of any kind against them before they can be issued.

A title search is an examination of public records to determine and confirm a property's legal ownership and determine whether there are any claims on the property. Erroneous surveys and unresolved building code violations are two examples of blemishes that can make the title "dirty."

Title insurance protects both lenders and homebuyers against loss or damage occurring from liens, encumbrances, or defects in a property's title or actual ownership. Common claims filed against a title are back taxes, liens (from mortgage loans, home equity lines of credit (HELOC), easements), and conflicting wills. Unlike traditional insurance, which protects against future events, title insurance protects against claims for past occurrences.

In addition to protecting against title fraud, title Insurance can cover:

- Violations of municipal by-laws;
- Encroachments onto an adjoining property;
- Property tax arrears;
- Existing work orders;
- Lack of legal access to the property;
- Unpaid strata assessments;
- Zoning and setback non compliance;
- Forced removal by a governmental authority of a structure built without a required building permit;
- Legal status of any septic system;
- Gap coverage.



# Next Steps?

For more help please email the The  
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