



nerej

The changing face of the title insurance industry - Part 2

March 11, 2009 - Financial Digest

Part 1 appeared in the February 27th edition of the New England Real Estate Journal.

Title industry best practices

Selecting a solvent and stable title insurance provider for escrow and real estate-related services has rapidly become one of the most crucial elements to a successful and secure real estate transaction, whether the transaction is a loan modification, refinance or traditional resale. The transaction chain can become highly complicated when multiple parties are involved. Along with this complexity comes inherent risk, which has been markedly heightened by the current economic crisis. In this environment, the necessity for a financially solid title insurance underwriter cannot be underestimated. Selecting a qualified and experienced title insurance underwriter is critical to ensure the real estate transaction is handled with the utmost integrity and professionalism.

Financial strength/reserves and surpluses: Reserves are statutorily required assets to be held by insurance companies as required by state law and are based on an estimate of future claims. Surpluses are assets over and above the state-required reserves, which essentially amount to additional protection for policyholders. Based on current market conditions, real estate professionals, lenders and their clients are advised to seek underwriters that exhibit consistent growth in policyholder's surplus and reserves, allowing for increased protection to policyholders. In addition, a title company with a low debt to equity ratio has greater flexibility with cash flow and is better prepared to cover any claim that may arise. Rating agencies such as Demotech (www.demotech.com) and Fitch (www.fitchratings.com) provide current ratings and performance information on title insurance underwriters.

Underwriting: Title issues can be complicated. Accordingly, it is important to work with a title underwriter that has an experienced and responsive underwriting staff that can analyze title issues quickly and render prompt underwriting decisions.

Service: Professionalism, expertise, communication, accuracy, and timeliness in preparing title and closing documents are key factors when considering a title insurance underwriter. Quality service should include not only the work associated with the title insurance policy, but may also include facilitation among all parties to ensure necessary due diligence is completed.

Location, location, location: Multiple office locations make closings convenient for all parties involved. Title insurance underwriters with a national/international presence and experience ensure that transactions will close seamlessly across the U.S. or across the globe.

Experience and reliability: How long has the company been in business, or if the company is new, what is the collective experience of its management and employees? Contacting the Better Business Bureau at <http://welcome.bbb.org/> or state departments of insurance is recommended in addition to asking for references or speaking with someone who will share comments of their recent experience with their title company.

Consumer protection: Protecting the privacy of client information, property and fiduciary interests as well as ensuring the proper and expeditious disbursement of funds are key elements of a secure real estate closing. Title companies should also have appropriate business insurance coverages in place to protect both the client and the overall transaction.

These are just a few areas to examine when delivering sound and responsible title services. In today's economy, filled with anxiety and uncertainty, it is critical to understand laws and regulations governing the title industry in order to deliver the most consistent and reliable product to the customer.

Bruce Hawley is a senior vice president, senior underwriting counsel and multinational title services group manager, at Stewart Title Guaranty Co., New York, N.Y.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540