

Title Protection – Are You Really Covered?

The advantages of holding property in a trust are well known. However, before transferring property to a trust, consider how the transfer will effect the property's current title insurance coverage. At the time the property is placed in a trust, either confirm that the existing title insurance coverage will be continued or obtain an endorsement to the existing policy naming the trust as an additional insured on the policy. Only the ALTA Homeowner's Policy of Title Insurance for one-to-four family residences, adopted October 17, 1998, provides for automatic coverage when title is transferred from the named insured to a trust. No title insurance policies issued prior to that date provided for a continuation of coverage for a transfer to a trust after the policy date. Consider obtaining an endorsement naming the trust as an additional insured for any policy without coverage for a later transfer to a trust.

ASK YOURSELF THESE THREE QUESTIONS:

- **DID YOU BUY THE PROPERTY BEFORE 1998?**
- **IF YOU PURCHASED THE PROPERTY AFTER 1998, DID YOU OBTAIN A POLICY OTHER THAN THE ALTA HOMEOWNER'S POLICY OF INSURANCE?**
- **HAVE YOU ADDED AN ENDORSEMENT OR OBTAINED THE ALTA HOMEOWNER'S POLICY AFTER PURCHASING THE PROPERTY?**

If you answered yes to either of the first two questions and no to the last one, then it is time to review your title insurance policy. In many cases, successor trustees do not obtain the benefit of the existing title insurance policy when the property passes to a trust established after policy date.

However, the owner can prevent this by adding an endorsement that states the title insurance will be retained when the property passes to the trustee.

Why is it important to retain the title insurance? Since title insurance is your best protection against claims on your interest in real property, maintaining that protection is paramount. Should your existing policy not transfer to a trust or you are unable to add an endorsement to the policy, the trust may need to purchase a new title policy. The cost of a new policy would be based on the value of the property today and that could be a significant increase in cost as well as equity.

Of course you should consult your legal, real estate or title insurance professional to discuss your specific situation. If you want to know more about how to protect your property call us today or visit us on the web at www.ChicagoTitle.com



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