

What is Different About the ALTA Homeowner's Policy of Title Insurance?

Many customers ask me how they can describe the differences between the standard coverage owner's policy and the new Homeowner's Policy. Maybe this will help make that complex answer somewhat easier to understand.

In the Puget Sound area around Seattle, the purchasers of residential real property may choose the basic owner's policy form providing either standard coverage or extended coverage, or may choose the new Homeowner's Policy. Real estate brokers who prepare a Purchase and Sale Agreement using the forms in use in my area are required to choose between three policies of title insurance. The premiums vary. ***How should a real estate broker answer their questions?***

The American Land Title Association designed the Homeowner's Policy for the residential customer's most important protections. It is quite revolutionary compared to the basic form. The additional coverage is clearly a valuable benefit.

The most remarkable differences in protection provided by its Covered Risks are regrouped below in three sections, to highlight: (1) **post-policy coverage**, (2) **coverage against issues even if the document creating the issue is an exception in Schedule B**, and (3) **coverage for losses beyond traditional title policies**.

The Homeowner's Policy provides protection against matters that may occur in the future:

7. Any of Covered Risks 1 through 6 occurring after the Policy Date.
8. Someone else has a lien on Your Title, including a: ... (e) lien, occurring before or after the Policy Date, for labor and material furnished before the Policy Date.
25. Your existing improvements ... are damaged because of the future exercise of a right to use the surface of the Land for the extraction or development of minerals, water or any other substance, ...
28. Your neighbor builds any structures after the Policy Date -- other than boundary walls or fences -- which encroach onto the Land.

The Homeowner's Policy provides protection against the effect of violations of covenants, easements and other issues, even though the document that would disclose that burden on the land is listed as an exception to title. For example, if a recorded restrictive covenant prevents a detached garage, but at the date of policy there is a detached garage, the Insured is protected against loss caused by the forced removal of the garage. The basic owner's policy would provide no coverage due to the listed exception in Schedule B.

12. You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the Land, even if the covenant, condition or restriction is excepted in Schedule B...

13. Your Title is lost or taken because of a violation of any covenant, condition or restriction, which occurred before You acquired Your Title, even if the covenant, condition or restriction is excepted in Schedule B.

23. You are forced to remove Your existing structures because they encroach onto an Easement or over a building set-back line, even if the Easement or building set-back line is excepted in Schedule B.

24. Your existing structures are damaged because of the exercise of a right to maintain or use any Easement affecting the Land, even if the Easement is excepted in Schedule B.

25. Your existing improvements ... are damaged because of the future exercise of a right to use the surface of the Land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the Land or excepted in Schedule B.

The Homeowner's Policy provides protection against losses for issues that are beyond traditional title insurance.

16. Because of an existing violation of a subdivision law or regulation affecting the Land:a. You are unable to obtain a building permit;b. You are required to correct or remove the violation; or ... *

18. You are forced to remove or remedy Your existing structures, or any part of them - other than boundary walls or fences - because any portion was built without obtaining a building permit from the proper government office. ...*

19. You are forced to remove or remedy Your existing structures, or any part of them, because they violate an existing zoning law or zoning regulation. *

20. You cannot use the Land because use as a single-family residence violates an existing zoning law or zoning regulation.

21. You are forced to remove Your existing structures because they encroach onto Your neighbor's Land. [This coverage is not limited to owner occupied, as stated on the Homeowner's Additional Protection Endorsement, and also applies to boundary walls and fences (with limitation)] ...*

* Certain covered risks provide protection that is limited by deductible amounts and maximum liability amounts. Covered risks 16, 18, 19, and any loss due to encroachment of a boundary wall or fence provided by Covered Risk 21, are subject to a Maximum Dollar Limit, and reduced by a Deductible Amount listed on Schedule A of the policy.

The deductible and maximum liability amounts differ from state to state and among different title insurance companies. This is therefore only an example:

Covered Risk	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16	1% of Policy Amount or \$2,500 (whichever is less)	\$10,000
Covered Risk 18	1% of Policy Amount or \$2,500 (whichever is less)	\$25,000
Covered Risk 19	1% of Policy Amount or \$2,500 (whichever is less)	\$25,000
Covered Risk 21	1% of Policy Amount or \$2,500 (whichever is less)	\$5,000

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