

History of Title Insurance

Prior to the invention of title insurance, buyers in real estate transactions bore sole responsibility for ensuring the validity of the land title held by the seller. If the title were later deemed invalid or found to be fraudulent, the buyer lost his investment.

In 1868, the case of *Watson v. Muirhead* was heard by the Pennsylvania Supreme Court. Plaintiff Watson had lost his investment in a real estate transaction as the result of a prior lien on the property. Defendant Muirhead, the conveyancer, had discovered the lien prior to the sale but told Watson the title was clear after his lawyer had (erroneously) determined that the lien was not valid.

The courts ruled that Muirhead (and others in similar situations) was not liable for mistakes based on professional opinions. As a result, in 1874, the Pennsylvania legislature passed an act allowing for the incorporation of title insurance companies.

Joshua Morris, a conveyancer in Philadelphia, and several colleagues met on 28 March 1876 to incorporate the first title insurance company. The new firm, Real Estate Title Insurance Company of Philadelphia, would "insure the purchasers of real estate and mortgages against losses from defective titles, liens and encumbrances," and that "through these facilities, transfer of real estate and real estate securities can be made more speedily and with greater security than heretofore."

Morris' aunt purchased the first policy, valued at \$1,500, to cover a home on North 43rd Street in Philadelphia.

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