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## 2025 Analysis of Claims and Claims-Related Losses in the Land Title Insurance Industry

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### **Background**

In May 2024, Milliman, Inc. (Milliman) and the American Land Title Association (ALTA) released an independent analysis of the historical cause of claims and associated costs experienced by the land title insurance industry (“Industry”). The analysis (“Prior Report”) was commissioned by ALTA and considered aggregated claims from both purchase and refinance transactions on residential properties. This new report focuses on observations on claims arising from refinance transactions on residential properties. The data analyzed in this report reflects claims reported during the ten-year period ending December 31, 2023.

### **Data Overview and Terminology**

For this analysis, the participating title insurance underwriters represent over 90% of the Industry’s annual premium volume in 2023. The claims data provided by participants reflects data on 161,934<sup>1</sup> claims (including purchase and refinance transactions), which represents approximately 80% of the Industry’s total number of reported claims associated with policies issued during 2014-2023.

The data is organized by “policy year”, so claims are grouped based on the year when the underlying insurance policy was issued, regardless of when the loss was identified and when the claim was reported. As noted in the [Prior Report](#), title insurance claims for a given policy year can be reported over 20 years, so the industry loss emergence pattern reflects a long tail.<sup>2</sup>

Throughout the report there are several terms that can often be confused, so outlined below is an overview of those terms and their definitions.

“Homeowner’s title policy,” also known as an owner’s policy, is a one-time insurance policy that protects the homeowner against future financial loss or legal expenses resulting from past title defects and errors.

“Lender’s policy” refers to an insurance policy that protects the mortgage lender from financial loss due to title defects, liens, or other claims against the property.

“Loss” represents the direct loss covered by the title insurance policy.

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<sup>1</sup> Based on title database collected by Milliman

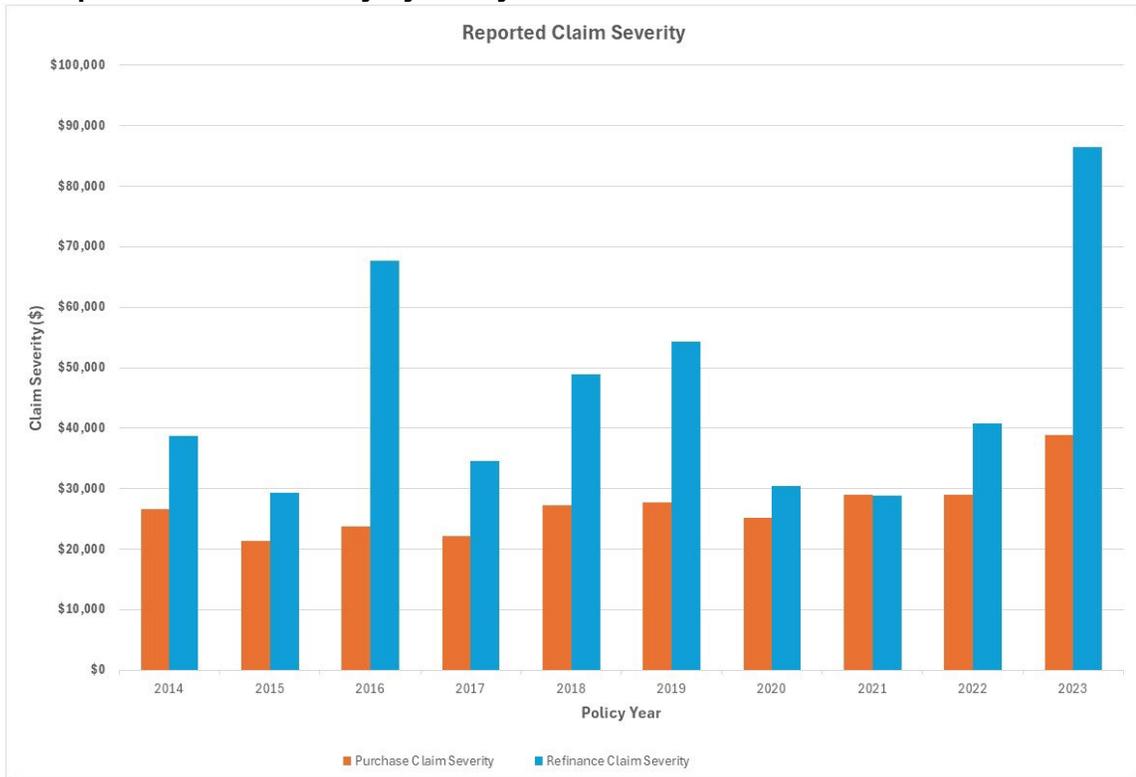
<sup>2</sup> See [Prior Report](#), Figure 3

“Defense costs” are expenses associated with the investigation of claims and defense of policyholder interests. The term “claim expenses” is sometimes used synonymously with defense costs.

“Claim cost” reflects the sum of the loss and the defense costs.

“Claim severity” refers to the average cost per reported claim, and this is represented in Figure A by the orange bars for purchase transactions and blue bars for refinance.

**Figure A. Reported Claim Severity by Policy Year – Purchase versus Refinance**



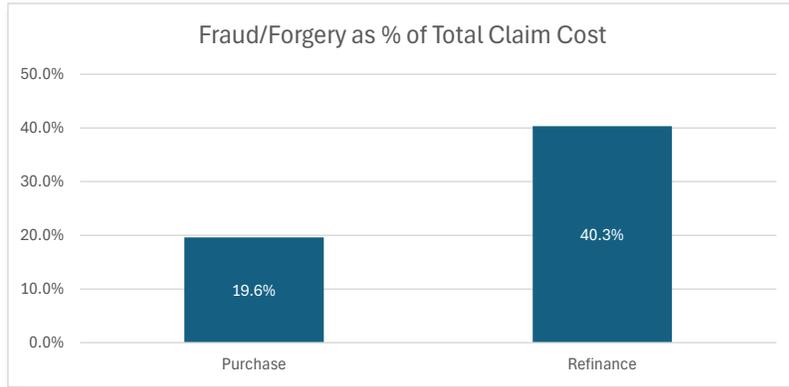
While the average size of claims related to refinance transactions reflects more variability compared to purchase transactions, the average size of refinance claim severity is consistently higher than for purchases. This key observation led to this study’s focus on claims from refinance transactions.

### **Key Observations & Findings**

#### **1) *Fraud and Forgery Claims Represent 40% of Total Cost of Refinance Claims.***

Figure B shows the portion of total losses that relates to Fraud and Forgery claims, separately for purchase transactions and refinance transactions.

**Figure B. Fraud and Forgery Reported Loss – Purchase versus Refinance** <sup>3</sup>

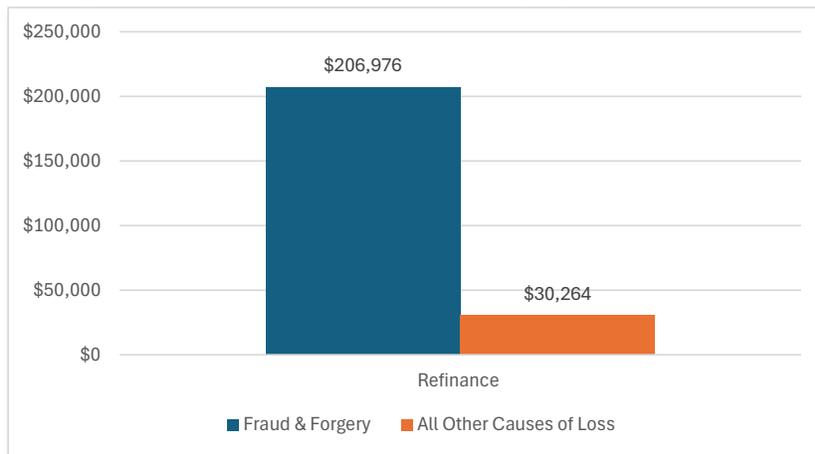


As shown above, fraud and forgery claims represent a significant source of loss, accounting for approximately 40% of total claim cost associated with refinance transactions. This share is more than double that of purchase transactions, for which these claims still represent a significant share (20%) of the total claim cost.

**2) The Average Claim Cost for Fraud and Forgery is Almost 7 Times That of Other Types of Claims from Refinance Transactions.**

Fraud and Forgery claims are significantly larger than other types of claims on refinance transactions. As shown in Figure C, the average reported claim cost (including both loss payments and defense costs) is approximately \$207,000 for Fraud and Forgery claims. This is nearly seven times higher than the average claim cost for all other claim types, which remains significant at over \$30,000 on average. Also, the average claim cost for Fraud and Forgery claims from refinance transactions is roughly 50% larger than the corresponding average (\$143,000) reported in the [Prior Report](#) from purchase and refinance transactions combined.

**Figure C. Average Claim Cost (\$) – Fraud & Forgery vs. All Other Causes - Refinance** <sup>4</sup>



<sup>3</sup> Based on title database collected by Milliman

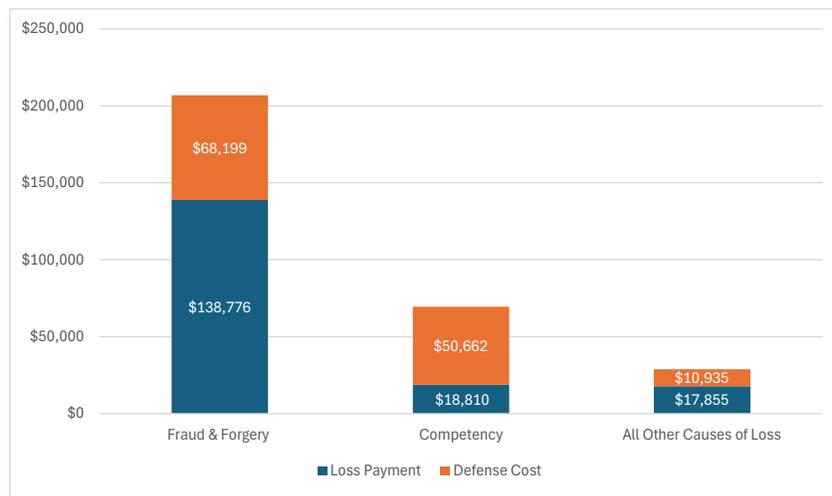
<sup>4</sup> Based on title database collected by Milliman

### 3) *The Average Cost to Defend Claims is Significant*

As defined above, the costs associated with title insurance claims are commonly grouped into two categories. The “loss” component reflects any direct loss covered by the insurance policy while the “defense cost” component includes the expenses associated with the investigation of claims and defense of policyholder interests. In addition to losses, defense costs are paid by title underwriters; this is important to property owners because the cost to investigate and defend claims can be very expensive.

Figure D shows the split of total claim cost between loss payment and defense costs, separately for Fraud and Forgery claims, Competency claims and all other causes of loss from refinance transactions.

**Figure D. Split between Loss Payment and Defense Cost – Refinance Transactions<sup>5</sup>**



As illustrated above, the split between loss and defense costs is generally consistent by claim type, with defense costs representing over one-third of the total cost. For refinance transactions, this translates to almost \$70,000 to defend a fraud/forgery claim. Even the average defense cost of roughly \$11,000 for other causes of loss would be a significant financial burden for the average homeowner, who would be responsible for loss payments as well as defense costs should they not have a title policy. The financial impact on the average homeowner would be further exacerbated without the expertise and resources provided by a title underwriter to defend claims.

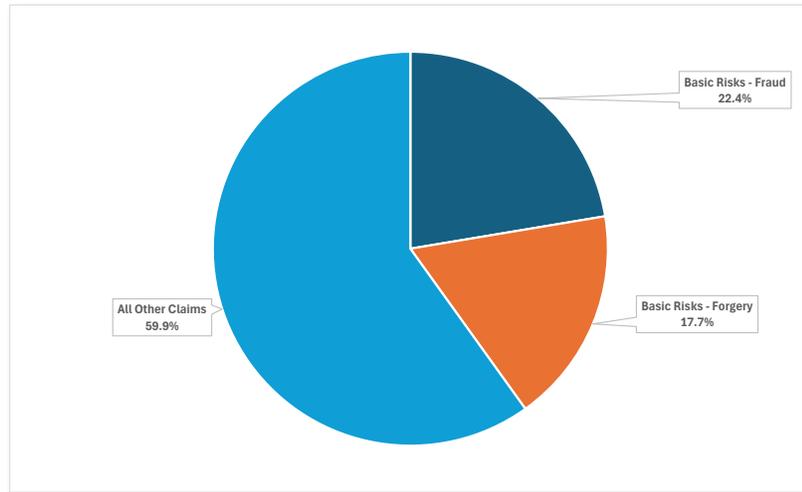
Competency claims, which include claims related to exploitation of elders, incur substantially higher defense costs relative to the associated loss payment. Although the average loss for competency claims is similar to that of all other non-fraud/forgery claims, defense costs are four to five times higher.

<sup>5</sup> Based on title database collected by Milliman

**4) Approximately 40% of Losses and Defense Costs for Refinance Transactions Arise from Issues That Could Not Be Found in a Public Records Search.**

As shown in Figure E, approximately 40% of all refinance losses and expenses are linked to fraud and forgery issues, which cannot be identified through public record searches. This percentage for refinance transactions is notably higher than the 29% reported in the Prior Report for the same two categories for purchase and refinance transactions combined.

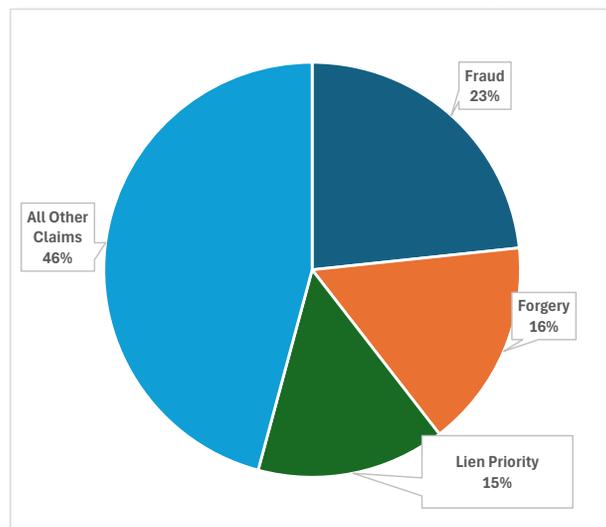
**Figure E. Breakdown of Incurred Claim Cost by Cause of Loss - Refinance<sup>6</sup>**



**5) Lender Policies Provide Significant Protection.**

Figure F highlights the primary causes of loss related to title insurance policies obtained on behalf of mortgage lenders. As illustrated below, almost 50% of reported losses on lender policies have emerged from three main categories: Fraud, Forgery and Lien Priority.

**Figure F. Breakdown of Lender Incurred Claim Cost by Cause of Loss<sup>7</sup>**



<sup>6</sup> Based on title database collected by Milliman

<sup>7</sup> Based on title database collected by Milliman

## **Conclusion**

Some have a misconception that refinance transactions present minimal risk and that title insurance may be unnecessary for these transactions. Similar misunderstandings often arise regarding the protection provided to mortgage lenders. In reality, however, both refinance transactions and lenders are exposed to significant losses, with historical data indicating that average claim severity is higher for refinances than for purchases. The largest losses are typically associated with fraud and forgery, which cannot be easily identified through a search of public records. Moreover, regardless of the cause of loss, significant expenses are often incurred to defend and resolve claims arising from refinance transactions. Fortunately, title insurers provide a critical service to both property owners and lenders by assuming these risks and protecting against threats associated with real estate ownership.

For additional background on title insurance, including discussion of the pre-policy efforts taken by underwriters to support buyers and lenders in real estate transactions, refer to the [Prior Report](#).

## **Limitations**

### ***Data***

In performing this analysis, Milliman relied on data and other information provided by ALTA members. Milliman did not audit or verify this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may not be suitable for the intended purpose.

Milliman performed a limited review of the data used directly for the analysis for reasonableness and consistency and did not find material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the analysis.

In performing this evaluation, Milliman assumed that the ALTA member participants: (a) used their best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data.

### ***Distribution***

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