



Understanding Title Insurance

Comparing commercial and residential policies



At FCT, we provide both commercial and residential title insurance policies to meet you and your clients’ diverse needs.

What’s the difference between a commercial and residential transaction?

We generally determine whether a transaction is considered residential or commercial based on the type of property being insured and how the property is being used.

Examples of commercial properties:	Examples of residential properties:
• Typical commercial buildings such as retail centres, office or industrial buildings • Multi-unit residential dwellings with more than six units* • Mixed-use properties • Vacant land zoned as commercial or being developed for residential purposes • Income-generating agricultural land • Infrastructure and energy development	• Single family dwelling • Condominiums/strata units/townhouses • Multi-unit residential dwellings up to and including six units Live/work units where specifically zoned as live/work Rooming houses with up to six units • Single residential vacant lots

Insurance is available for freehold or leasehold interests for any of the property types listed above.

How are commercial and residential title insurance policies similar?

Both commercial and residential policies:

- Offer protection for property purchasers, existing owners and lenders as long as they hold interest in the property
- Are purchased for a one-time premium
- Include coverage for loss related to:
 - Unknown title defects such as mortgages, encumbrances and liens
 - Off-title matters related to access, zoning and surveys/real property reports/building location certificates
 - Transactional risk including title fraud, and errors in public records
 - Known defects on a case-by-case basis
- Satisfy most lender requirements in lieu of an up-to-date survey/real property report/building location certificate
- Replace certain title and off-title searches/inquiries
- Include the duty to defend provision, which means FCT will pay any legal fees or costs incurred to defend the insured’s interest in title as a result of a covered risk
- Make FCT responsible for claims relating to issues covered under the policy instead of the owner, lender, or their lawyer/notary

How do commercial and residential policies differ?

	Commercial policy coverage	Residential policy coverage
Title fraud	The owner and loan policies cover loss resulting from fraudulent ownership transfers, discharges or registrations of mortgages occurring prior to the date of policy, in the insured transaction or after the date of policy up to a maximum of \$5 Million dollars. This coverage is only available when the property is not vacant land.	The homeowner and loan policies cover loss resulting from fraudulent ownership transfers, discharges or registrations of mortgages occurring prior to the date of policy, in the insured transaction or after the policy was issued regardless of the property type.
Taxes and utilities	The owner and loan policies cover liens of unpaid taxes or utilities from before the policy was issued. However, there is no coverage for final meter readings, omit tax bills or supplemental billings issued after the policy was issued.	The homeowner and loan policies cover liens of unpaid taxes or utilities from before the policy was issued, as well as any final meter readings, omit tax bills and supplemental billings from after the policy was issued.
Work orders	The loan policy covers loss resulting from outstanding work orders that existed at the date of policy for all loans up to \$50M. The owner policy covers loss resulting from an unknown work order provided that a clear municipal search is obtained and dated within 30 days of closing. Coverage is limited to the lesser of 10% of the Amount of Insurance or \$1M. Plus, the policy covers errors in response from public officials related to municipal searches or inquires made prior to closing.	The loan policy covers loss resulting from outstanding or unknown work orders that existed at the date of policy. The homeowner policy covers loss resulting from unknown work orders that existed at the date of policy.
Building permits	The loan policy covers loss resulting from building encroachments or improvements constructed after the date of policy that have been built without obtaining the required permit(s) as well as borrower violations of covenants or restrictions registered in the public records at the date of policy. The owner policy doesn't cover open permits or existing structures built without the required permits.	The loan policy covers loss resulting from existing structures, or improvements constructed after the date of policy, that have been built without obtaining the required permit(s) and/or open permits that would have been revealed by a building compliance search at the date of policy. The homeowner policy covers loss resulting from forced removal or remedy of an existing structure built without a permit and/or open permits that would have been revealed by a building compliance search at the date of policy.
Survey/RPR building location certificate**	The loan policy covers loss resulting from defects that would have been revealed by an up-to-date survey/RPR/building location certificate. These defects are covered regardless of the type of property or the size of the loan. The owner policy covers loss resulting from defects that would have been revealed by an up-to-date survey/RPR/building location certificate on properties valued up to \$25M. For properties valued over \$25M, the policy covers any loss resulting from issues that were not disclosed on the survey/RPR/building location certificate.	The loan policy covers loss resulting from defects that would have been revealed by an up-to-date survey/RPR/building location certificate. These defects are covered regardless of the type of property. The homeowner policy covers loss resulting from defects that would have been revealed by an up-to-date survey/RPR/building location certificate that result in the land being unmarketable. These defects are covered unless any part of the property is bound by water, although these lots may be underwritten on a case-by-case basis.



Did you know?

The search and underwriting requirements may be different based on the type of transaction.

Variables like the property type and where the property is located are used to determine these requirements.

Have questions about underwriting and search requirements? Check out the residential and commercial search guidelines on FCT.ca, or if you have a deal-specific question, please contact us directly.

The premiums for commercial and residential policies are determined differently.

The premium for both commercial and residential title insurance policies is based on the dollar amount being insured. For a loan policy, the insured amount is usually the principal amount of the mortgage. For an owner policy, the insured amount is usually the purchase price or current market value of the property.

Other variables used to determine the premium for residential policies include the property type and the province where the property is located. These variables are not used to determine the premium for commercial policies.

How are these policies ordered?

National (excluding Quebec)

Residential	Commercial
- Online – visit FCT.ca to enroll - Email – access the PDF form on FCT.ca - Phone – call 1.866.804.3122	- Online – visit FCT.ca to enroll - Email – access the PDF form on FCT.ca - Phone – call 1.866.804.3112

Quebec

Residential	Commercial
- Online – visit FCT.ca to enroll - Email – access the PDF form on FCT.ca - Phone – call 1.866.744.8962 - Fax – 1.800.381.8882	- Online – visit FCT.ca to enroll - Phone – call 1.866.744.8969 - Fax – 1.800.381.8882

Contact us

For questions regarding commercial title insurance, contact our commercial solutions team at 1.866.804.3112, or commercialsolutions@fct.ca

For questions regarding residential title insurance, contact our residential solutions team at 1.866.804.3122, or residentialolutions@fct.ca

* In instances where a lender classifies a multi-unit residential dwelling with less than six units as a commercial property, we defer to the lender and ordering lawyer/ notary to confirm if we should underwrite the property/loan as commercial or residential. **Excludes owner policies issued on vacant land.

☎ 1.866.804.3122 ▶ [FCT.ca](https://www.fct.ca)



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