

IRDAI working group suggests title insurance for home buyers

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The Insurance Regulatory and Development Authority of India (Irdai) has constituted a working group that submitted a report related to the product structure of title insurance to develop a standard product and recommend measures to spur demand for the product.

Title insurance is a form of indemnity insurance that insures against financial loss from defects in title to real property. In certain jurisdictions, institutional lenders require title insurance to protect their interest in the collateral of loans secured by real estate.

Basically, title insurance provides indemnity to developers, builders and the subsequent property owners (home buyers) against losses and risks related to defects in the title of the property. It can, however, be beneficial for society home-buyers.

The panel has recommended a comprehensive cover for all promoters, allottees and successors. Besides, it also recommends a promoter legal expenses policy (additional option at the time of the start of financial appraisal of the project) and an allottee retail policy (additional option for the end-user individual buyer of the property unit).

According to the draft proposal, the working group has submitted its report in which it has made various recommendations, including the two new product structures for title insurance (promoter legal expenses policy and allottee retail policy).

When it comes to an allottee retail policy, it means title insurance may soon provide coverage to the retail individual buyer. They will get this coverage at the time of the property possession. The sum insured offered to them will be equal to the purchased value of the unit. As per his/her own choice deemed fit to his requirements annually/long term three years' options. The premium can be paid in full or instalments as may be decided by the insurer, said the draft proposal.

Title insurance differs in several respects from other types of insurance. Where most insurances are contracts where the insurer indemnifies another party against a possible specific type of loss at a future date, title insurance insures against losses caused by title problems that have their source in past events. Title insurance companies attempt to achieve this by searching public records to develop and document the chain of title and to detect known claims against or defects in the title to the subject property.

The draft proposal further said that a loan policy provides no coverage or benefits for the buyer/owner so the decision to purchase an owner policy is independent of the lender's decision to require a loan policy.