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[Improved cover for a home buyer's biggest risk: IRDAI asks insurers to offer new Title insurance](#)

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Title is a legal term used to recognise the true owner or owners of a property. And the biggest risk a homeowner faces is his/her property being declared illegal by a competent court of the country. Keeping this in mind, the insurance regulator, IRDAI, has asked general insurance companies (except stand alone health insurers) to launch new title insurance products for individual homeowners and allottees

Title insurance is a form of indemnity insurance that protects a potential owner of a property against financial loss from defects in the title of the property. IRDAI issued the title insurance guidelines via a circular on September 08, 2021.

The title insurance cover should be retrospective in nature, stated IRDAI. What it means is that it will not only cover future litigations but will also cover any defects in the past.

"Title Insurance in India is at a nascent stage. I feel that IRDAI's circular on the same will help increase its acceptance in the country. Currently, this product is available only for Promoters/Developers in Indian market, in this circular the regulator has suggested to introduce a retail policy for allottee/individual buyer," says TA Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance.

There are only a few title insurance products in the Indian market, however, IRDAI in its circular said, "Considering the requirements of legal protection for promoters in the early stages of development of the project during financial appraisal, registration and approval with RERA authorities and safeguarding the interests of the individual buyers after taking over the physical possession of the property, there is need to expand the current title insurance products suitable to promoters/developers and retail property buyers."

Further, to provide an aid to promoters or developers to put legal defence against a title challenge and compensate home buyers in case of a defect, the regulator had asked a working group to come up with suggestions. The circular says, "In order to ensure that the general insurers offer basic Title Insurance covers for legal liabilities of promoters/developers in case of any loss caused to allottees due to defective title of the property, protection to individual buyers for the purchased unit in projects and to facilitate easy marketability of these products, the Authority had constituted a Working Group to suggest, inter alia, product construct and policy wording for two new products in addition to the existing products."

Product structure, coverage and policy wordings suggested by the working group:

Policy 1: Promoter Legal Expense (Defence Cost) Policy: This cover will indemnify the insured against legal defense costs only against suits challenging the Title of the project.

Policy 2; Allottee/Individual Buyer Retail Policy: This cover is designed to indemnify the insured against the loss from the defect on title of the property. The policy may be opted by individual buyer and financiers of the property at the time of the possession.

"Individual buyer and financiers of the property can opt for it at the time of the possession and they can be indemnified from a defect on title of the property. Additionally, IRDAI has recommended to introduce Promoter Legal Expense (defence cost) Policy, which will indemnify against legal defence costs only against suits challenging the Title of the project. As of now, the existing products in market provide title insurance for the entire project duration. With this, customers can opt for the policy duration as per their requirement," says Ramalingam.