

Insurers a worried lot with no takers for title insurance, inherent defects policy

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High pricing of title insurance, lack of proper mechanism key pain points

Title insurance and inherent defects policy, which were touted to provide much-needed relief to homebuyers, have no takers.

These products address the requirements of the Real Estate Regulation and Development Act 2016 (RERA), but have failed to break ground among the developer community.

Title insurance provides indemnity to property developers and homeowners against defects in land title that arise out of third-party challenges.

The inherent defects policy provides cover to new buildings for damages caused due to structural defects.

Insurers disappointed

Apart from HDFC ERGO, which sold two policies in July, not many companies have been able to push their offerings, sources told *BusinessLine*.

Insurance companies, which were anticipating easy take-off for these products, are a disappointed lot. “There was a lot of buzz as the need for title insurance was felt as part of RERA Act. We went out of our way and developed the product, created capacity and expertise, but the take-off rate has belied expectations,” said Sanjay Datta, Chief – Underwriting and Claims, ICICI Lombard General Insurance.

According to Tajinder Mukherjee, Chairman and Managing Director, National Insurance Company (NIC), “not even a single buyer” has come forth to purchase it since the launch five to six months ago.

Bajaj Allianz General Insurance, too, is pushing for the sale of the product, and has quoted it to developers. But conversions are yet to happen, says Sasikumar Adidamu, its Chief Technical Officer.

Insurance broking company Marsh India has been getting a number of enquiries across stakeholders such as housing finance companies, lenders, private equity real estate players, and retail buyers.

“Some of the (enquiries) are at an advanced stage and conversions will happen over the next few months,” said

Sanjay Kedia, Country Head and CEO, Marsh India Insurance Brokers.

Builders unhappy, too

Builders, on their part, blame ‘poor structuring’ and ‘high pricing’ for the lukewarm response for title insurance.

“The policies are insuring the land and its title. But against this, the premium so levied is charged on every apartment sold. This is not right. It makes the policy unviable and expensive,” a CREDAI member said, requesting anonymity.

The other point that developers raise are the high number of exceptions that may actually lead to claims being rejected. For instance, issues such as definition of “due diligence” – research that the developer does at the time of buying land – is not clearly defined. Again, developers are worried about subjective points such as “new information” leading to claim denials.

“Title insurance policies have too many exceptions,” said Rishi Jain, MD of Jain Group.

Moreover, builders get their insurance done in different ways. In most cases, they get their title insurance done by the land owner.

“In many cases of joint development, it is the land owner who does title insurance, while suppliers and contractors get construction material quality and labourers insured,” said Mayank Saxena, Managing Director, Anarock.

Saxena maintains insurance companies should give more

time for sales to pick up. But insurers say that lack of proper mechanism is the actual deterrent.

Since taking title insurance is still not mandatory, insurers feel making it enforceable will help push sales. According to Anurag Rastogi, Member of Executive Management, HDFC ERGO, uptake for title insurance policies will improve once Section 16 of the RERA Act is enforced and made mandatory.

“The Inherent Defect Insurance Policy is not mandatory under RERA. But a few States have done it. But further clarity is required,” he said.

Kedia of Marsh India, too, feels that “the Indian insurance market is ready” and “enough capacity has already been arranged”.

“But uptake will happen when taking such policies are made mandatory.”

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