

3. Title Insurance

Prelims: Economics- Insurance

Mains: GS-III- Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Why in News?

- ▶▶ The Insurance Regulatory and Development Authority of India has constituted a working group that will revisit the product structure of title insurance.

Highlights:

- ▶▶ The group will study the structure of title insurance products available in the current Indian Market and analyse the reasons for its sluggish demand.
- ▶▶ The 12 member working group is tasked with:
 - ❖ Developing a standard product.
 - ❖ Coming out with recommendations to spur demand.
 - ❖ Examining the legal and regulatory framework in place and its impact on the marketability of title insurance.
 - ❖ Studying the structure of such products available and analyse reasons for sluggish demand.
 - ❖ Suggesting augmentation of reinsurance capacity.
- ▶▶ The group has been asked to submit its recommendations within 12 weeks.

Title Insurance:

- ▶▶ Title insurance is a form of indemnity insurance that protects the holder from financial loss sustained from defects in a title to a property.
- ▶▶ It basically provides indemnity to developers and the subsequent homeowners of the property against losses and risks related to defects in the title of the property.
- ▶▶ It even covers issues which are not discovered prior to the commencement date of the policy. A few general insurers offer title insurance.
- ▶▶ Their product features vary in policy terms and conditions and scope of coverage depending on the support received from their reinsurers.

Issues:

- ▶▶ The number of title insurance policies sold is minimal, despite availability for the last one and half years and the obligation cast under the Real Estate (Regulation and Development) Act, 2016 upon promoter/developers to obtain the said policy.

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- ▶▶ The decision comes in the backdrop of a less-than-desired response to title insurance products.
 - ▶▶ Feedback received from the Government of India revealed that stakeholders, especially developers associations, had flagged the need for standardisation in title insurance products.

