

## Builders wary of title insurance fearing cost escalation

**Press Trust of India | Mumbai August 26, 2018** Last Updated at 13:35 IST

Even as the Real Estate (Regulation and Development) Act makes it mandatory for developers to take title insurance, builders are hesitant to adopt it, saying it may further add to financial burden, say experts.

A title insurance is a form of indemnity insurance that protects investment in real estate and provides coverage against financial loss arising from title defects and other irregularities pertaining to property acquisition.

Section 16 of the Rera Act necessitates developers to adopt title insurance, however, it will be mandatory after the regulator of each state notifies it.

Currently not a single state regulator has mandated it, while MahaRera has indicated it would soon issue a notification in this regard.

"The Indian real estate market has been grappling with lack of transparency for decades, which has resulted in unclear titles, leading to disputes. Title insurance will help improve transparency, bring mutual value for developers and buyers connected through one or more projects," Ekta World chairman Ashok Mohanani told PTI here.

Title insurance is available in many countries, including Britain, Canada, Australia, Europe among others. However, since the concept is new in India, not many firms have introduced the product.

Currently, only HDFC Ergo and New India Assurance have launched title insurance. Last week, Raheja Universal partnered with HDFC Ergo for title insurance for its projects.

According to financial services company Nisus Finance, considering the real estate sector is estimated at about USD 50 billion each year and if land title insurance is to be undertaken, the entire built up value needs to be accounted and not just the land value.

Hence, the potential insurance premium can be in excess of USD 1 billion each year, which can add about Rs 150 to Rs 200 per sq feet of cost to the end product, which is steep for affordable housing.

"However, it is early to envisage the final costing model which will be worked out given the amount of risk involved," its managing director and chief executive Amit Goenka said.

"The burden on developers will be massive because they will have to fork up almost 2 to 3 per cent of the development value of the project upfront to obtain title insurance, apart from undergoing a prolonged and difficult exercise to verify the authenticity of title to the satisfaction of insurers which will add to the transaction costs," he said.

House of Hiranandani chairman and MD Surendra Hiranandani said the key question in adoption of title insurance is the cost.

"Hopefully if there are a large number of takers the costs would fall. Right now it is prohibitively expensive and would impact costs and therefore prices. Also, it should be noted that title insurance covers only part of the risks and does not protect from many kinds of litigation and issues," he said.

HDFC Ergo's Anurag Rastogi said this is a new concept to India, pointing out that they are among the pioneers in it.

"Developers need to understand the benefits of title insurance in the long run. Given the current situation in the realty market, the credibility of a developer would improve and it will be beneficial for both the developers as well as the consumers," he said.

On the benefit of title insurance to consumers, Naredco national president Niranjan Hiranandani said, "Title insurance is needed in Indian real estate as a comfort for sentiments of not just the buyers on one hand, but also developers, lenders, and institutional investors on the other."

"Title insurance will reduce the burden of the prospective buyer with respect to the title of the property, resulting in reduced subsequent risks with regards to the title.