

TITLE INSURANCE

26th MAY 2017, DELHI

Joseph Lonappan
Managing Director - Marsh India

WHAT IS TITLE ?

- Ownership of Real Estate, recognized by law
- Recorded in property Title Registry
- Rights: Enforceable against third parties
- Rights: Sell, Lease, Inheritance

TITLE INSURANCE PROTECTS THE BUYER FROM

TITLE DEFECT

DISCOVERED AFTER PURCHASE OF THE INSURANCE

DIFFERENCE BETWEEN TITLE INSURANCE AND OTHER INSURANCES

| Features | Title Insurance | PC Insurance |
|------------------------------------|--------------------------|--|
| Protection | Against Past Events | Against Future Events |
| Scope of coverage | Specific | Broad |
| Actuarially Defined Rates | Evolving | Yes |
| Administrative / Acquisition Costs | High | Low |
| Loss Costs | Low | High |
| Policy Term | Potentially Unlimited | Finite |
| Premium (GAAP) | Fully Earned at Issuance | Earned Over Policy Term |
| Rate Regulation | Varies by State | High |
| Rate Activity | Varies by State | Tied to Inflation and Underwriting Business Cycles |
| Loss Frequency | Low to Moderate | High |
| Loss Severity | Low | Moderate |
| Distribution | Agents / Direct | Agents / Direct / Mass Market |
| Marketing Success | Based on Service | Based on Rates |
| Competition | Semi-Concentrated Market | Fragmented Market |
| Premium Collection | After | In advance |
| Financial Leverage | Low | High |
| Sensitivity to Real Estate Markets | High | Moderate |

NEED FOR TITLE INSURANCE

1. For DEVELOPERS - REGULATION

- Real Estate Act 2016

16. (1) The promoter shall obtain all such insurances as may be notified by the appropriate Government, including but not limited to insurance in respect of —

- (i) title of the land and building as a part of the real estate project; and
- (ii) construction of the real estate project.

(2) The promoter shall be liable to pay the premium and charges in respect of the insurance specified in sub-section (1) and shall pay the same before transferring the insurance to the association of the allottees.

(3) The insurance as specified under sub-section (1) shall stand transferred to the benefit of the allottee or the association of allottees, as the case may be, at the time of promoter entering into an agreement for sale with the allottee.

(4) On formation of the association of the allottees, all documents relating to the insurance specified under sub-section (1) shall be handed over to the association of the allottees.

Obligations
of promoter
regarding
insurance of
real estate
project.



NEED FOR TITLE INSURANCE

2. PERE FUNDS

- Attract institutional investments and Private Equity Real Estate capital
Mitigates risks inherent in real estate acquisitions, strengthening the investment profile of the property

3. HOUSING FINANCE COMPANIES

- Mitigates risks inherent in real estate finance, relating to the borrower's title to the property and recording & priority of the mortgage. Strengthens the collateral supporting the credit and helps meet the lender's fiduciary obligations and reduce portfolio risks

NEED FOR TITLE INSURANCE

4. END CONSUMERS

- For better marketability

5. LANDOWNERS

- Simplifies and expedites real estate sales by enhancing ability to buy, sell or seek finance

WHAT IS COVERED?

A. Defect in, or Lien on the Title at the Date of Cover including but not limited to, indemnification of loss from a defect in the Title caused by:

- Forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation
- Failure of any person or entity to have authorized a transfer or conveyance
- A lien or charge for real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid at the Date of Cover

WHAT IS COVERED?

- Document affecting Title not properly created, executed, witnessed, sealed, stamped, acknowledged, notarized or delivered
- Document affecting Title executed under a falsified, expired or otherwise invalid power of attorney

WHAT IS COVERED?

B. Defence Costs

C. Out of Court Settlement

D. Court verdicts including AO/ Tribunal under RERA

WHAT IS EXCLUDED?

- Risks created, allowed or agreed by the insured
- Pending Litigation
- Sovereign ownership claims. Ex: Expropriation
- Claim to Natural resources: water, minerals etc.
- Consequential Damage. Ex: Loss of future profits
- Actions of the Government

SUM INSURED

- GROSS DEVELOPMENT VALUE
- Per RERA, the benefit of insurance needs to be passed to the allottee at the time of agreement of sale
- SELLING PRICE OF DEVELOPER = COST PRICE OF ALLOTTEE
- Property Value Appreciates over time
 - Policy Endorsed to increase Limit of Indemnity

TITLE INSURANCE STRUCTURE

Policy Tenure

- 7 years

Projects Insured

- Under Construction & New developments

Insured

- Promoter
- Allottees, Association of Allottees

Sum Insured

- Gross Development Value of the project (GDV)

RERA COMPLIANCE

- Transfer of benefit to Allottee
 - Insurance shall stand transferred to the benefit of the allottee at the time of promoter entering into an agreement for sale with allottee.
- Transfer of benefit to Association of the Allottees
 - Insurance shall stand transferred to the benefit of the association of allottees at the time of promoter entering into an agreement for sale with allottee.
 - On formation of the association of the allottees, all documents relating to the insurance shall be handed over to the association of allottees.

RERA COMPLIANCE

- PHASED HANDOVER
- DURATION OF COVER AND RESPONSIBILITY

HOW TO PURCHASE?

- Product available through several leading insurers in India
- Backed by Lloyd's of London (Having highest ratings in global Title Insurance markets with 'A+' Standard & Poor's rating)
- Approaching Marsh India – Marsh has the capacity to understand each unique risk and provide a bespoke solution

HOW TO PURCHASE? – PROCESS

- Verification of title in multiple registries.
- Identifying missing or illegible documents.
- Identifying and correcting erroneous entries.
- Tracking missing heirs and publishing announcements.
- Litigation searches.
- Determine tenancy rights.
- Encroachments, overlaps, agricultural land use.
- Zoning and other types of permitted use issues.
- Enforceability and priority of mortgage.

HOW TO PURCHASE?

- **NEW Developments / Construction**

- Questionnaire
- Identify common lawyer
- Initiate Title Report
- Develop Term Sheet

- **ONGOING Projects (non O.C)**

- Write-Up on Project
- Review Existing Title Report
- Summary of Ongoing litigations and Title issues
- Secondary Due Diligence (the law firm for secondary due diligence will be chosen only if the same has not done the primary due diligence or title report for the client)
- Develop Term Sheet

POLICY CONDITIONS

- **Insured's Duty of Fair Presentation**
 - Insured must disclose all material information
 - Insured agrees information true and correct
- **Insurer's Obligation to Defend**
 - Insurer defends against 3rd party claims, litigation
 - Legal expenses & costs payable by Insurer
 - Subject to deductible

POLICY CONDITIONS

Claims

- Insured must give notice of actual or potential claim or litigation by 3rd party
- Insured must cooperate in defense
- Insurer may litigate 3rd party claims until final judgment
- Insurer may settle claims with 3rd party

POLICY CONDITIONS

Loss

- Payable to 3rd party (on behalf of the Insured)
 - Satisfy 3rd party claim against the Insured's Title
 - Example: Payment to discharge 3rd party's charge.
- Payable to Insured
 - Indemnifies Insured for reduction in value of the Title
 - Example: If part of the land owned by 3rd party

OTHER INSURANCE OFFERINGS for REAL ESTATE SECTOR

- CONSTRUCTION ALL RISK
- DELAY INSURANCE
- STRUCTURAL DEFECT INSURANCE
- HOUSEHOLDERS INSURANCE
- LIABILITY INSURANCE
- HEALTH & BENEFITS INSURANCE
- REPRESENTATION AND WARRANTY INSURANCE

MARSH INDIA

Leading multinational broker

14 Years

Dedicated service to our clients

11 branches

Strong presence in all metro cities

450+ Employees

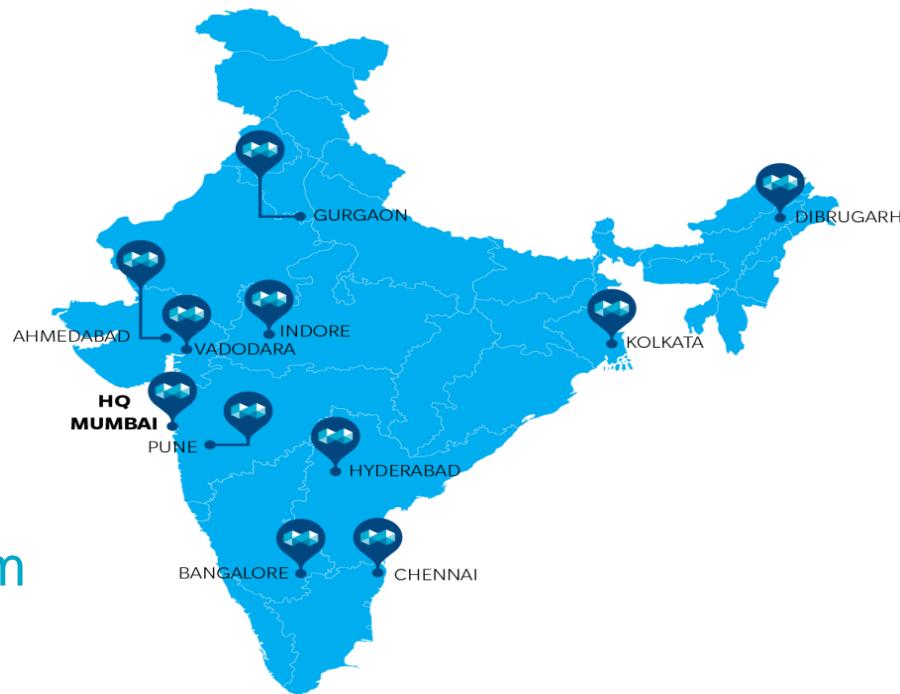
Our People, our strength

INR 3,500+ Crores in premium

Our market leverage is unrivalled

4,500+ Clients

Advisors to top Indian & MNC clients



FIRST LICENSED COMPOSITE FOREIGN BROKER IN INDIA



This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, tax, accounting or legal advice, for which you should consult your own professional advisors. Any modeling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. Marsh makes no representation or warranty concerning the application of policy wording or the financial condition or solvency of insurers or re-insurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage. Although Marsh may provide advice and recommendations, all decisions regarding the amount, type or terms of coverage are the sole responsibility of the insurance purchaser, who must decide on the specific coverage that is appropriate to its particular circumstances and financial position. For more details on risk factors, terms and conditions please read product sales brochure/ prospectus carefully issued by the insurer before concluding a sale.

Marsh India Insurance Brokers Pvt. Ltd. having corporate and the registered office at 1201-02, Tower 2, One Indiabulls Centre, Jupiter Mills Compound, Senapati Bapat Marg, Elphinstone Road (W), Mumbai 400 013 is registered as composite broker with Insurance and Regulatory Development Authority (IRDA) India. Its license no. is 120 and is valid from 03/03/2012 to 02/03/2015. CIN: U66010MH2002PTC138276

Insurance is the subject matter of the solicitation. Advertisement No. IND-20140730- A

Copyright © 2014 Marsh India.