Title, Real Estate & Environmental

Title, Real Estate and Environmental insurance covers a variety of identified or unknown issues relating to the legal title to shares and property, as well as other real estate and environmental exposures.

It typically covers unknown title risks including the sellers' ownership and capacity to sell shares and real estate, as well as specific exposures such as missing title documents, planning/zoning breaches, restitution claims, contractual obligations and pollution liabilities.

Each policy is tailored to transfer the identified liabilities to the insurer and ring-fence the various issues.

Benefits

- These policies can be utilised in any industry sector where there may be a title to shares and property, real estate or environmental concern.
- Loss can include payments made to third parties, diminution in value of the asset, legal fees, demolition costs and loss of rental income.
- Owners, buyers, tenants, lenders and financing institutions can be the policyholder.

Areas Covered

- Potential defective title or transfer of shares
- Missing or unavailable searches
- Restitution claims
- Easements and planning breaches
- Contractual obligations
- Gradual, sudden and accidental, and historical pollution

Costs & Policy

- The policy is a non-renewable, one-off cost that can commence when a deal signs.
- They are multiyear policies that survive the duration of ownership of the real estate or shares, however can often be assigned to future buyers or successors in title.
- Premiums are calculated on the location of the assets and details of the exposure. They typically range between 0.2-6%.

"Insurance can be arranged for the investment community to deal with a host of real estate issues that could occur throughout the life cycle of an asset"

CASE STUDY

A European investment firm was acquiring a major commercial real estate asset in a UK city. The seller was an offshore fund that would be liquidating post completion of the transaction, therefore the buyer wanted additional, long term financial security for the title warranties being given.

As well as the title protection, the buyer was concerned about a key contractual arrangement that was in place and the possible termination of this, which would impact the value of the asset.

Even though the relevant title searches had been conducted and came back satisfactory, the high transaction value of the asset combined with the lack of security given by the offshore seller, as well as the likelihood of this contractual arrangement being terminated was quite low, the investment manager still wanted to obtain additional financial protection.

A Title to Shares and Specific Real Estate insurance policy was designed to cover any future challenge of legal title to shares and protect against any financial loss suffered as a result of the termination of the contract, giving protection to the investment manager and their investors.