Checking You Have Enough Cover

Is your insurance policy adequate for the needs of your block? Before the worst happens and you need to make a claim, our essential guide to insurance will help you check that you have the right cover in place.

Ensuring your block is adequately covered is a major responsibility and ensuring a competitive price as well as comprehensive protection for property owners can be quite a challenge. Policies for blocks of residential flats can contain many different sections and we'll try and demystify them for you!

The Buildings Section

This section covers the actual building itself, which is often referred to as the "bricks and mortar". Cover extends to all areas of the buildings including the individual flats and apartments, although it does not cover the occupants contents as these are the responsibility of your individual residents.

The Buildings Section generally covers you against specific risks. A "risk" is something that may happen to the block, such as fire, flood, malicious damage or escape of water and so on. Some policies are written on a "Specified Perils" basis which means that the cover the policy provides is limited to the perils listed in the policy.

Other policies are written on an "All Risks" basis and by definition the cover provided is wider and covers the known and potentially unknown, not restricted to certain specified perils.

“All Risks” cover is slightly more expensive but is worth seeking out as the level of protection offered is much wider.

Terrorism

Terrorism Insurance covers damage to the buildings caused by an act of Terrorism. It's worth remembering that Terrorism Cover is not automatically included unless you specifically ask for it and pay extra premium to reflect this.

Terrorism is available from a range of insurers which is offered on an all risks basis including damage caused by nuclear, biological, chemical and radiological means. Please note that there are products available in the market place that do not include these extra levels of cover.

Whilst this policy extension comes at a cost, it is intended to protect you from your obligations under the lease. If your lease states that you should insure against all normally available insurance perils or provide comprehensive insurance then, by not purchasing this extension of cover, you may be failing to meet the requirements of the lease.

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Liabilities

Liability Insurance cover can include Public Liability, Employers Liability and Directors and Officers Liability.

Public Liability (sometimes referred to as PL) would provide cover if a visitor to the property was injured after a slip, trip or fall or a resident slipped on a wet floor and suffered injury, then a potential claim for compensation against the policyholder could arise, although it is always worth remembering that the policyholders negligence has to be proven.

Limits of Indemnity range from £1 million to £10 million or more. Whilst a lower figure may appear on first sight to be adequate, consider what amounts a Court may award in the event of permanent disability to several people!

Employers Liability (sometimes referred to as EL) is one of only a handful of compulsory insurances in the UK. In a nutshell it covers your liability as an employer whether the employee be paid or unpaid, full time, part time, or temporary. It is considered prudent for an RMC, RTM or RA to hold both EL and PL cover to ensure that "grey areas" are included. It is easy in the eyes of the law to be construed as an employer even if this was not your intention; hence this inexpensive extension is a sensible contingent precaution.

If one of your employees was injured whilst carrying out his or her duties then the RMC, RTM or RA as the employer, could be liable. Once again the claimant would have to prove that the RMC, RTM or RA was negligent.

The normal Limit of Indemnity is £10 million, which is generally considered to be adequate.

Directors and Officers Liability is a relatively new type of cover in the UK market. It protects the individual members of the Management Company or Residents Association against their legal liability following "wrongful acts" arising when carrying out their duties. "Wrongful Acts" are defined in the policy and include alleged breach of duty, negligence, misleading statement and defamation.

The potential for error that can lead to a legal action is very real. When there is financial loss, situations can change and RMC, RTM or RA members can quickly be faced with the prospect of defending an action that has been brought against them.

Each potential claim is judged on the material facts behind the particular incident. The point to remember is that RMC, RTM or RA members whether legally liable, or not, are <u>personally</u> exposed to the potential risk of litigation and legal costs. Policy Limits of Indemnity normally range from £50,000 to £2 million.

Cover can be extended to include cover for the "entity" (RMC, Residents Association or RTM company) providing the company reimbursement for any loss and defence costs as a result of a claim for a director's or officer's wrongful acts, errors or omissions.

Lift Inspection and Breakdown Insurance

If you have a lift within your block you are required by law to have it inspected every 6 months by an approved "competent authority" and hold appropriate reports to confirm. You can buy a contract that covers the inspection element and it is also worth noting that this cover is subject to VAT at the current rate. It is common to cover your lifts against sudden and unforeseen damage; this cover can prove to be extremely useful and can also be extended to cover other machinery such as automatic entrance doors, electric gates or barriers, boilers and pressure vessels.

Conclusion

A vitally important thing to remember is that policies are not all the same. The company offering the cheapest deal may not necessarily provide the level of cover you need. A specialist with access to bespoke insurance policies will be able to offer more information and provide a quotation to provide suitable and appropriate protection.