Residentsline
Flats Insurance

# GUIDE TO INSURANCE

**CALL RESIDENTSLINE ON 0800 281 235 FOR MORE INFORMATION**

# GUIDE TO INSURANCE

This Guide is designed to assist Freeholders, Landlords and Leaseholders of blocks of flats and their Residents' Management Company (RMC), Right to Manage (RTM), Residents Association (RA) Directors or Committee Members and Property Managing Agents (PMA).


| | |
|---|---|
| 04 | CHECKING YOU HAVE ENOUGH COVER |
| 07 | THE IMPORTANCE OF A CORRECT PROPERTY VALUATION |
| 08 | HOW IS YOUR INSURANCE PREMIUM CALCULATED? |
| 10 | THE DEVIL IS IN THE DETAIL |
| 11 | INDEX LINKING VERSUS DAY ONE |
| 12 | HOW TO MAKE SURE YOUR CLAIMS ARE HANDLED QUICKLY |
| 13 | YOU THOUGHT IT COULD NEVER HAPPEN TO YOU |
| 14 | WATER DAMAGE - ACTIONS TO TAKE |
| 16 | WHO PAYS THE EXCESS? |
| 17 | THE BENEFITS OF USING A SPECIALIST BROKER OR INTERMEDIARY |
| 19 | INSURANCE TERMS EXPLAINED |

## There are a range of insurance policies available in the UK which claim to provide suitable protection for the buildings insurance of flats and their associated risks

At Residentsline we are pleased to untangle the confusion to ensure Freeholders, Landlords and Leaseholders of blocks of flats and their Residents' Management Company (RMC), Right to Manage (RTM) or Residents Association (RA), Directors or Committee Members and Property Managing Agents (PMA) understand the insurance requirements of this specialist market and protect themselves by arranging comprehensive cover which also complies with the expectations of the lease, most importantly:

**The wrong level of insurance protection** can result in great hardship for flat owners.

**The wrong level of protection** can lead to the personal wealth of Directors being at risk.

Flats owners often have little say in the choice of their Insurer and, as such, the insurance industry needs to provide products and service standards that treat flat owners fairly. At the very least, they deserve the same protection as home owners and so we believe it is time for the insurance industry to raise its game.

This guide aims to explain some of the issues involved and assist you in making informed decisions.

# 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.

# CHECKING YOU HAVE ENOUGH COVER

### 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.

### 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.

# CHECKING YOU HAVE ENOUGH COVER

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 personally 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.

## What is the importance of correct property valuation? Don't forget to regularly check that your sum Insured is adequate to cover major damage to your block

In recent years and as reported in the press, there have been some very serious fires in blocks of flats in the UK. Following the recent storms and with the advent of the usual winter related claims, many property owners will be looking to claim the repair or reinstatement cost from their insurance company.

Most claims will be relatively minor and settled quickly in this highly driven service market without insurers questioning the adequacy of the sum Insured. However, larger claims will be subject to close scrutiny and a proportion will be found to be significantly underinsured, resulting in a consequential shortfall in the amount paid by the insurance company.

Of all the valuations involving billions of pounds worth of property, more than 75% of properties are found to be under insured.

The reasons are many and varied but often the origin of the sum Insured is totally unknown. Some rely on inappropriate advice, rules of thumb or market value or just take the view 'it will never happen to me'. In addition, the inclusion of VAT is also often misunderstood and overlooked.

Sometimes there is simply a failure to update a previous valuation or the fear that if the building is valued and there is an increase, there will also be an increase in the premium. In fact, any premium increase will be insignificant compared to the potential financial impact of under insurance in the event of a major claim.

Although very comprehensive in their cover, most insurance policies that deal with blocks of flats are subject to the Condition of Average, which means that in the event of underinsurance and partial damage, the amount paid will be in proportion to the degree of underinsurance - see example to follow.

In addition to the financial penalty, which can be devastating, underinsurance can also lead to disputed, protracted discussions and of course delay in reinstating the building. Any additional costs resulting from such delay will not be covered by the insurance policy.

### Are You Adequately Insured?

- A block of 15 flats is Insured for £2,000,000.
- The development should have been Insured for £3,000,000.
- Major damage occurs to the value of £600,000.
- Due to underinsurance, insurers invoke the Condition of Average and pay only two thirds of the loss in proportion to the degree of underinsurance i.e. £400,000; resulting in a shortfall of £200,000. Leaseholders have to find £13,333 each in order for the repairs to commence.

Don't forget that if there is a total loss, the policy will only pay up to the sum Insured, resulting in an even larger shortfall.

We recommend a reinstatement cost revaluation is carried out by a Chartered Valuation Surveyor every 5 years.

# HOW IS YOUR INSURANCE PREMIUM CALCULATED?

## You probably wonder when you ring around to review your insurance renewal terms why premiums vary so greatly for the same block. Well here's how it is done...

Firstly your property information will be requested including:

- the blocks construction i.e tile or flat roof, timber or concrete floors, timber frames, listed, modular build.
- the age of the building, if a purpose built block of flats or converted from a large house, hotel, mill etc into flats.
- occupancy (i.e. whether owner occupied or tenanted)
- whether there are any communal facilities such as tennis courts, gymnasiums, swimming pools, lounges or laundries.
- claims history or "losses" experienced during the previous three years.
- rebuilding cost (which will be stated on your current insurance schedule as declared value or sum Insured – (see over page for the explanation of these terms).

Often information about the surrounding area will be requested, for example whether you are aware of flooding in the locality or if your adjacent properties have suffered from subsidence.

Once the underwriter has collated this information they will normally check the history of the area.

Subject to the block conforming with the Insurer's underwriting criteria most specialist intermediaries will have the authority to apply a "rate" to your reinstatement cost (Declared Value or Sum Insured – see over page for the explanation of these terms) as shown:

£1,000,000 (Declared Value/Sum Insured) x 0.080 (example insurance rate) = £800.00 + 12% (current rate) IPT (Insurance Premium Tax) = £880.00.

The premium quoted for this block would be £880.00. The variations in premium normally occur because each Insurers rate will be slightly different, dependent on their appetite for that type of business.

# HOW IS YOUR INSURANCE PREMIUM CALCULATED?

Variable excess options will normally be offered, for example, the quote above could be with a £100 excess. If the client preferred having no excess the premium would normally increase or could be reduced by requesting a higher excess.

Although so far this doesn't look like "rocket science" underwriting an insurance "risk" becomes much more complicated when reviewing complex claims experience or unusual construction or a problematic location.

All information collected will be detailed on the Statement of Fact. You should check this information at inception of your policy and each renewal notifying your Insurer of any changes.

Ultimately the role of an insurance broker/ intermediary is to provide the best level of cover for each client whilst at the same time ensuring the insurance company provides a premium that is sustainable for both parties, based on the property and risk information.

**DECLARED VALUE**

The Insured's assessment of the cost of rebuilding the property Insured at the time of inception of a policy or its renewal. This value, otherwise known as Reinstatement Cost, should also include costs of professional fees, debris removal and compliance with European and Public Authority regulations.

The Declared Value will have a Day One Uplift applied and this figure is normally shown as the Building Sum Insured. Both the Declared Value and the Buildings Sum Insured will be shown on your policy schedule, the Declared Value is normally the lower figure.

**SUM INSURED**

The maximum amount payable in the event of a claim under an insurance policy.

When obtaining quotations you need to provide the Insurer with the reinstatement cost for your block. If your Policy Schedule shows a Declared Value AND Building Sum Insured it is the Declared Value that you provide. If your Policy Schedule only shows a Sum Insured then this is the figure that needs to be provided.

## Insuring a block of flats or a building converted into flats is very different to insuring other types of property

With flats insurance there is inevitably a need for the policyholder to fulfil the requirements of the lease whilst, at the same time, recognising the beneficiaries of the policy i.e. the flat owners. The roles of Property Managing Agents, Residents' Management Companies, Right to Manage Companies and Residents' Associations also need to be considered.

Having taken the time to study your quotes, selected the appropriate sections and read the brochures, you may be forgiven for believing you have the right insurance policy for your block.

But what is hidden in the small print and what should you be looking for?

Unfortunately, many policies that are sold for blocks of flats are, in fact, based on generic property owners' policies and, as such, the policy wording may not be sufficient to meet your needs. Some of the major areas you should consider include:

- Is the unoccupancy wording suitable or are flat owners left without cover due to circumstances beyond their control?
- Is the Policyholder (or the Property Manager acting for them) expected to comply with impractical policy warranties or conditions, such as :
    - types and percentage of occupant?
    - inspection of unoccupied flats?
    - inspection of flat roofs?
    - removal and storage of waste?
    - illegal cultivation of drugs?
- Is the sum for alternative accommodation adequate, taking into account flats of differing sizes?
- Is loss of rent available to flat owners who have let out their flats as well as those that are owner occupied?
- Is there a Non-invalidation Clause which prevents the policy being invalidated by circumstances outside the knowledge or control of the policyholder?
- Does the Liability cover offer protection to flat owners, occupants, Property Managers and all relevant parties to ensure that during their involvement with the property that they will not be held financially liable for damage to the block following a claim?
- Is the Sum Insured index linked on an ongoing monthly basis (including into the life of a claim) rather than just at renewal thereby ensuring vital protection against the effects of inflation?
- Is there an Average Clause which creates further financial loss in the event of under insurance?

# INDEX LINKING VERSUS DAY ONE

## There are two main methods used by Insurers to protect policyholders from the effect of inflation during the period of cover – Index Linking and Day One

### Index Linking
Index linking of your Sum Insured (which should represent the buildings full reinstatement cost) is the preferred option for residential properties.

Index linking provides protection for your block against inflation during the period of insurance, and the increase consolidated into a higher Sum Insured at next renewal. There is no increase in the insurance rate charged.

### Day One
Generally, this clause is used in policies covering commercial properties.

The rebuilding cost of the property is stated as the Declared Value on your Policy Schedule and a percentage maximum uplift is provided to cover expected inflation.

For example, if a property has a rebuilding cost of £1m and a 25% Day 1 clause applies, the Sum Insured becomes £1.25m. However, the maximum payable at the time of claim is only £1m plus the inflation percentage to the date of damage.

### Condition of Average
We have already explained that if a property is Insured for, say, 75% of its rebuilding cost, then the claim payment will be limited to 75% of the loss.

However, specialist policies may offer a percentage "leeway" to help prevent the Insured being penalised for inadvertently under insuring.

As long as the Sum Insured requested is within the Condition of Average percentage shown in your policy wording (normally 85%) and the shortfall is inadvertent, the policyholder will not be penalised at the time of a claim.

# HOW TO MAKE SURE YOUR CLAIMS ARE HANDLED QUICKLY

**Insurance is a "distress purchase". You only need to use it when something goes wrong. So when something does go wrong, what can you do to make sure that your claim is handled quickly?**

Some simple steps can help you control costs and have your claim paid quickly with the minimum of fuss.

Prompt action is always the key and it may reduce the size of the potential claim. Remember the more that your Insurer pays out in claims the greater the likelihood that your premium will increase. For example, prompt action should reduce a water leak from spreading into adjacent flats.

Always have your Insurer's 24-hour emergency contact numbers close to hand. It's worth creating an emergency contact plan that you can distribute to your residents. This plan should include all necessary phone numbers, the location of the water stop cock and fire evacuation procedures.

When you ring your Insurer's claims line always have your policy number ready.

Claims where the damage is less than £1,000 generally only require one estimate for replacement or repair.

You are entitled to carry out emergency repairs to make your property safe and secure. Try and take photographs of the damage and retain damaged parts that have been replaced in case your Insurer or their representative wants to see them. Keep all receipts and invoices for any emergency repairs that you carry out.

These simple steps will enable your claim to be paid quickly and with the minimum of fuss.

### LOSS ADJUSTERS AND LOSS ASSESSORS

Following a claim it is common for a Loss Adjuster to be appointed by the Insurer with the role of adjusting the loss. Loss Adjusters are independent claims specialists whose professional body is the Chartered Institute of Loss Adjusters and was established in 1941.

A Loss Assessor is the person or company who acts for the policyholder in negotiating settlement of a claim in return for a fee paid by the claimant.

## Have you considered unfortunate incidents that could occur during the normal running of a block?

Consider waking to discover that in the middle of the night, fly tippers have dumped a load of waste at the entrance to your underground car park, preventing residents from using their cars to get to work in the morning. Your residents will be expecting you to act quickly and will be looking to you to sort the problem out.

**OR**

Several of the properties in your block become uninhabitable following water damage caused by a burst pipe in one of the upper floor flats.

Your policy provides temporary accommodation and you are able to arrange alternative accommodation for those affected by the water damage. However two of the residents are cat owners and the temporary accommodation has a strict "no pets" rule.

**OR**

Consider the effect of a malfunctioning air conditioning unit leading to the spread of legionella. Or a faulty central heating boiler leaking carbon monoxide. Who would be liable?

At a party in one of the flats an over-crowded balcony collapses, seriously injuring several people. A claim against the Insurance Company is incepted with a potential cost of £7.25 million, however the Residents' Management Company only has £5 million property owners liability cover in place.

The individual flat owners are distressed as this amount is well below the potential cost of the claim. Who would be liable?

**OR**

A resident takes it upon himself to clean the outside of the communal windows. Unfortunately the resident falls off his ladders whilst he is working. Who is liable?

You want quick and efficient service from your Insurers, and the best way to ensure this is when you take out your policy. You need specialist Insurance designed to specifically protect the risks you face.

## Have you ever looked at your insurance renewal documents to find your Buildings premium has risen well beyond inflation? Often the increase is due to the cost of your claims - but you CAN do something about it

Risk Management is the key to reducing claims and also to maintaining or reducing your insurance premium. Water damage accounts for around 75% of insurance claims in flats and apartments. It generally occurs following inadequate maintenance leading to corrosion of internal and external pipework, leakage of copper pipe or failure of plastic pipe joints, poor maintenance of seals around bath and shower areas, and accidental damage to hidden pipes.

### How to reduce the risk of water damage

First – ensure all pipes and tanks exposed to winter temperatures are well insulated, then:

- Be aware of the equipment and installations in your block that are capable of causing a problem, for example, boilers, showers & washing machines. Guidance should be put in place for all residents to ensure regular checks are carried out as part of a planned preventative maintenance programme.
- Advise all leaseholders on what to do in the event of a leak, how to isolate their water supply or shut down central heating systems etc.
- Ensure all leaseholders know where the stop cocks are located. These should be accessible and easily turned. Stop cocks can seize due to minimal usage.
- Only use approved contractors when maintenance, repairs or replacement works are carried out.

### In your kitchen and bathroom

- Check appliance inlet and outlet fittings annually.
- Clean door collar seals on washing machines and dishwashers, replacing any that are damaged or worn.
- Annually check that the seal around your bath and/or shower is watertight.
- Don't allow your bath to overflow!
- Ensure plugs are not in the drain holes when not in use.
- Replace washers in leaking taps and overflowing cisterns as soon as possible.
- Ensure overflow pipes can release water effectively.

### With your central heating

- Carry out an annual check on central heating tanks and systems.
- Ensure "shut off" valves are located in easily accessible places and that you know how to use them.
- Check radiator valves regularly for leaks.
- Prior to unoccupancy for more than a few days during the winter period, leave central heating ON and at a low setting to prevent the pipes from freezing.

# WATER DAMAGE - ACTIONS TO TAKE

## Externally

- Check drains annually and clear as necessary.
- Look out for dripping pipe outlets, as it may be due to an overflowing cistern.
- Clear gutters regularly and consider installing gutter guards.

In a block of flats a water leak or burst pipe can cause devastating damage to the structure of the building, electrical wiring, fixtures and fittings as well as damage to contents.

Unfortunately, most water leaks do not inconvenience the flat owner with the leak, but usually the blameless occupier below. Water management devices such as:

Sure Stop - www.surestop.co.uk
Leaksafe - www.leaksafewater.com

have become popular with flat and apartment owners - with the mere flick of a switch, water flow is restricted whilst you are out or away.

## Actions to take on discovery of a leak

- Turn off the water supply stop cock. Make sure you know where it is.
- If there is no shut off stop cock located inside the flat then it may have a shared water supply, so make sure you can get to the stop valve - this is normally located where the water enters the building, then tell your neighbours, as their water supply may be affected.
- If appropriate, turn off central heating and any other water heating systems.
- Drain water pipes and tanks. Once the water heating systems have been shut down, turn on the taps to help drain the system fully of the remaining water to minimise damage.
- Turn off the electrics if the escape of water is near your electrical wiring or appliances. If any live electrical equipment is wet, do not touch it – send for a qualified electrician.
- Warn the occupiers of the flats directly below so that steps may be taken to reduce the likelihood of any damage to their properties.
- If water starts to seep through the ceiling in the flat below try and collect it in a suitable container. Should the ceiling begin to bulge consider piercing the plaster with a wooden broom handle or similar implement to release the water and prevent the ceiling from collapsing. Care may need to be taken against disturbing any asbestos contained in artex covered ceilings.
- Notify your Insurance Company, management committee and or Property Managing Agent and maintenance company, as appropriate, as soon as possible and find a reputable plumber to effect repairs. Your Insurance Company or Residents' Management Company may be able to provide you with details of preferred and competent contractors.

Afterwards, always remember to make sure that your hot water system is completely refilled again without airlocks before switching on boilers, or switching on immersion heaters in tanks etc.

Water damage can cost tens of thousands of pounds. Suitable measures such as those outlined above will help control your insurance costs.

# WHO PAYS THE EXCESS?

## These days it is accepted that an insurance policy will carry an excess which is sometimes referred to as a deductible

This is the contribution the policyholder has to pay towards any claim before the insurer pays the balance. Commonly, different levels of excess will apply to different types of losses.

### Who should pay the excess and why?

The starting point is the lease; some modern leases specify how excesses are to be dealt with – which is usually done by including them under the service charge account. Older leases, on the other hand, are unlikely to specifically dictate how insurance excesses are to be handled as, when they were drafted, excesses were less common.

So, you may ask, why have excesses become common place? The answer is that they are a means of reducing the premium. Initially, small excesses were imposed on insurance policies to eliminate small claims where the cost of administering the claim could be greater than the amount of the loss being claimed for. More recently, however, larger insurance excesses have become a way of reducing the premium; and the larger the excess becomes, the more contentious an issue it becomes and the more likely this will be legally challenged by means of an appeal to the First Tier Tribunal (FTT).

Assuming your lease is silent on the subject, you will have to consider whether you pay it via the service charge account. But if you do, then you need to be aware that the FTT may rule against you. If the claim relates to common parts, or affects multiple flats, it could be assumed that this would be considered a general maintenance issue and as such, the excess simply can be paid from the service charge account.

With escape of water, on the other hand, it is usually the flat owner underneath the flat where the water originated that suffers damage and will often be the party making the claim.

Whilst, morally, the flat owner below may feel that it is the fault of the flat owner above, the challenge is in establishing strict liability in law and for most claims this is not easily possible. For example, a flat owner who accidentally overfills a bath would probably not be considered negligent by a court of law unless it could be proved that this was not the first time they had done so.

The FTT have generally allowed for excesses to be claimed under the service charge account but this is not always the case, so this is a grey area. It is commonly accepted that insurance excesses are a means by which insurance premiums can be reduced but the difficult debate is whether they form part of the insurance costs in the eyes of the lease.

Electing for, or having a very large excess can cause problems for owners looking to sell their property. The solicitor acting for a prospective purchaser is bound, by the Council of Mortgage Lenders' handbook, to refer to a mortgage lender if the insurance excess contribution from any one flat is greater than £1,000. Where this is the case, a mortgage lender may refuse to lend which could reduce the market value of a flat.

If your lease is silent on the subject of excesses you are lucky enough to have the advantage to choose between a higher excess and lower premium or lower excess and higher premium – the choice is yours!

**EXCESS**
The first part of a claim which is paid by the Policyholder. The Insurer pays amounts in "excess" of this first amount. An excess may be compulsory (i.e. imposed by the Insurer) or voluntary (i.e. accepted by the Policyholder in return for a premium reduction).

# THE BENEFITS OF USING A SPECIALIST BROKER OR INTERMEDIARY

**Recent research found that Residents' Management, Right to Manage Companies and Resident's Associations preferred the internet for sourcing specialist knowledge about managing their block, scoring higher than asking a family member or friend (35%), with 84% of those polled looking online for solutions to their challenges**

Insurance is all about protection; safeguarding your property, your assets and your leaseholders if something unexpected happens. It's one of the wisest investments you'll ever make. But how do you select an insurance product? How can you be sure which policy is right for your needs and those of the other leaseholders in your block? And how do you make sense of all that fine print?

An insurance broker or intermediary is an independent professional insurance advisor who acts for you – the client, and will first of all seek to understand your insurance needs and then find the right policy for you. Their task is to help you locate the insurance cover that best suits your requirements and review the insurance market to obtain the best protection to meet your needs at the most competitive price.

This benefit is usually coupled with expert advice on the levels and type of cover you may need, what additional covers are available along with help when claims are made.

When you deal directly with an insurance company or their agents, they have only one product to sell – their own. A broker or intermediary on the other hand will evaluate the type of cover required and go to several underwriters who specialize in the particular class of business.

Having more options to choose from will certainly increase your knowledge that you are getting the best value for your money.

### In addition:

**Brokers** have been regulated from January 14th 2005. All insurance brokers and intermediaries operating in the UK must be regulated and authorised by the Financial Conduct Authority.

**Brokers and Intermediaries** can offer professional advice on a range of products. When you contact an insurance broker or intermediary you will be given independent advice or information based on your individual circumstances. They will ask about your requirements and find you the best policy, from the insurers they work with, to match your needs, both on price and cover.

# THE BENEFITS OF USING A SPECIALIST BROKER OR INTERMEDIARY

Insurance Brokers and Intermediaries very often obtain preferential rates from underwriters that can be passed onto their customers - You!

**Products**

An Insurance Broker or Intermediary/s can help where you might be unsure of what cover you require and their expert knowledge might point out areas of cover you haven't considered (and that may not be available from a non specialist Broker or Intermediary).

In addition if you arrange your insurances via an FCA authorised insurance broker or intermediary you will also get the security that :

1. You will have someone to whom you can complain if things go wrong.
2. Your money will be safely held in an 'insurance broking account' from which the broker may not run their business.
3. The solvency and working capital of your broker will be regularly tested by the Financial Conduct Authority.
4. Your broker will have many years relevant broking experience.
5. Your broker will have access to Insurance Company agencies to give a full broking service and can demonstrate that you are receiving the most suitable protection.
6. Your broker or intermediary has a first duty of care to you.

Always check the current FCA status of all the brokers or intermediaries via The Financial Services Register: http://www.fca.org.uk

Insurance Companies, usually, are obliged to quote the same rates, whether it be direct or via a broker. In most cases, an insurance company will prefer dealing with a broker, particularly in specialised fields such as property insurance. Insurance underwriters acknowledge that a knowledgeable specialist broker or intermediary in the field has a better feel and knowledge of the customers requirement. The broker or intermediary can provide quotations, issue summaries of the insurance product, and often policy and renewal documents and collection of the premium and can also assist in the claim process.

Remember, insurance is a legal contract and like any other legal contract could cost you millions without an expert helping you. Instead of worrying about what sort of insurance you should have why not let your specialist insurance broker sort it all out for you. That would be one less job for you to do and peace of mind that you and your property are adequately protected.

## Your Guide to Insurance Terms

### "All risks"
Wider cover than provided by a "defined perils" based policy. Includes any loss or damage apart from exclusions stated in the policy.

### Average
A policy condition that requires the amount of a claim payment to be reduced proportionately if the Policyholder has not Insured his property for the full value or replacement cost.

### Contract works
A form of insurance providing "all risks" cover, subject to certain exceptions, in respect of building works while in the course of construction and cover for materials, equipment, plant and temporary buildings. Also known as Contractors All Risks.

### Contribution
The principle of Contribution applies where property or liability is Insured under more than one insurance policy and the Insurers concerned share the cost of any claim.

### Day 1 uplift
An insurance policy feature which protects against a possible shortfall in claim payment due to inflation increasing the Reinstatement Value between inception (or renewal) and incident date. A percentage limit of between 10% and 50% normally applies. (.eg. If the building Declared Value at inception or renewal is £1,000,00 and the relevant rate of inflation to a claim 9 months later is 5%, then the Declared Value at the time of reinstatement is £1,050,000.)

### Declared value
The Insured's assessment of the cost of rebuilding the property Insured at the time of inception of a policy or its renewal. This value, otherwise known as Reinstatement Costs, should also include costs of professional fees, debris removal and compliance with European and Public Authority regulations.

### Delegated authority
The giving of consent by an Insurer to act on its behalf. This may be in respect of underwriting and document issue and/or claims settlement.

### Excess
The first part of a claim which is paid by the Policyholder. The Insurer pays amounts in "excess" of this first amount. An excess may be compulsory (i.e. imposed by the Insurer) or voluntary (i.e. accepted by the Policyholder in return for a premium reduction).

### Exclusion
A clause in an insurance policy which limits the scope of cover.

### Indemnity
The place of the Policyholder in as near the same position after an Insured loss as that which applied immediately prior to the event.

### Index linking
Where the Sum Insured is automatically adjusted in line with general rises in costs.

# INSURANCE TERMS EXPLAINED

### Insurable Interest
For an insurance contract to be valid the Policyholder must have an interest in the Insured item to the extent that its death, damage or destruction would cause him loss, both at the time the policy is effected and also at the time of the loss.

### IPT (Insurance Premium Tax)
A tax payable on general insurance premiums.

### Loss Adjuster
An independent claims expert, who acts as a consultant to Insurers in assessing the extent and value of a claim. Although paid by the Insurance Company, a member of the Chartered Institute of Loss Adjusters is required to act with the Policyholder's legitimate interests in mind.

### Loss Assessor
A person who acts for the claimant in negotiating settlement of a claim in return for a fee paid by the claimant.

### Proximate cause
The immediate or effective cause of an event, not necessarily the one closest in time to the loss, having been defined in the court case of Pawsey v Scottish Union and National in 1907 as "the active, efficient cause that sets in motion a chain of events which brings about a result, without the intervention of any force started and working actively from a new and independent source."

### Reinstatement
Where Insured property is damaged it is usual for settlement to be effected through payment of a sum of money, but a policy will often give either the Insured or the Insurer the option to restore, repair or reinstate the property.

### Subrogation
In Contracts of Indemnity, the right of an Insurer to stand in the place of the Insured and exercise all rights and remedies available to the Insured, whether already enforced or not.

### Sum Insured
The maximum amount payable in the event of a claim under an insurance policy.

# About Residentsline

Residentsline's sole focus has always been flats insurance. Today, more than 25 years on Residentsline has grown to become recognised as understanding the intricacies, risks and requirements that are unique to the residential flats market.

Our team of professional, friendly staff are dedicated to delivering superior products with excellent service, to make life easier for you.

Residentsline prides itself on its ability to:

- Work closely with Property Managing Agents to ensure their clients receive the best cover at the best price;
- Provide Freeholders, Landlords, Resident Management and Right to Manage companies and Residents Associations with the confidence they need to satisfy their resident's requirements;
- Offer market leading insurance cover by providing exclusively enhanced policies;
- Deliver protection from our panel of preferred Insurers;
- Manage claims quickly and efficiently;
- Provide property portals designed to assist RMC, RTM, RA's and Property Managing Agents manage their properties;
- Invest in staff and systems to ensure consistently great service.

**Tel:** 0800 281 235

**Email:** info@residentsline.co.uk

**Web:** www.residentsline.co.uk

# Residential Buildings Insurance Quotation Form

Residentsline Flats Insurance

| | |
|---|---|
| Contact name: | |
| Company name: | |
| Contact number: | Email address: |
| Postcode of property to be insured: | |
| First line of address of the property to be insured: | |
| Is the postal address the same as address shown above?: | Yes ☐ No ☐ (if no, please use additional information box below) |

Type of property:
- ☐ Purpose built block of flats
- ☐ House converted into flats
- ☐ Hotel converted into flats
- ☐ Mill converted into flats
- ☐ Other property converted into flats

If other please provide details:

Date property built:
- ☐ Pre 1800's
- ☐ 1800 - 1859
- ☐ 1860 - 1899
- ☐ 1900 - 1959
- ☐ 1960 - 1979
- ☐ 1980 - 1999
- ☐ 2000 - present day

| | | | | |
|---|---|---|---|---|
| Is the property listed? | Yes ☐ | No ☐ | If yes, what grade? | |
| Is the property timber framed? | Yes ☐ | No ☐ | Don't know ☐ | |
| Wall construction? | Brick ☐ | Stone ☐ | Concrete ☐ | |
| Floor construction? | Concrete ☐ | Timber ☐ | Mixed ☐ | |
| Roof construction? | Slate or tile ☐ | Flat concrete ☐ | Flat timber ☐ | |

| | | | |
|---|---|---|---|
| Does the property have any flat roof areas? | Yes ☐ | No ☐ | If yes, what percentage? |
| Does the property have extensive cladding? | Yes ☐ | No ☐ | (extensive cladding is considered to be 25% or more) |

| | |
|---|---|
| How many flats are in your property? | |
| How many storeys are in your property? | |
| How many lifts are in your property? | |

Occupied as:

| | No of flats or units |
|---|---|
| Owner occupied | |
| Assured shorthold tenancy | |
| Housing association | |
| Holiday homes or second homes | |
| Retail, office or commercial | |
| Student accommodation | |
| Unoccupied | |

| | | |
|---|---|---|
| Do you have any additional communal facilities at the property other than, hallways, stairs, car parks, bin stores or other common areas? | Yes ☐ | No ☐ |
| Has the property been affected by subsidence, ground heave or landslip, now or at any point in the past? | Yes ☐ | No ☐ |
| Has the property been affected by storm or flood? | Yes ☐ | No ☐ |
| Have you been refused insurance or has special terms or conditions imposed? | Yes ☐ | No ☐ |
| Have there been any claims in the last 3 years? | Yes ☐ | No ☐ |

Additional information - if you have answered yes to any questions please provide details below:

| | |
|---|---|
| What is the sum insured (rebuilding cost)? | £ |
| What is the declared value? | £ Please leave blank if not shown on your current insurance schedule |
| Renewal date of your current policy? | |
| Do you have a target premium? | £ |
| Who is your current insurer? | |

We can provide you with additional discounts if you have any of the following (please tick):

- ☐ CCTV
- ☐ 24 hour concierge
- ☐ Automatic fire alarm
- ☐ Grounds maintenance programme in place
- ☐ Valuation completed within the last 3 years
- ☐ IEE/ITE wiring certification for common areas within last 3 years
- ☐ Fire risk assessment completed within last 3 years

**Alternatively request a quote online at www.residentsline.co.uk/get-a-quote/**

**For a quote, assistance, or information, simply:**

Call: 0800 281 235
Email: info@residentsline.co.uk
Visit: www.residentsline.co.uk

Head Office: 29 Waterloo Road, Wolverhampton WV1 4DJ.

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