

Property Owners sector – insurance issues / solutions

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APRIL 2024



The Insurance
Institute of Preston
and Blackpool
Chartered Insurance Institute

Introduction / housekeeping

Welcome and thank you!

60 minutes webinar format – muted and video off. Polls, Chat, Q&A

Diane Jenkins

- Background in Insurance Broking Sector – technical programme design, M&A due diligence, BI reviews, cyber insurance
- Former chair and education secretary of London Business Interruption Association



Nick Thomas & Associates

- Up to the minute training solutions addressing the challenges of the modern insurance professional
- Technical insurance; sales, communication and soft skills; customer service; management and leadership; performance, resilience and wellbeing training

Objectives

At the end of the session delegates will:

- understand the key issues facing the sector
- identify specific insurance solutions for the sector
- be aware of insurance market issues for the sector

The property owners' sector

Businesses that own premises to generate income via rent/ service charges but DO NOT occupy the premises

Huge range of types – professional investors/developers to individual owners of one rental property

Insurers offer range of policies

- commercial property
- buy-to-lets
- blocks of flats



The property owners' sector

Commercial property

- lots of different occupants
- different types of property
- single or multiple occupancy
- some types difficult to place (e.g., hazardous occupations, unoccupied property)

Residential property

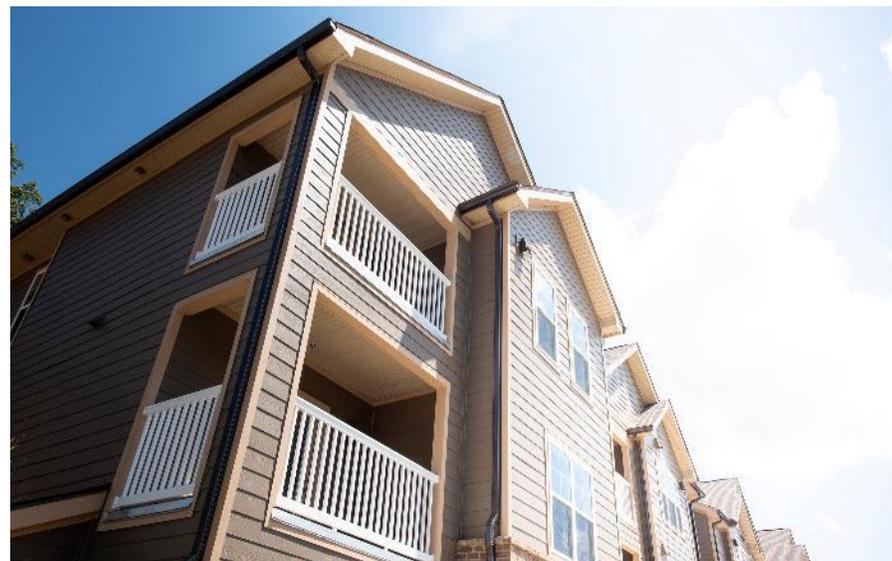
- lots of different types
- private occupants
- some types difficult to place (e.g., student or social housing, holiday lets, unoccupied)



The property owners' sector

Some common characteristics

- not occupied by property owner – may make compliance with risk management harder
- insurance for buildings arranged by owner of property not occupier
- generate income for property owner – income needs to be protected
- often have periods of unoccupancy
- property owners have liability exposure



Property owners' sector issues

Cost of living crisis

- changing demand, change in working practices, home deliveries
- rent arrears
- increasing insolvencies

Hard market/ reduction in capacity

Reduction in flood and subsidence cover

Risk management

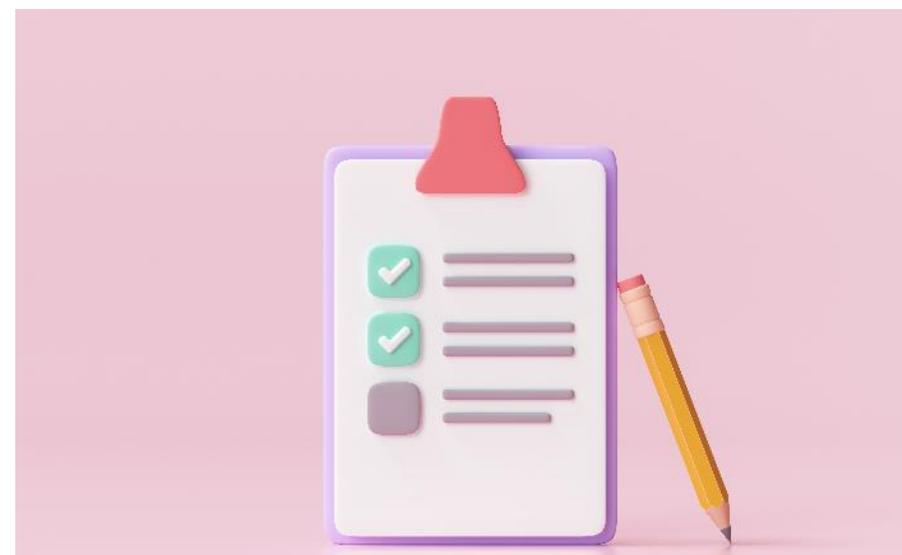


FCA Multi-occupancy report

FCA rule changes – effective for all renewals from 31/12/2023

New rules apply to residential leaseholders in all multi-occupancy buildings

- ICOBS change - Definition of ‘customers’ amended – fair value requirement
- Policy stakeholders
 - a person who “has a contractual or statutory obligation to pay for a part or all of the insurance premium, and, has an interest in or benefits from the subject matter of the insurance
 - policy stakeholders only include natural persons acting outside of their trade or profession regarding the insurance



FCA Multi-occupancy report

Increased disclosure, including

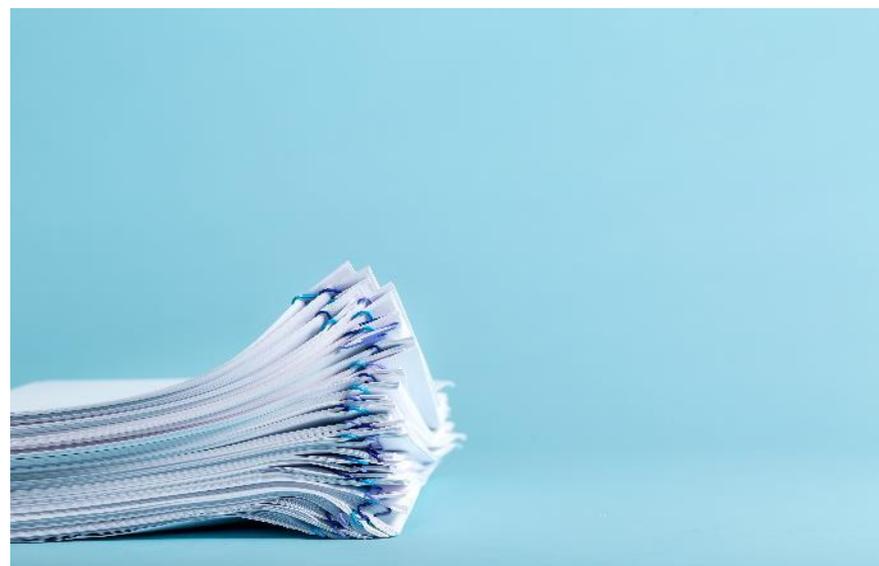
- clear pricing information - at per dwelling level
- the total remuneration
- number of alternative quotes/why policy chosen potential
- conflicts of interest

Sharing remuneration with freeholders and property managing agents allowed only

- where no conflict of interest, and
- fair to the leaseholders

Additional questions

- leaseholders involved
- the number of flats



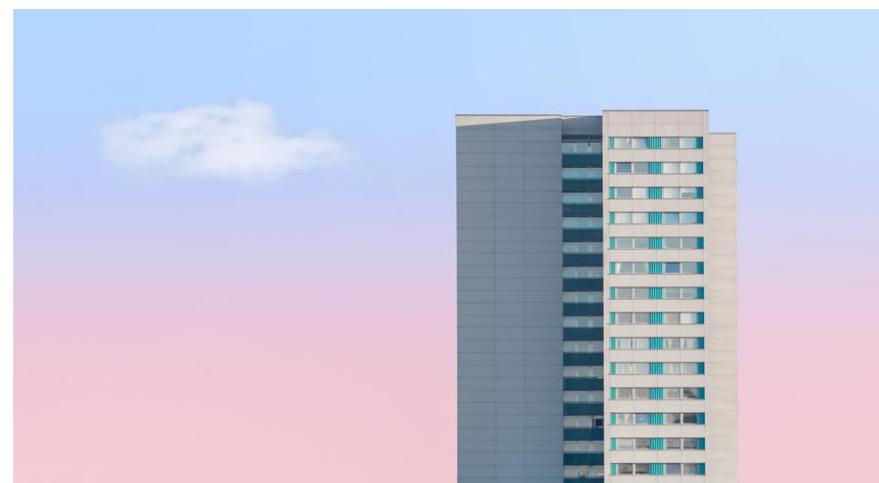
FCA Multi-occupancy report

ABI trying to create a risk pooling solution

- Fire Safety Reinsurance Facility
- designed by McGill and Partners, aimed at helping to restore capacity to the market for multi-occupancy buildings insurance

BIBA involved to limit commission cost

- Fair Value Assessment Framework to help brokers record and evidence the value of the services provided
- BIBA members are being asked to sign up to pledge not to charge high commission/remuneration for residential buildings over 11m in height that have material fire safety issues



“We would also encourage leaseholders to press the placer of insurance for their multi-occupancy building as to whether they are using a broker that has subscribed to the pledge”

Department for Levelling Up, Housing & Communities

Property owners' sector issues

Construction issues

- modern methods of construction (MMC)
- listed buildings
- composite panels
- insurers' appetite – risks of 'standard construction' only

Brokers need to ask questions about construction of all insured premises and make FULL disclosure to insurers



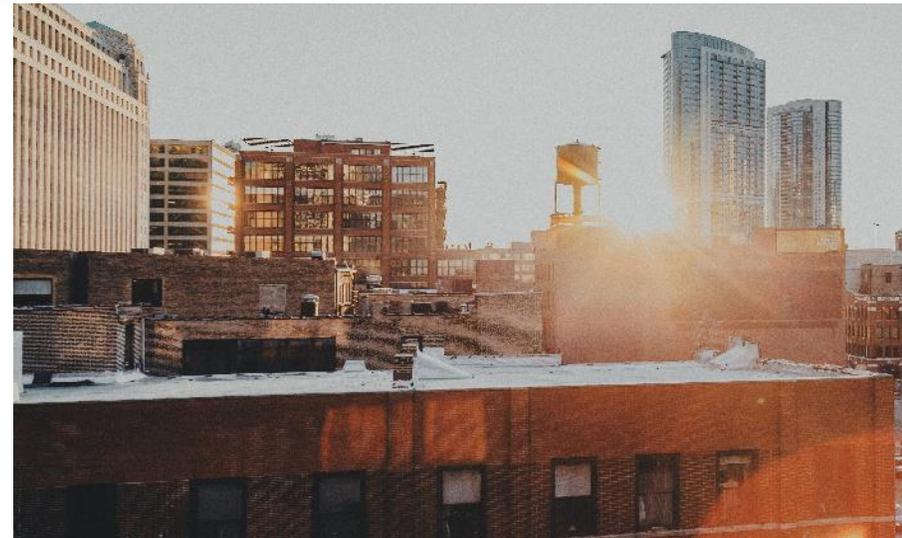
Property insurance for property owners

Vacant properties/unoccupancy

- watch for unoccupancy conditions
- be aware of different policy definitions of unoccupied/ vacant/empty/untenanted – make sure client knows
- brokers need to know why premises unoccupied – and tell insurers

Often requirement to immediately inform insurers of unoccupancy when aware

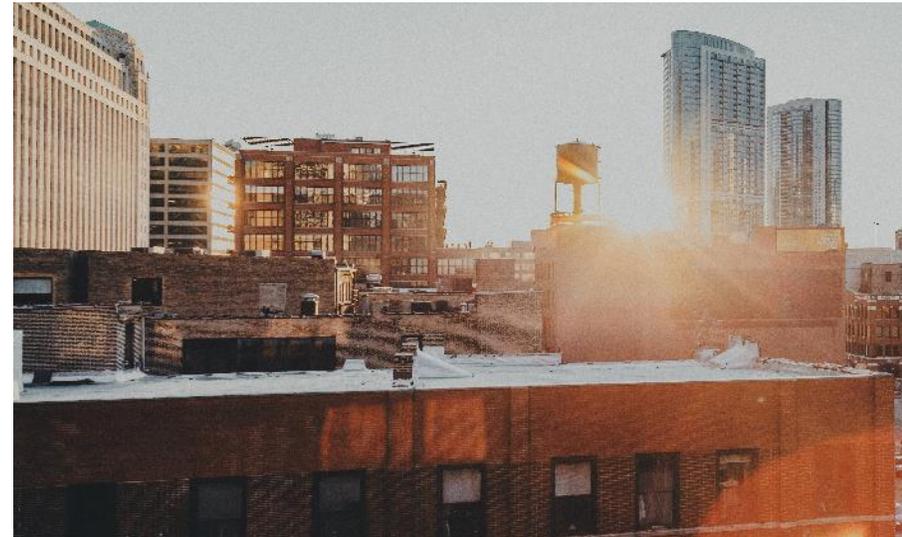
- unoccupancy conditions often automatically apply



Property insurance for property owners

Vacant properties - insurers may

- provide cover subject to precautions
 - e.g., regular inspections, removal of combustible materials, boarding-up, water turned off/systems drained, power off (except to alarm), secured
- lower / remove automatic cover extensions
 - capital additions
 - inadvertent failure to insure
- change basis of settlement



Property insurance for property owners

Underinsurance

- continues to be an issue (always gets worse in when economy bad)
- brokers have duty to explain issues to clients

Cover options

- index-linking
- consider alternative basis of settlement
- average waiver – but only if have regular professional revaluations AND increase sum insured as recommended
- some insurers link with valuers to give discounts
- don't expect 'as last year' as sum insured – it is never the same



Property insurance for property owners

Most property owners' policies have lots of additional cover clauses

Need to understand

- which have inner limits – are these adequate for your client e.g., capital additions
- does sum insured need to be increased e.g., foundations, sprinkler up-grade costs
- does your client have specific issues that need to be catered for e.g., tenants responsible for some property insurance – need Failure of Third Party Insurance clause
- is client paying for cover they do not need



BI insurance for property owners

Ensure all income is included

- basic rent
- service charges (service charges rent)
- insurance premium for buildings, rent and liability (insurance premium rent)
- turnover rent – variable
- stepped rent
- incidental income

It is usual to insure for the period mentioned in the lease (IP)



BI insurance for property owners

Rent increases should be catered for in wording - look for 200% of initial rent as a minimum

- rent reviews
- new or additional rent

Adjustable

Additional expenditure

Cost of re-letting

Rent free periods



BI insurance for property owners

Loss of attraction

Denial of access

Loss of investment income

Failure of public utilities

Legionella, listed notifiable diseases, murder, suicide and vermin



Liability insurance for property owners

Property owners' liability (usually section in property owners' policy) – public liability

- legionella

Consider adequacy of limits and inner limits

Sub-contractors should hold own insurance - check work insured and adequate limit

Employers' liability – check if needed e.g., admin, receptions, maintenance, security

D&O – for company directors and residents' associations



Additional policies for property owners

Rent guarantee/ tenant default insurance

Legal expenses

Engineering breakdown and inspection

Latent defects

Emergency assistance

Cyber



Objectives Revisited

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Thank you! Questions?

Contact:

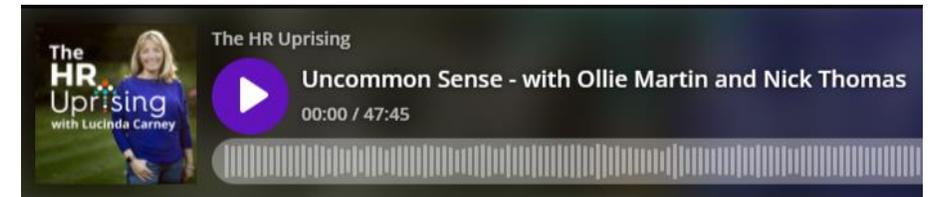
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'Up to the minute training solutions addressing the challenges of the modern insurance professional'

The logo for HRUprising, with 'HR' in purple and 'Uprising' in a lighter purple, where the 'i' is replaced by a colorful crosshair.

[Click here](#) to listen to Nick's latest podcast appearance on 'HR Uprising' talking about workplace performance, resilience and health