

# Insurance Renewal

## Contents

### Page 1

- **Introduction**
- **Towergate Renewal Negotiations**
  - AXA & RSA Facilitated by Fusion
  - Zurich Insurance PLC

### Page 2

- **Towergate Renewal Negotiations (Continued)**
  - Dedicated Loss Adjuster
  - Unoccupancy Condition
- **Index Linking – 3.9%**
- **Insurance Premium Tax**
- **Commission**

### Page 3

- **Non Renewal of Building Insurance**
- **Evidence of Insurance**
- **Policy Cancellation**
- **Additional Covers Arranged by R&L**
  - Engineering insurance
- **Optional Cover Extensions**
  - Residential /Commercial Property Landlord
  - HMO Residential Property Landlord
  - Residential / HMO Property Landlord – Flexible use – NEW FOR 2018
  - HMO Residential landlord
  - Unoccupied properties – WIDER COVER AVAILABLE FROM 2018

### Page 4

- **Optional Cover Extensions (Continued)**
  - Holiday / 2nd Home
  - Holiday Lets
  - Matching Parts
  - Property Owners Liability Limit of £20,000,000 for Developments – NEW FOR 2018
- **Optional Covers**
  - Contents Insurance
  - Management Liability/Directors & Offices Insurance
  - Legal Expenses
  - Terrorism

As a Property Management Company, we have a large property portfolio and, whilst we are fully authorised by the Financial Conduct Authority, we do not act as an intermediary. We arrange insurance on your behalf as your Property Manager but we do not offer advice, make any recommendation or act as an insurance intermediary when arranging your insurance. We prefer to focus on our specific area of expertise which is acting as the property manager on behalf of our clients. As a result, we choose to use the services of an independent insurance intermediary with experience and knowledge of the insurance market in the arrangement and placement of cover.

Ross & Liddell Insurance department continually monitor the overall Property Insurance marketplace, following all main

Insurers and their financial strategies. For 2017/2018 it was clear that many had suffered some major losses due to the severe weather events of recent years. Whilst Scotland may not have suffered the same levels of damage as other parts of the UK, we know that Insurers tend to judge risk on a national basis, rather than focusing regionally, and many Insurers were seeking rating increases across the board to compensate for this.

Therefore, for us to ensure that we continued to get the best possible premiums and terms for our co-proprietors, we decided for our 2018 renewal that we would conduct a comprehensive tendering exercise of our brokerage. We invited three of the market leading brokers that have already demonstrated their specific knowledge, whilst being significantly active in this property management marketplace; Marsh, Bruce Stevenson and Towergate.

We chose Towergate who put forward by far the most professional tender, which included seeking comparative quotations and reviewing the claims information in detail (which highlighted some developments where previously increased excesses could be reduced or even removed entirely). In addition, they comprehensively reviewed the policy wording, identified an important area which they believe could offer a huge improvement for our co-proprietors, specifically increasing the number of days for unoccupied properties before the restrictions to cover applies.

Towergate has, as a result of their negotiations with existing Insurers Zurich and having reviewed comparative quotations, recommended continuance of cover with Zurich PLC.

We are happy to provide this message from Towergate, our new appointed brokers.

### TOWERGATE RENEWAL NEGOTIATIONS

Having worked with R&L for the last two years on their own business insurances we were delighted to be appointed as broker for their property portfolio insurance. We have a proven track record in providing our clients with first class service as well as ensuring the insurance premiums we obtain on their behalf represent value for money. One of the most important objectives set by R&L has been to continue to review the premiums for individual developments ensuring that all developments, irrespective of whether they have a good or a bad

claims record including those who do not adequately maintain their property, get the best renewal terms possible. Since December 2017 we have been working very closely with R&L to fully understand the specific requirements of their managed properties. As in previous years your Insurer may have amended the policy terms that apply to your cover; this may be due to the number or nature of recent claims, or because parts of the property are awaiting/undergoing repair. Any material fact that increases the risk in an insurer's view may be subject to increased excesses, conditions or exclusions. This is to minimise the risk of future losses, and to encourage owners to take steps to ensure that their properties are maintained in a good state of repair or to take simple risk management steps to improve the claims experience at their property. All additional terms have been reviewed in full and, where there has been an improvement in the overall claims payments, we have negotiated with Insurers a review of the excess, either by removing the additional excess in its entirety or reducing the level of additional excess imposed.

**If an insurer has imposed additional terms and excesses for your property, you can find details of these within your certificate of insurance under 'Additional Terms'.**

**For owners who have an increased excess to their individual property, this is detailed under optional extensions/ individual property additional terms.**

**AXA & RSA FACILITATED BY FUSION**  
We obtained quotations via our underwriting arm Fusion from special facilities they hold with RSA & AXA. The premiums offered were circa 15-20% higher than those being offered by Towergate via Zurich. In addition, neither RSA nor AXA could improve or even match the current excess levels attaching under the policy.

Fusion policy wordings from both RSA & AXA were received, however a full comparison was not carried out due to the increase in premium and higher standard excess which would apply.

**ZURICH INSURANCE PLC**  
Zurich has demonstrated that it is extremely keen to retain the R&L account. Despite looking for an overall increase across their property related business, we have negotiated for many developments no increase to existing renewal terms, and for many owners the only increase to your annual

building insurance premium will be due to the rise in Insurance Premium Tax and the index linking of your sum insured.

Each individual development's premium has been independently reviewed. In view of the change of insurance broker, we have carried out a full review of the policy wording and have agreed a new policy wording with Zurich. The new wording provides all of the existing optional cover extensions whilst bringing added clarity to the basis of cover. In addition, it now introduces Water Damage and Theft/Malicious Damage (subject to the application of claims excesses) back into the base policy cover when a property is unoccupied. The excess levels can be removed should the optional "Unoccupied Property" extension be in place.

R&L had provided details of owner concerns regarding the existing policy cover which related to the number of days a property was unoccupied before normal cover levels were reduced. The current wording allowed for 30 days of unoccupancy, but we are pleased to confirm this has been extended to 45 days. Please remember that Holiday / 2<sup>nd</sup> Homes would need to opt for the optional cover extension for full cover to apply.

A full policy wording is available from the R&L website or upon request from R&L Insurance department. The details of all policy changes can be summarised as follows:

- Overall improvement around clarity of cover:
- Increase in the unoccupancy period from 30 days to 45 days
- Revised unoccupancy condition to be complied with at all times
- Introduction of Water Damage, Theft & Malicious Damage cover (subject to excess levels) whilst properties are unoccupied
- Increase to 25% for cash allowances under the Alternative Accommodation cover
- Asbestos Limit under the Property Owners Liability cover restated as £5M
- Optional increase for £20million Property Owners Liability
- Optional Flexible Use Residential Landlord Extension
- Clarification of Water Damage excess which applies to any type of water ingress
- Adaptation Clause added - this allows for a degree of betterment to comply with the principles of the BRE Environmental and Sustainability Standard

### DEDICATED LOSS ADJUSTER

One of the additional tasks R&L gave us was to review the current loss adjuster and claims reporting service. We carried out a tender exercise including McLarens, Direct Group and Cunningham Lindsay (UK) Limited (CL-UK). As a result of this exercise and having considered feedback from property owners and R&L we have recommended a change this year to CL-UK. We have met several times with CL-UK and devised, along with R&L, some clear processes and Service Standards and are confident that, in the unfortunate event of you having to make a claim, the process will be improved and be as simple and straightforward as possible.

**CL-UK will deal with all new claims effective from 15<sup>th</sup> May 2018 irrespective of the date of loss. Contact email address and phone number will be detailed on your certificate of insurance.**

### UNOCCUPANCY CONDITION - AMENDED FOR 2018 SUBJECT TO INCREASED EXCESSES

R&L had advised that for owners taking extended holidays the 30-day unoccupancy was too restrictive, so we agreed and secured the extended 45-day period. In addition, we had all perils re-instated, subject to claims excesses. These excesses can be removed if the optional unoccupied property extension is taken up.

**In the meantime, the Unoccupancy Condition should be noted as follows:**

In respect of any Building that is wholly or partly unoccupied it is a condition precedent to liability that:

- All gas and electrical services within the Unoccupied property are switched off at the mains except for any electrical circuits required to maintain any fire and intruder alarms, security protections, timed lights, heating systems, fridges or freezers
- The water system to the Unoccupied portion of the building must be isolated at the mains and completely drained or the heating systems has been set at a minimum temperature of 5 degrees Celsius during the period 1st October to 1st April each year
- All accumulations of mail or other combustible waste materials that form ready fuel for a fire should be removed from within the Unoccupied portion of the building
- The Unoccupied portion of the building must be secured against unlawful entry by closing and locking its doors and windows and setting all its security and alarm systems

- The Unoccupied portion of the building is subject to a programme of comprehensive internal and external inspections undertaken by an authorised representative of the insured to ensure continued compliance with the other terms of this condition. Inspections should commence within the initial 14 days following the property becoming Unoccupied and continue at intervals not exceeding 14 days thereafter. Inspection results are to be recorded and retained at a separate location during the period of unoccupancy; and any new accumulations of junk mail found during such inspection should be removed

- The insurers are notified within 7 days in the event of damage or unauthorised entry to the Unoccupied area becoming evident or known to the Insured or their representative

**The Excess applicable in respect of DAMAGE caused by Theft and Malicious Persons is £2,500 and the Excess applicable in respect of DAMAGE caused by Storm & Flood, Water Damage and Sprinkler Leakage is £5,000.**

### INDEX LINKING - 3.9%

As in previous years index linking has been taken effect from February 2018 at the rate (applicable using the RICS methodology at that time) of 3.9%. This has been applied to your sum insured from renewal, however for developments that have their building sum insured re-assessed after July 2017 index linking will not be applied with Insurers confirming their approval of this action.

### INSURANCE PREMIUM TAX

A further increase to Insurance Premium Tax (IPT) was imposed by the Government which was effective from 1<sup>st</sup> June 2017. Insurers had not passed this increase onto new owners who had joined the R&L policies during the past period of insurance. Unfortunately, from renewal 2018 your renewal premium will be increased to note the rise in IPT from 10% to 12%.

### COMMISSION

Insurance is a regulated activity and as such, to comply with regulations and to ensure we are arranging cover on the correct basis, we employ the services of a broker (to whom we pay a fee). Our broker, in addition to having the knowledge and expertise to place our risk, also has access to all major Insurance companies. Most of the properties we manage are covered under one policy of insurance. Arranging such a contract of insurance is not a straightforward

exercise, as this type of policy cannot simply be applied for by completing an application or proposal form.

Ross & Liddell Limited confirm that commission is declared on every certificate of insurance issued to all co-proprietors, and this is detailed on the reverse of the certificate and is noted as 22.5% for all classes of insurance other than terrorism which is 10% based on gross premiums net of insurance premium tax.

Ross & Liddell Limited do not charge our clients a fee for the Insurance Services which we provide in respect of our managed properties. Instead, insurance commission is received in order that we can offset the costs incurred in administering our insurance arrangements, including printing, stationery and postage relating to the production and issue of Insurance Certificates and all the supporting documentation required to comply with all relevant FCA Regulations, dealing with the common claims and assisting clients with their private claims.

In addition, and not least, we are required to guarantee payment of premiums due under the insurance policy and to pay our brokers a fee to secure their market knowledge and experience (so we can ensure a competitive renewal for clients). In the current market we believe that acceptance of insurance commission represents the most cost-effective mechanism for provision of Insurance Services to clients

### NON RENEWAL OF BUILDING INSURANCE

For owners whose title deeds allow for building insurance to be arranged outwith the R&L policy, renewal at 15<sup>th</sup> May is optional. However, for the protection of owners within flatted properties, evidence of insurance will be required prior to the annual renewal date on 15<sup>th</sup> May. If the evidence is received after renewal date, the annual contract is in place and as such cannot be cancelled during the policy term. This means that a refund of premium is unlikely to be secured. If you are unsure as to your title deed requirements you should contact your property manager in the first instance.

### EVIDENCE OF INSURANCE

For owners who own properties where the title deeds do not stipulate that a common building insurance policy should be in place and / or arranged by R&L, there is an obligation to arrange building insurance cover for your individual property and your proportion of common areas. This is extremely important for owners of flatted properties as, in addition to your own property being at risk, you are also jeopardising other owners within the development/ block of flats. If a block of flats is not insured in

full, in the event of a claim there will not be sufficient funds to fully re-instate the property, leaving owners exposed to losing their homes.

We ask that owners who do arrange their own building insurance provide written and signed confirmation to us noting the Insurance Company Name and address, policy number and the renewal date of the policy together with your confirmation that the building sum insured represents the full re-build costs including your proportion of common areas. We require this information no later than 30<sup>th</sup> July each year. Owners can contact R&L insurance department after this date to enquire as to whether we have received evidence that the development/ block of flats is insured in full. Whilst we would be unable to provide details of the properties that have not provided evidence of insurance, due to Data Protection Legislation, we will let you know that we do have concerns which should be raised with your co-proprietors. Under such circumstances a meeting of all fellow owners may be required and can be arranged via your property manager who can address matters accordingly.

### POLICY CANCELLATION

The building insurance arranged by R&L is an annual contract and cannot be cancelled during the policy term, unless the property is sold.

### ADDITIONAL COVERS ARRANGED BY R&L

#### Engineering insurance

Cover which relates to statutory inspection of lifts and items of plant such as water pumps, together with a small element of insurance cover for Sudden and Unforeseen Damage, remains with Zurich with the only increase to the annual premiums relating to the increase to the insurance premium tax.

Should you have any queries relating to the items of plant covered for your development, please contact your property manager in the first instance.

### OPTIONAL COVER EXTENSIONS

Towergate have secured the optional cover extensions with no increase to the premiums for those extensions. Owners should however be aware that the premiums quoted continue to be on a 'minimum and deposit' basis which means that they are non-refundable during the policy period. Full wordings relating to the optional extensions can be found within the policy wordings or upon request from our insurance department, a summary of such extensions are as follows:

**Residential /Commercial Property Landlord** - The wording has been amended to note that Tenancy

Agreement shall mean an agreement for a tenant to occupy premises in return for the payment of rent under a lease agreement. This extension is not suitable for holiday lets, tenancy agreements of less than 6 months or properties rented under a HMO licence.

- Property owners Liability £10million
- Annual premium £80.00

To extend the property owners liability to £20million the annual premium will increase to £100.00.

#### HMO Residential Property Landlord -

The wording has been amended to note that Tenancy Agreement shall mean an agreement for a tenant to occupy premises in return for the payment of rent under a lease agreement. This extension is not suitable for holiday lets, tenancy agreements of less than 6 months or properties rented under a HMO licence.

- Property owners Liability £10million
- Annual premium £150.00

To extend the property owners liability to £20million the annual premium will increase to £180.00.

#### Residential / HMO Property Landlord - Flexible use - NEW FOR 2018

Offers all the benefits of the residential / HMO landlord optional extension, however cover is extended to include use for Holiday Lets during the Public/School Holidays within Scotland and described as School Summer Holiday, Easter, Christmas and New Year and the half term school breaks in February and October each year.

- Residential landlord Annual premium £130.00
- To extend the property owners liability to £20million the annual premium will increase to £160.00.

**HMO Residential landlord** with property owner's liability at £10million.

- Annual premium £200.00

To extend the property owners liability to £20million the annual premium will increase to £240.00.

#### Unoccupied properties - WIDER COVER AVAILABLE FROM 2018

Properties unoccupied for a period in excess of 45 days are now covered for full perils however cover is subject to the following excesses:

- **DAMAGE caused by Theft and Malicious Persons is £2,500**
- **DAMAGE caused by Storm & Flood, Water Damage and Sprinkler Leakage is £5,000.**

Owners should however note that the Unoccupancy Condition, as detailed within this newsletter, must be complied with at all times.

**The excesses above can be removed should this optional cover extension be taken. Owners who currently have the existing unoccupied property optional extension in place will simply be transferred to the amended extension.** Annual premium £80.00.

**Holiday / 2<sup>nd</sup> Home**

This extension is only available for properties used exclusively by the property owners, their family and friends; as a result, the extension does not include any element of rental income cover.

If owners have a property that is not used as their main residence, there may be periods of extended unoccupancy. In addition, if the property is used by family and friends, as they are legally on the property but not the property owner, accidental damage cover would be excluded. The optional extension removes the cover exclusions however the unoccupancy condition continues to apply. Annual premium £50.00.

**Holiday Lets**

Offers all the benefits of the residential / HMO landlord optional extension with the revised Unoccupancy Condition to be complied with at all times. For Holiday Lets, however, **the Inspections should commence within 24 hours of the tenant vacating the property and then every 7 days with a further inspection no more than 24 hours before a new tenant takes possession of the holiday let property.**

Annual premium £100.00.

**Matching Parts**

The policy wording does not allow for cost of replacement or modification of undamaged parts of the buildings that form part of a suite, common design or function where the damage is restricted to a clearly identifiable area. This exclusion would apply to the likes of kitchen units, bathroom suites and laminate flooring that has been installed throughout a property.

The optional extension provides cover for matching parts to be included within a valid claim under the policy at an annual premium of £50.00.

Should all owners within a block of flats have the optional extension, then cover will be extended to include the common areas at no additional premium.

**Property Owners Liability Limit of £20,000,000 for Developments - NEW FOR 2018**

As some owners will be aware R&L previously provided details of the changes to the "Ogden Rate" which is the basis of claims settlement for personal injuries. When a personal injury claim occurs and a lump sum is paid as compensation for life-changing injuries, the amount awarded is adjusted to compensate for the amount of interest the claimant can expect to earn by investing it to ensure that they are never under or over-compensated. The amount by which this is adjusted is referred to as the Ogden rate. It is applied by the courts to an amount calculated to cover loss of earnings and any care costs for claimants.

Before the changes to the Ogden rate had been set at 2.5% which meant that for each £1,000 of loss calculated, the

insurer will pay out £975. The claimant would then be expected to earn 2.5% interest a year; earning them the full payment they are due. Early in 2017 the Ogden rate was reduced from 2.5% to -0.75% which means for every £1,000 awarded in a claim the insurer will be expected to pay the claimant £1,007.50, which is an additional £32.50 compared to the 2.5% rate.

This has led to a very significant increase in the costs arising from personal injury claims. We have considered what this increase means for all co-proprietors. At the moment, the current Property Owners Liability limit is £10,000,000 but we think that a £20,000,000 limit should be made available for both the common areas within developments and for owner occupied properties. We have therefore negotiated pricing options with Zurich. Please contact the R&L Insurance Department for a quotation.

**OPTIONAL COVERS**

**Contents insurance**

Varying levels of contents cover are available to owners of R&L managed properties. The only increase to the premiums this year relate to the Insurance Premium Tax rise from 10% to 12%. The premiums remain extremely competitive with Zurich Insurance plc who continue to be the Insurer. By having the same Insurer for both buildings and contents, it can eliminate any disputes as to whether an item, that is the subject of a valid claim, falls under the definition of building or contents, such as laminate flooring. The new unoccupancy condition now applies which mirrors that of the building insurance but with the application of a reduced excess level of £500. In addition, Events 1 to 12 are now operative for Laptop Computers and Tablet Computers.

**We would take this opportunity to remind owners that the sum insured you have chosen should represent the full re-instatement cost of all your contents, including personal effects, as failure to do so would result in a valid claim not being met in full.**

Quotations are available upon request.

**Management Liability/Directors & Offices Insurance**

Residents committees make decisions on behalf of others which can include the placement of insurance or agreeing contract works for property maintenance which has a financial impact on all those involved. Individuals will perform this valuable and important role on behalf of others, many of whom are reluctant or don't have time to get involved in the day to day running of a development. Therefore, those who have volunteered to make important choices for others need protection for any decision or action they have made in good faith - that may later prove to be ill-judged.

Towergate have advised that the existing Insurer AXA were no longer able to provide the current level of expiring premiums and were in fact looking for significant rating increases. A market review exercise was therefore undertaken by Towergate with Zurich offering a quotation with the premiums secured at the same level as for 2017 but subject to the increase in Insurance Premium Tax. A revised policy wording is available upon our website or upon request to the insurance department; in the meantime, Towergate have confirmed there are no significant changes to the policy cover, (other than whilst AXA applied a £2,500 excess on Corporate Liability/Company Legal Liability the new policy with Zurich has no such excess) with the policy being endorsed to note that Scottish Law applies.

Should a quotation be required for your development, please contact your property manager in the first instance.

**Legal Expenses**

Cover	ARAG RMC Legal (JLT Cover)	Zurich Executive Assurance (Underwritten by DAS Legal Expenses)
Cover Limit	£250,000	£250,000
Legal Helpline	Yes	Yes
Property Protection	Yes	Yes
Employment	Yes	Yes
Tax Protection	Yes	Yes
Inheritance Dispute	Yes	No
Motoring prosecution	No	No
Access to free Legal Document	Yes	Yes
Contract & Debt Recovery	Yes	Yes

Towergate have advised that the existing Insurer (Arag) are no longer able to continue with the expiring premiums. Alternative quotations have been sought with Zurich via DAS Legal Expenses who are a specialist legal expenses Insurer offering the most competitive premiums. The revised policy wording is available on our website or upon request to the insurance department; in the meantime, Towergate have confirmed there are no significant changes to the policy cover (other than Inheritance Disputes cover not being available) with the policy being endorsed to note that Scottish Law applies. The premium for this cover is £28 including IPT.

**Terrorism**

Quotations can only be obtained on developments as a whole and provides cover for damage to the insured property following an act of terrorism.

Towergate and Towergate Insurance Brokers are trading names of Towergate Underwriting Group Limited, which is authorised and regulated by the Financial Conduct Authority. Ross & Liddell Ltd is authorised and regulated by the Financial Conduct Authority.