

Insurance Renewal 2024

TOWERGATE STATEMENT

ROSS &
LIDDELL

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.

We are therefore happy to provide the following message from Towergate (FCA Registration 313250) who are our appointed Insurance Broker.

INSURANCE MARKET OVERVIEW

We remarked last year that after a four-year period of dramatic rate correction across the UK and global insurance markets, average rate increases for insurers had broadly returned to single digit percentages by the latter half of 2022. This trend has continued throughout 2023 with increases gradually reducing on all the main classes of commercial insurance reaching an overall average of 3% which is the lowest they have been for almost 10 years. Insurers continue to review and cleanse their books but in the most part the hectic re-underwriting of the last few years appears to finally be on the wane.

It is not all plain sailing however as the Property insurance market continues to be impacted by natural catastrophe losses and an increase in frequency of Fire losses. Whilst the increase in Treaty reinsurance costs as of 1st January 2024 was less than last year there continues to be pressure on those Insurers with books more heavily balanced to Property and Business Interruption exposures.

The other pertinent issue that the market still has to rectify is around capacity. There is still a situation where too many Insurers look to underwrite smaller, less complex and less volatile types of insurance risks with their only dalliance into more challenging placements being undertaken via Managing General Agency (MGA) relationships which offer little assistance especially when looking to facilitate larger exposure risks especially those within the Real Estate sector.

In this regard, Residential Real Estate portfolios continue to be viewed as unattractive by most insurers due in principle to the number of large fires that have become more prevalent in the last few years and the recurring issue in respect of

Escape of Water losses. In both of these cases the problems become particularly challenging where the properties are of combustible construction with polystyrene composite panels or ACM cladding. For those reasons as well as in the hope of providing further rating stability we negotiated a Long Term Agreement (LTA) with Zurich at the last renewal. This agreement, which attached to the main Residential Real Estate policy, means that if the R&L portfolio can match or exceed various loss ratio triggers an agreed rating approach is automatically triggered. As part of this agreement, it is incumbent upon R&L and ourselves not to approach any other Insurance markets during the duration of the agreement.

As has been mentioned in previous years a pivotal part of the approach taken at renewal is the impact inflation will make. For those of you who have been customers for the last few years you will have seen the considerable impact inflation makes when Insurers are calculating the Index Linking that will apply to Buildings and Contents values together with the effect it has on Business Interruption covers in terms of calculating accurate Indemnity Periods. The good news is that the latter part of 2023 and the start of 2024 has seen a significant reduction in claims inflation compared to previous years as the costs of labour and materials have generally flattened.

The welcome news is that due to the LTA and substantial slowing of claims inflation the 2024 renewal negotiations were much more straightforward than in previous years and undernoted is a summary of what we have been able to secure. We believe this represents an excellent outcome and overall is the lowest increase the portfolio has produced in the last 8 years when insurance rate and index linking are included.

It should be noted that over the last few years R&L have removed some of the more problematic properties from the portfolio which were either causing an increase in claims costs or were of substantially non-standard construction and these actions have played a large part in improving the overall quality of the portfolio and this gave us the platform to secure the LTA. Whether Zurich would be prepared to continue with the current LTA remains to be seen and we will appraise you further on this at a later date.

CLAIMS

Common area claims: should be reported to our Client Support Team who will, in conjunction with QuestGates loss adjusters, monitor the handling of the claim to a conclusion.

Private property claims: you should report these directly to QuestGates using the 24 hour claims line 0800 195 5684 or via an email on private@questgates.co.uk

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The rating we have been able to secure from Zurich for the 2024 renewal is as follows:

Cover Type	Rate Change
Residential Properties	0% *
RL Extensions	0%
POL	0%
Home Contents	0%
Terrorism	0%
Legal Expenses	+5%
Engineering Inspection & Insurance	+5%

*denotes an average across the portfolio – some property rates may vary as a consequence of claims experience, building construction concerns or where the property is in an area of increased flood risk and conversely some properties may benefit from a rating decrease.

The excess levels for Private and Common Claims remain as per last year:

Subsidence, Landslip and Heave	£1,000
Children's Play Areas/Equipment	
All Losses	£500
Liability for Third Party	
Property Damage	£250
Glass	£100
All Other Claims	£500

Following a review of the various policies attaching under the portfolio the only amendments are in respect of the Residential Policy where Zurich are implementing more of a 'plain English' wording in respect of the Pollution exclusion and the Nuclear and War Risks exclusion. Neither amendment constitutes a material change to the cover afforded.

Finally, we would again highlight the current focus on Sanction checking following Russia's invasion of Ukraine. Sanction checking is a government level check on a group or an individual. Restrictions are placed upon sanctioned individuals and those conducting business with them are heavily penalised. In the UK, Her Majesty's Treasury (HMT) is the competent authority for sanctions and The Office of Financial Sanctions Implementation (OFSI) being the enforcer (since 2016). The Financial Conduct Authority (FCA) is responsible for ensuring that firms have adequate systems and controls to comply with UK sanctions requirements.

To that end we would ask that you support R&L whenever they approach you for information as it is essential that they comply with sanction checking to show that they are not known to be or suspected to be involved with terrorism and/or terrorist financing, nuclear non-proliferation, human rights violations, and other serious international crimes.

ADDITIONAL TERMS

As in previous years your Insurer may have amended the policy terms that apply to your cover. Details of these can be found on your Insurance Certificate. These terms 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 the additional terms that currently apply under the policy have been reviewed in full and where there has been an improvement in the overall claims payments or in the condition of the building Towergate have successfully negotiated with Insurers to either reduce or remove the additional excess/terms entirely.

INDEX LINKING

As in previous years the index linking figure has been provided by Zurich who have advised that a rate of 2.7% will be required. This has been applied to your sum insured from renewal, however for developments that have had their building sum insured re-assessed after January 2024 index linking will not be applied with Insurers confirming their approval of this action.

INSURANCE PREMIUM TAX

Insurance Premium Tax (IPT) remains unchanged at 12%.

ADDITIONAL COVERS

R&L can confirm that they have secured agreement from the Insurers to provide Material Damage (MD) which will extend to communal boundary walls and fences, under the continuing Property Owners Liability (POL) cover. A revised POL Certificate confirming this cover will be made available on R&L's secure client web-portal or an electronic copy will be provided upon request.

In addition, POL cover can also be provided for private roads. Please contact the R&L Insurance Department for a quotation.

OPTIONAL COVER EXTENSIONS

Towergate have again secured the optional cover extensions with no increase being applied. 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 each extension is 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 an HMO licence.

Property owners Liability £10million
Annual premium £71.43 + IPT

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.

Property owners Liability £10million
Annual premium £133.93 + IPT

Residential/HMO Property Landlord - Flexible use

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.

Annual premium £116.07 + IPT

Unoccupied Properties

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 £71.43 + IPT

Holiday/2nd 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 £44.64 + IPT

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 £89.29 + IPT

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 £44.64 + IPT.

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.

OPTIONAL COVERS

Contents insurance

Varying levels of contents cover are available to owners of R&L managed properties.

Securing a 0% increase has been a fantastic result this year as the Personal Lines insurance market has seen a number of Insurers exit the market whilst a number of other Insurers have been applying significant levels of premium increase to combat rising claims costs.

We therefore believe that the premiums remain extremely competitive with Zurich 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.

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.

Please contact the R&L Insurance Department for a quotation.

Engineering Insurance and Inspection

This cover 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. Please note that the premiums have increased this year by 5%. Towergate were able to approach BES, HSB and Aviva for alternative terms as this policy does not fall within the aforementioned LTA. Despite interest from both BES and HSB neither company was ultimately able to provide a competitive proposition. Should you have any queries relating to the items of plant covered for your development, please contact the R&L Insurance Team in the first instance.

Management Liability/Directors & Offices Insurance

Owners' Association 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.

As mentioned previously Resident Associations and Property Managers / Owners etc are no longer within Zurich's appetite for D&O and as a consequence they have taken the decision not to continue with this cover. However, if your committee still wishes to obtain a quotation for this cover, please contact R&L who will arrange for a representative from Towergate to contact you to discuss what options will be available.

Legal Expenses

Zurich have confirmed that a 5% rate increase will be applied at the 2024 renewal date. This is the first rate increase to be applied since cover was first offered.

Please note that there is no change to the expiring limits or covers (as set out below).

Cover	Zurich/DAS
Cover Limit	£250,000
Legal Helpline	Yes
Property Protection	Yes
Employment	Yes
Tax Protection	Yes
Inheritance Dispute	No
Motoring prosecution	No
Access to free Legal Document	Yes
Contract & Debt Recovery	Yes

Terrorism Cover (applicable to Sections A&B only)

Quotations can only be obtained on developments as a whole and provides cover for damage to the insured property following an act of Terrorism. Please refer to the policy wording for the definition of Terrorism.

IMPORTANT NOTICES

Non-Renewal of Building Insurance

For owners whose title deeds allow for building insurance to be arranged out with the R&L policy, renewal at 15th 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 15th 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 the R&L Client Support Team 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.

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Common area claims: should be reported to our Client Support Team who will, in conjunction with QuestGates loss adjusters, monitor the handling of the claim to a conclusion.

Private property claims: you should report these directly to QuestGates using the 24 hour claims line 0800 195 5684 or via an email on private@questgates.co.uk

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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 reinstate 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 30th 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 R&L who can address matters accordingly.

Private Claim Excess

Please note that, where no payment arrangement is in place, and full payment of the insurance premium has not been received, by 15th June 2024, then the Insurer may apply an increased excess of £2,500 to all valid private insurance claims, arising from your individual property, which will remain in force until the insurance premiums are paid in full. This excess will be applied in addition to any other policy excess due in respect to a valid claim under the policy.

Policy Cancellation

It should be noted that Insurance is placed, at each renewal, for a period of 12 months, and, in the event of any mid-term cancellation, any return premium is only available at the discretion of the Insurer, Zurich plc, and entirely subject to no claims having been made. If authorised, any return premium will be provided on a 'pro rata' basis, after deduction of the full amount of Commission which would be received, had the policy not been cancelled, as the majority of work undertaken, and costs incurred, by Ross & Liddell and the Insurance Broker, relating to the Insurance policy, will have been completed, and incurred, prior to any mid-term cancellation.

Commission

Insurance is a regulated activity and as such, to comply with regulations and to ensure arrangement of cover on the correct basis, Ross & Liddell employ the services of a broker to whom they pay a fee.

Their broker, in addition to having the knowledge and expertise to place the risk, also has access to all major Insurance companies. Most of the properties Ross & Liddell 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. 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.

We can 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 clients a fee for the Insurance Services which they provide in respect of their managed properties.

Instead, insurance commission is received in order that they can offset the costs incurred in administering their 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, Ross & Liddell are required to guarantee payment of premiums due under the insurance policy and to pay the brokers a fee to secure their market knowledge and experience (to ensure a competitive renewal for clients). In the current market Ross & Liddell believe that acceptance of insurance commission represents the most cost effective mechanism for provision of Insurance Services to clients. Towergate (as Insurance Broker) receive remuneration of 7.5% from the Insurer in respect of a work transfer amount for facilitating placement of the R&L insurance portfolio together with the professional advices provided to R&L.

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