

REICH

ReView

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Reich continues to expand

The last 12 months have seen numerous changes at Reich. Simon Taylor, ACII, FCILA, a Chartered Insurance Practitioner and a former board director of Capita McLarens, one of the UK's leading firm of Chartered Loss Adjusters, joined last May (02) as a Partner based at Manchester alongside Danny Lopian.

Additionally, Rob Criscuoli joined the team at London which remains under the leadership of Simon Millar and recently moved to offices double the size in the West End. Matthew Rawlings-Smith now forms part of our Commercial (non Property Owners) team in Manchester, with two new additions to our Property Owners Department, Rebecca Webster and Paul Mather. Additionally, Helen White has recently joined the Household Department.

After over 20 years working full-time with the company Mike Drummond retired from being

actively involved in the day to day running of the business. Mike remains a Partner but now lives in Devon.

Finally, Andy Kay, BA Hons, ACII, joined us from Capita McLarens in March 2003 as Compliance & Technical Manager. Andy's role is to ensure that the company is prepared for accreditation when the world of Insurance Broking finally becomes regulated by the Financial Services Authority (FSA) in January 2005. He is currently busy enhancing our office systems and procedures to ensure best practice is maintained throughout the company.

The strengthening of our team is good news for you, our clients, who can expect to see an even further improvement in our already high levels of customer service and professionalism. Nothing is more important to us than servicing our clients.

The dangers of under-insuring a building

Nowadays, it is a well-known fact that you must insure a building for the full cost of reinstatement. That is to say the cost of rebuilding the property from scratch. The market value of a property has absolutely no relevance here in setting your sum insured and if you do set your sums insured based on market value you run the risk of being penalised in the event of a claim.

This latter aspect is usually known as the principle of "Average". In simplistic terms, if you insure a building for £100,000 and the rebuilding costs turn out to be £200,000 you may only get half your claim paid in the event of a loss, regardless of how small the claim is.

In addition to the cost of rebuilding, you must include in the sum insured the cost of demolishing the site (often a major sum), surveyors/architects fees, any landlords' fixtures and fittings which may be your responsibility in a commercial environment and VAT where appropriate.

If you have any concerns about the cost of rebuilding/reinstating a property, please contact our staff who will only be too happy to help. Often we will recommend you instruct a surveyor to carry out a valuation report and we have some exclusive terms here with a national provider. Be wary of the fact that many surveyors' valuation reports are couched in such terms as to opt out of any responsibility for the accuracy of the reinstatement figures given. Feel free to refer to us if you have any doubts at all. Do not think that you can rely on a surveyors' rate unless it is a **full** valuation for insurance/rebuilding purposes.

A little care at the initial stages in setting your sum insured can save potential problems should a claim occur. There have been so many incidents of policyholders unrealistically insuring for too low a figure, and being penalised in the event of a claim. This is a false economy. If the property is badly damaged can you afford to stand the loss when the alternative is usually a small

increase in premium? Additionally, if you are a landlord, could you be held liable or made to meet any shortfall under the terms of the lease for inadequately insuring? If you are going to insure an asset, something we are sure you will agree is essential in this age, there is no sense in underinsuring.



New asbestos legis

If you are a property owner or managing agent you need to read this.

WHAT LEGISLATION?

The **Control of Asbestos at Work Act 2002** will affect you! It places even greater responsibility/ legal duty upon "duty holders" to manage the risk of asbestos within premises.

"Duty holders" are defined as employers in occupation of premises together with those legally responsible for the repair and maintenance of the property, including property owners, landlords, managing agents, tenants etc. **This duty comes into force with effect from 21st May 2004.**

YOU MAY STILL HAVE A RESPONSIBILITY EVEN IF YOU ARE A PROPERTY OWNER/MANAGING AGENT WITH A FULL REPAIR LEASE DEVOLVING TO THE TENANT.

The duty applies to **all** non-domestic premises and common parts of domestic premises (i.e. corridors, staircases, lifts, gardens etc.) including blocks of flats. There are no direct duties upon landlords in respect of houses or flats (but separate duties exist under the **Defective Premises Act 1972** in England and Wales or the **Civic Government (Scotland) Act 1982** in Scotland).

WHAT NEEDS TO BE DONE TO COMPLY?

Duty holders need to do the following in order to comply with the new 2002 legislation:-

- Check if asbestos is present in the property.
- Presume the material is asbestos unless proven otherwise by having appropriate tests carried out
- Survey and sample for asbestos
- Assess the condition of any asbestos-containing materials (ACMs)
- Record the location/condition of the asbestos or presumed asbestos in an **Asbestos Register**
- Assess the potential risk from the ACMs
- Decide what to do – involving preparing/ implementing a plan of action to manage asbestos in the premises
- Take appropriate action – including notifying all parties likely to be exposed to an asbestos-related risk.
- Monitor and review the effectiveness of the plan



WHOSE PROBLEM IS IT TO COMPLY?

The extent of the legal duty is determined by the terms of the contract or tenancy agreement in force or, in the absence of such agreement, on the degree of control the party has over the premises.

There are three main scenarios which can exist:-

- Where there's a full repair lease in force on **non-domestic** premises. Here the property owner or managing agent will be responsible for ensuring that asbestos is identified and managed as far as is reasonably practicable whilst the tenant/occupier will have a legal duty to arrange and implement the plan of action drawn up to manage the asbestos.
- Where there's no full repair lease on **non domestic** premises. Here the owner/ managing agent will be responsible for the whole process - the identification of asbestos together with the arrangement and implementation of a plan to manage the substance. The tenant/occupier will have a duty to co-operate to enable compliance with the regulations.
- For **domestic** premises the responsibility for the maintenance/repair of communal areas rests with the property owner, landlord or managing agent, with the tenant being responsible for the other areas. In this case, the responsibilities under these regulations would be split between each party depending upon the wording of the tenancy agreement.

Thus, if you own, occupy, manage or have responsibilities for non-domestic (or common parts of domestic) premises which may contain asbestos you will either have:-

- **A legal duty to identify/manage any risk from asbestos: OR**
- **A duty to co-operate with whoever manages that risk**

POLICY COVER/INSURER'S ATTITUDES

Some Insurers are already making changes to their policy cover to exclude certain types of asbestos risk and one major Insurer has suggested asking clients to sign a declaration detailing how the building owner intends complying with the new additional responsibilities under the legislation. Other Insurers may follow suit. We will, of course, keep you closely informed of all developments which will affect you.

WHAT DO WE SUGGEST YOU DO

You must take action to ensure compliance with the new legislation as soon as possible. Don't wait until 2004. To assist our key property owner clients we have arranged an asbestos risk management programme with a national leader in the market which can help you identify, manage and control the risk of asbestos in your premises.

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The programme has four distinct stages:-

1. Status audit – a desktop based review of your current (management) systems and the status of your property/properties. This would take place at a location and time convenient to you and does not need to involve any site visits to any of your properties. This service is usually free of charge and may, in some circumstances, constitute all you need to do to comply with the regulations.
2. Initial survey – an in-depth inspection (“Type 1” survey) involving the formulation of a strategy to plan if further surveys are needed. It does not, however, involve taking any samples.
3. Sampling survey (“Type 2” survey) - comprising sample collection, analysis and a risk assessment of the findings.
4. Training – to be tailored to your specific needs.

Bearing in mind the potentially huge cost of a successful compensation claim, this programme is extremely competitive in price. Quotes are available upon request, subject to the size/nature of your business and the make-up of your property portfolio.



DO NOT DELAY – MAY 2004 WILL BE HERE SOONER THAN YOU THINK!

If you would like to know more, please call either Andy Kay/Simon Taylor at our Manchester office or Simon Millar in London in the first instance.

REICH
insurance brokers

Composite panelling - a burning issue

Most property owners will by now have heard of “composite panelling”. Composite panels, sometimes known as sandwich panels, consist of two metal layers, with an insulation core between. As many of our clients will be aware, there is a reluctance by most insurers to offer any form of insurance cover for buildings constructed of certain types of panelling. Some of you will have already experienced difficulty obtaining cover for such properties in your portfolios. Where cover is provided, it can be **very expensive**.

These panels have been used widely in the food industry, as well in general construction for warehousing etc, for many years. It is the specific construction of insulation core, and particularly its fire retardant qualities, that are of concern to insurers, and which will determine their attitude towards premium levels and whether they would offer cover at all.

Below are listed the main types of property together with Insurers’ general views:-

- **Polystyrene (EPS/X)** – most insurers DO NOT WISH TO accept this type of panelling and, if they do, expect premiums to be **very high**.
- **Polyurethane (PUR)** – Insurers are reluctant to offer cover, but we will usually be able to secure a quote through our extensive facilities. However, the cover will still be expensive, albeit less so than for EPS/X.
- **Polyisocyanurate (PIR)** – Insurers will usually accept, particularly if the panels meet the Loss Prevention Council (LPC) standards 1208 or 1181*. Again, however, cover may not be cheap, but less expensive than PUR/EPS.
- **Modified Phenolic/Mineral Wool/Foamed Glass** – usually acceptable to Insurers

*LPC standards 1181 and 1208 relate to the fire resistant qualities of the panelling in question. A panel which is accredited with Standard 1208 is certified to last for at least 2 hours before collapse in a fire, whilst a panel which has achieved standard 1181 accreditation is certified to last for at least 30 minutes.

HOW YOU CAN HELP

To help us obtain the best quotes for buildings with composite panelling, it is essential that we are provided with details of the type of composite panelling used and, in the case of PIR panels, whether they are to LPC approval.

Above all, early notification of the presence of this material in a building is vital, to give us the best opportunity to obtain optimum terms for you. We should, however, stress that cover will not always be available for buildings with pure polystyrene composite panels, and you should ideally check with us prior to purchasing these types of properties. You can be sure, however, that we will try our hardest to get cover for such at the best price possible.

Details of the occupation and processes within the building can be critical in trying to persuade an Insurer to accept a risk, as is full information on the presence of a sprinkler system or internal fire compartmentalisation. A good fire risk management programme will also undoubtedly help.

If you are concerned that you may have composite panelling in your properties, or are not sure about the type of panelling, we can arrange for a specialist survey to be carried out at a reasonable price.

For further information please contact Danny Lopian/Simon Taylor (the Partners), any member of our Property Owner’s Department or Simon Millar, our London Regional Manager.

We always value your opinions so if you have any comments about this issue of Review or suggestions for the next (Spring 2004), please contact Andy Kay or Simon Taylor on 0161 834 8877.

Why the insurance market is still not easy

As you probably know, following a number of, in essence, unrelated events, we have, over the last 2 years, been faced with what was undoubtedly one of the most difficult insurance markets in recent memory.

The result is that, after little in the way of major increases in insurance premiums over many years, in the last 2 years premiums have increased substantially.

There are a number of reasons why the cost of insurance has risen in such a dramatic manner and the main points are as follows:-

- Over the last few years, Insurers have made substantial underwriting losses, only really generating profits on the basis of their stock market investments.
- The UK and worldwide stock markets have dropped substantially in the last 18 months. Insurance is a business, like any other, with shareholder demands. As Insurers can no longer rely on their stock market investments they have had to underwrite for profit.....the result is increasing rates.
- The collapse of the Independent Insurance Co in June 2001 (the biggest collapse of an Insurance Company since Vehicle & General in 1971), and the reduced capacity that resulted, drove costs of insurance provision even higher.
- The catastrophic events of the 11th September 2001 resulted in the largest ever payments by world Insurers, estimated at \$40 billion. This, coupled with increased costs of reinsurance in the market, had a major effect.
- The level of asbestos related claims has spiralled, with Insurers having to put aside major reserves to cover the cost of such claims.

So what are we at Reich Insurance Brokers doing to help minimise the increases?

We are well placed at Reich to help you through this time of spiralling insurance costs, due to our substantial capacity, and our exclusive arrangements with many Insurers. Our aim is to minimise the effects of increased premiums on you and your business. We are constantly looking for the best possible terms for our customers and any premium increases are kept as low as possible.

Non-disclosure - utmost good faith and all that jazz

Okay, okay, it's not an interesting subject to start with but it is something that anyone connected with arranging insurance needs to understand in taking out a policy.

The principle of Utmost Good Faith is a well-established mainstay of insurance law. In essence, if you think about it, when you are taking out a policy of insurance, the only thing the Underwriter/Insurer can rely on is the information you provide. You have a duty to provide accurate and relevant information to Underwriters. **Of course, no Insurance Company can ask every question about every risk in advance.** In most cases Insurers never actually see the property before cover is placed and sometimes only ever get out on site after a loss. In what other business do we expect a risk to be taken on with so little information? To compensate for this, the principle of Utmost Good Faith applies.

The basics of Utmost Good Faith are that you have a duty to provide, prior to the commencement of an insurance policy, all relevant information which may influence an Underwriter in deciding whether to accept or decline a risk. This duty rests squarely with the policyholder. It is not sufficient to simply think that if an Insurer does not ask a question, you need not provide an answer.

This principle is perhaps made even more difficult for our large property owner clients with numerous properties on risk. It is impossible for us to give you a definitive list of all facts which may be disclosable but certainly if at any of your properties there

have been previous incidents of a break-in or vandalism, fire or any type of incident that has given rise to a claim, **you must disclose**. Likewise, you must disclose if you have ever been declined cover by an Insurer. If you do disclose it will not necessarily mean any change to the cover or a higher premium, although this may be the result.



However, we must stress that if you fail to provide relevant information to an Insurer whether at inception (i.e. at the beginning of the policy), renewal or during the course of the policy term, which an Insurer deems material, you could give the Insurers the opportunity to void the policy from commencement. Yes, you may get a refund of the premium but that is all you would get... little consolation after a major fire! You certainly would not get your claim paid. If you are in doubt, our advice to you is always disclose! Please contact a member of our staff for guidance. We are there to help you.

Relocation of our London office

We are delighted to confirm that our London office recently moved to new larger premises in the heart of the West End.

The ever expanding branch remains under the leadership of our experienced Regional Manager, Simon Millar, ably assisted by Rob Criscuoli.

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