

REICH

Review

Contents

The FSA are coming

RICS Property Management Awards 2004

Do I really need to get my buildings professionally valued?

Directors and Officers Liability Cover

Fancy being caught in our web?

Have you sorted out your asbestos yet?

Why you should be insuring your home/car with us

Aren't my tenants my business?

Riskline - a new free service

RICS Property Management Awards 2004

Reich Insurance Brokers are delighted to announce that we have continued our sponsorship of the highly prestigious RICS Property Management Awards, designed to recognise and promote the leading exponents of best practice in Commercial Property Management.

The awards will be presented on 7th July at a luncheon ceremony at the Park Lane Hilton Hotel, London. Over 500 of the top Property Management professionals in the UK will be present.



The FSA are coming... are YOU ready?

Insurance brokers will be regulated by the Financial Services Authority from 14th January 2005. If we are not authorised by then we will be unable to trade - simple as that.

However, if **you** arrange insurance for properties other than your own, and are carrying out what the FSA refer to as a "regulated activity", **you may need to become regulated yourself. This will apply to managing agents, firms of chartered surveyors etc.**

Here's some information to assist:-

Q Firstly, what are "regulated activities"?

A The activities are fairly wide ranging but include the following:-

- Introducing a customer/client to a broker
- Helping a client to fill in a proposal form
- Sending a client's proposal form to a broker, or an insurer
- Recommending a specific insurance policy to a client
- Liaising with a broker on a client's claim and handling the claim in any way i.e. meeting a loss adjuster
- Collecting premiums **before** inception of the insurance contract.....

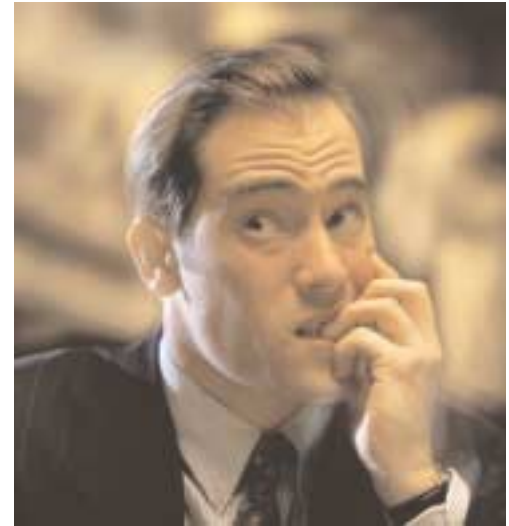
.....there are many more examples

Q What are my options?

- A** (i) Stop carrying out any "regulated activities" and potentially become what is known as an introducer OR
- (ii) If you do wish to carry on conducting "regulated activities":-
- Apply to the FSA for direct regulation
 - Apply for "exemption" under FSA rules
 - Become an Appointed Representative

Q Is applying for direct FSA regulation onerous?

A Somewhat. It will require strict adherence to the FSA rules, covering such aspects as financial standards, senior management controls, approved persons, segregation of client money, minimum levels of professional indemnity insurance and a policy of staff training to satisfy the FSA that your staff are competent.



Q If I choose to apply, what's the timescale?

A If you are applying for direct authorisation you must submit your fully completed application form to the FSA by **13th July 2004 at the latest - yes, this year!! Fail to do so and you cannot guarantee getting approval from the FSA by 14.01.05** - thereafter you would have to cease carrying out regulated activities.

Q What's the Appointed Representative option?

A You would have to persuade us as your broker to take full responsibility for your regulated activities which, in reality, is probably not a realistic option. Talk to us if you wish to discuss further.

Q What other options do I have?

A Become an introducer. You can introduce clients to us and would not have to apply to the FSA for regulation. Speak to us if you require further information.

Q How can we help?

A For further guidance about FSA regulation please contact either our Compliance Manager Andy Kay BA (Hons), ACII, or Simon Taylor, ACII, FCILA, Partner.



0161 834 8877

Do I really need to get my buildings professionally valued?



When buying new properties, most Property Owners rely on a valuation providing invaluable information on the viability of the purchase. In addition, it is usually insisted upon by Lenders. However, in many cases, setting the buildings sum insured is a last minute thought. Granted, the Lender will usually provide a minimum figure they wish the building to be insured for but clients should not rely on this figure - it is simply an indication. The Lender will not be liable if this figure is inadequate.

The dangers of under-insuring a building can be potentially catastrophic with, at best, a pro rata reduction of any claims settlement, regardless of the size of the claim and, at worst, potential for voiding the policy if the under-insurance was so severe as to represent material non-disclosure.

The vast majority of valuation reports give an indication of the buildings reinstatement figure, but typically contain the proviso that this is for guidance only - no guarantee can be given as to its accuracy. The only way to counter this is to specifically commission a valuer/surveyor to carry out a comprehensive building reinstatement survey cost for insurance purposes.

In our view, it is money well spent to have a specific rebuilding valuation report undertaken at day one and then updated on a regular basis. The report should include all the salient areas of the building that will be covered under the policy. This includes boundary walls, fences, car parks, paths, outbuildings, the cost of clearance and debris removal, professional fees and landlord's fixtures and fittings.


Additionally, it is absolutely essential that the valuation report correctly identifies the VAT situation of the building. Where the building is VAT rated, VAT does not need to be included in the building reinstatement figure. However, where this is not the case, VAT must be included and the 17.5% extra should be added onto the building reinstatement cost. We see under-insurance in so many cases because the VAT situation has been inaccurately represented. If you have any queries in this respect, you should contact your usual adviser at Reich, and we will be happy to assist you.

Do not make the mistake of thinking that, once a building reinstatement figure has been advised, there is no need for a

revaluation. As detailed by the RICS chart below, these figures need regularly reviewing and, in our view, a surveyor should reassess the correct building reinstatement cost every two or three years. Also, do not rely on the sum insured increasing generally due to inflation - not all insurers automatically index-link their policies and, in any event, index-linking is not a safeguard against under-insurance.

So, if for example the sum insured on your building was last reviewed in 1999, assuming the valuation was accurate, the current sum insured should now be 13.63% higher. Bear in mind that this is only an estimate and should be seen as such.

Your buildings are often your most valuable assets - you can avoid under-insuring them by following our advice. We have arrangements with surveyors who can carry out a valuation report at a very competitive price and, if you are a building owner/landlord and renting out the property, you can usually recoup the cost of the valuation report from the tenants, as an ongoing charge.

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Percentage Shortfall Table

YEAR SUM INSURED WAS LAST INCREASED	% INCREASE IN REBUILDING COSTS IN THAT YEAR	CUMULATIVE INCREASE REQUIRED TO BRING SUM INSURED UP TO DATE
1993	4.23%	34.26%
1994	2.70%	30.73%
1995	5.26%	24.19%
1996	4.38%	18.98%
1997	1.80%	16.88%
1998	2.94%	17.06%
1999	2.86%	13.63%
2000	3.89%	9.37%
2001	3.74%	6.42%
2002	2.58%	5.40%
2003	2.78%	2.78%

Directors' and Officers' Cover - limited companies read on

If you are a Director of a limited company, we will already have written to you explaining the advantages of Directors' and Officers' liability cover.

Over the last couple of years in particular, the liabilities facing a Company Director have changed beyond recognition. The Hicks report brought the topic further into the news and additional legislation is expected.

We are sure you have heard horror stories about how Company Directors can be held personally liable for actions taken, **but what you may not know is that such liability is unlimited.**

There are many circumstances in which claims can be brought against Directors or Officers of companies, as follows:-

- Shareholders or Directors may bring claims against other Directors if they consider they have acted improperly in their capacity as a Company Director.
- Employees can hold their Managers and Directors personally responsible for acts ranging from dismissal to harassment – for instance, contravening the Data Protection Act.
- Competitors, regulators or the Police can take action for criminal offences.
- Administrators and Receivers can take action on behalf of creditors alleging wrongful trading.
- Corporate manslaughter – Directors of a transportation company were charged with such after a fatal accident where a driver fell asleep at the wheel. They were found guilty of not ensuring that drivers adhered to their required regulations and allowing a lorry to be used in an unroadworthy condition.
- Insolvency – two Directors were found guilty of wrongful trading following failure of their company. One of the Directors had paid off a debt to another company he owned, in preference to other creditors. They were both held personally responsible and liable for over £400,000 of the company's debts – The D & O policy would cover the

defence costs but would not cover liabilities arising through proven fraud or dishonesty.

Can you really afford not to be adequately covered against such potential actions? Are you also aware that if legal action against you proved to be justified, your legal expenses could **not** be reimbursed by your company and would be your sole responsibility?

With so much at stake, we would strongly recommend that all your Directors and Officers are protected by D & O cover. The cost of cover is minimal compared to the protection it affords, with limits of liability ranging from £250,000 to £1M.

For our Property Owner clients, it is just as important to take out full D & O protection due to the increasing potential for actions to be taken against individual Directors/Officers. Individual limited companies may well have only been set up to control an individual property or, in some cases, may be responsible for a larger number of properties. Historically the problem with D & O cover was that insurers would look to charge a specific premium for each individual limited company, making the overall cost of cover expensive. To alleviate this, we have a specific arrangement with a leading insurer, whereby, provided the insurer can see the limited companies are linked in some way to a parent (for example, by common directors), they will be prepared to look at premiums in a sympathetic manner and work out an overall cost total of protection. In many cases, we can even add individual limited companies without any charge at all.

If you require any more information on D & O cover, please contact us. All that is basically required is completion of a brief questionnaire which we can fax to you. Provided the limited company has a positive gross asset value, cover is usually a simple proposition.



**CALL US NOW –
YOU MAY BE GLAD YOU DID.**



Fancy being caught in our web?

When was the last time you looked at our company website? Well, unless you've visited www.reichinsurance.co.uk recently you are in for a very pleasant surprise.

As you will see, we have completely revamped the site. It is now more user-friendly than ever before and contains up to date information about the services we offer and the advice we can provide to you. You can send an email to a member of our staff or download useful forms – there are even maps to help you find out where we are!

We hope you are impressed with the new design and welcome any feedback you may have – please contact Andy Kay at our Manchester office. Happy surfing!



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Have you sorted out your asbestos yet?

Just a reminder to all our Property Owner clients that the all-important "Control of Asbestos at Work Regulations 2002" come into effect in May of this year.

We gave a very detailed resume of the specific and somewhat onerous requirements on Property Owners (regardless of whether there is a full repair lease in force or not) in our Autumn newsletter and, if you have any queries in this respect, please do not hesitate to telephone your usual contact at our office.

We have negotiated an exclusive scheme with a leading provider to assist you in carrying out the asbestos surveys as this is certainly not something that can be left in abeyance.

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

REICH
insurance brokers

Why you should be insuring your home/car with us

Unlike many brokers of our size, we are still actively involved in both Household and Motor insurance. You may be surprised at some of the competitive premiums we can obtain, with the very best of covers. We also specialise in High Net Worth products, with the most comprehensive protection in the market.

There are so many benefits to insuring your most valuable personal possessions through a broker of our standing – for instance, in the unfortunate event you suffer a claim, you will benefit from our support and guidance. You are not going to get this from a supermarket are you?

If you do not already place your Motor and Household covers with us, try us out.

For Household covers, contact Dave Fitton, and for Motor insurance, John Owens, both on our Manchester number.

Additionally, if you are already one of our Commercial clients, you may wish to talk to us about a free facility we offer to help your staff, whereby we automatically check their individual Home and Motor renewals, to see whether the premiums they are paying are competitive. In this day and age, where added value is all important for good staff relations, we have found this offer to be extremely popular.

Again, if you have any queries here, please contact John Owens or Dave Fitton.

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Aren't my tenants my business? Well, not really...

One of the most important rules to bear in mind when dealing with insurers is to disclose all material facts - a topic we covered in our first newsletter last autumn.

Insurers must be told, in the case of Property Owners, of the identity and trade of all tenants. For residential property investors, insurers usually require that let houses or flats are subject to Assured Shorthold Tenancies between the insured and the occupiers, thus ensuring that the Property Owner knows who is living in the property, and, by implication, giving them greater control over the risk.


However, if the tenancy is with a Housing Association or Local Authority, the insured generally has no contact with the occupiers (the terms of the tenancy agreement or lease notwithstanding) and many insurers decline to offer cover in such cases.

It can be difficult to obtain insurance on residential buildings occupied by DSS placed tenants (though not necessarily those people claiming Housing Benefit), Asylum Seekers and, in some cases, students. If your properties are occupied by such tenants the circumstances must be disclosed to insurers,



via ourselves, even if this applies to only one flat within a residential block. You should be aware that cover could be restricted or withdrawn in such instances and, if granted, the premium may increase.

The onus is on you, the insured, to ensure that all material facts are reported to insurers, and if you are in any doubt as to what should or should not be disclosed, always speak to your contact at Reich first. Non-disclosure could lead to the voiding of your policy in the event of a claim, so our advice is to always err on the side of caution.

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Risks are a funny old business – a new, free service for our clients

As an added benefit of being one of our clients, you have access to Riskline, a completely free, telephone based service offering expert advice on a wide range of issues. For answers to

questions on such topics as property, health and safety, engineering and environmental risks just call

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