



REICH

insurance brokers

Review

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A GOOD RECEPTION AT REICH




We have recently created an impressive new reception area at our Manchester Head Office.

Any callers to the office will be impressed by the high-specification décor/fittings, and the new signage featuring our new corporate logo (see later in this newsletter).

Visitors are given a warm welcome by our new dedicated receptionist, Jo Cookson (pictured above).

The new reception area further demonstrates our increased professionalism and dedication to providing an exceptional level of service to our clients. If you have not visited our offices in Manchester previously, why not call in and see us.

 0161 834 8877

IMPORTANT FSA UPDATE FOR OUR PROPERTY OWNING CLIENTS AND MANAGING AGENTS

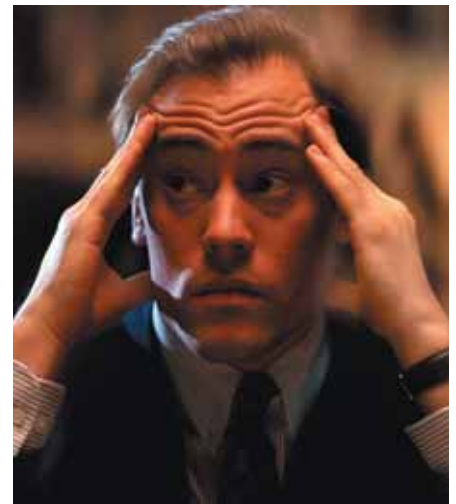
AS you will know by now, it is not only insurance brokers who will be regulated by the Financial Services Authority from 14th January 2005. This could, in some cases, also apply to our Property Owners and, specifically, Property Managing clients.

Fortunately, however, the majority of our clients have, following discussions with us, ultimately found it unnecessary to apply to the FSA, by making arrangements to change the way they handle insurance matters from January 2005.

Although we have been able to offer substantial advice to our clients, we felt it necessary to seek a formal legal opinion from an eminent firm of solicitors, Lovells, on some specific issues which are of critical importance to our property owning/managing clients. In particular, whether a Property Owner who has a specific company to collect premiums and manage the property portfolio would still be able to collect insurance premiums from tenants after renewal, in this company's name, without carrying out any other insurance activities.

Following research, Lovells have confirmed to us that **"...if a Property Managing Agent is not otherwise involved in any insurance intermediation but only collects amounts from tenants and pays those amounts to Reich, it is unlikely to be performing the regulated activity of arranging within the scope of Article 25 and assisting within Article 39a of the FSA Regulations"**.

This is extremely good news. It basically means that clients can continue to collect premiums under the guise of one Property Owner/limited company or Managing Agent providing that they carry out no other regulated activity in their company's name and are able to show that this is the only type of insurance activity they undertake. They will obviously still not be able to instruct us to put buildings on cover, increase sums insured or notify claims in any name other than that of the Property Owner.



Thus, the only activity Property Owners/Managing Agents can carry out, unless they are either regulated by the FSA or are collecting premiums in the name of the actual property owning company, post-January 2005, is the collection of premiums, after renewal or inception.

In addition, it has been confirmed by Lovells that "...receipt of a commission rebate would not constitute a regulated activity. It would, however, amount to remuneration for the purposes of the FSA's 'by way of business test'." This will not be an issue for the majority of our clients.

In summary, from January 2005, we will only be able to take instructions from either those companies who are directly FSA authorised or from the actual Property Owners. We will not be able to take instructions regarding regulated activity (including confirmation that buildings should go on cover, increases in sum insured, notification of claims, etc) from Property Managers, or any other entities, other than where they fall into the criteria discussed unless they are regulated by the FSA.

The FSA regulations are complicated! If you have any queries in this respect, please contact either **Simon Taylor** or **Danny Lopian**, Partners, or **Andy Kay**, our Compliance Manager. We are here to help you.

AT LAST...

A new Legal Expenses scheme for Property Owners

We have been looking at the possibilities of Legal Expenses cover for our Property Owner clients for some time. If you have not got such cover you should really contact us for a quote - it can be invaluable and is cheaper than you think.

For Property Owners, the general issue has been the literal expense of covering all your various assets, often owned by differing limited company names and charities/trusts etc. However, we have arranged an ideal solution with a leading provider of Legal Expenses cover, which includes the following key benefits:-

- 24/7 Legal Expenses Helpline manned by qualified barristers and solicitors who provide you with legal advice without the bills; just like having a lawyer as part of your team.
- A Tax Advice line – there is free access to experienced tax experts, most of whom are former Inland Revenue inspectors
- Full Risk Management Programme – the insurer will help you manage the risks attached to your business regarding tax, staff and legal matters.
- Property disputes with tenants are protected. Basically the policy will protect you for landlord/tenant disputes regarding the possession of property, including fixtures and fittings.
For instance, if your premises are taken over by squatters, the cost of getting rid of them would be covered by this policy.

As you will all be aware, the costs of obtaining legal advice can be quite expensive. One of the biggest problems with ordinary Legal Expenses cover is that when it comes to using your own solicitor, the policy refuses to provide an indemnity.

Our cover is different!

We have an arrangement with our insurer whereby it is possible, in the event of litigation, to use your own solicitor (subject to an excess per claim), meaning that your insurers cannot refuse to allow you to use a solicitor who knows your business well. **A key advantage, we are sure you will agree.**



There is absolutely no limit to the number of occasions you can use the free Helpline or the insurer's services and, for our Property Owner clients, the policy provides cover for all the properties within your portfolio.

Examples of possible claims

- i) Access to a trader's premises was restricted by a neighbouring company's vehicles and deliveries. After some time, it was clear that the obstruction was causing an issue with logistics and causing the trader a financial loss. A solicitor was instructed under the Legal Expenses policy to deal with the matter. The matter was resolved by an injunction and legal fees of £13,000 were paid under the Legal Expenses policy.
- ii) A Property Owner purchased a vacant commercial plot of land upon which to build a new warehouse, however, before construction could begin, travellers moved in. Action was quickly taken and lawyers appointed under the Legal Expenses policy which ultimately paid £3,750 in legal fees.
- iii) On the tax side, in one case the Inland Revenue undertook an investigation into a landlord's disclosed rental income. They concluded that the full income had not been disclosed and the

landlord had a further tax liability to pay. Via his Legal Expenses policy the landlord obtained expert tax advice from an independent tax consultant who represented him at an initial meeting with the Inland Revenue. As a result of this, he successfully defended the allegation and the Inland Revenue agreed further tax was not required. The policy provided for, and paid, the tax consultant's professional fees which totalled £5,820.

- iv) Customs & Excise said that a self-employed electrical contractor had failed to declare the correct amount of VAT due because he had reclaimed VAT on his dwelling house for business use. They demanded an extra £4,210 plus interest. The individual used his Legal Expenses policy to appeal, and the cost of the appeal at £2,200 was borne by insurers.

What Underwriting information is required to take out the policy?

For our Property Owner clients, the situation could not be simpler.

All we need from you is to know the number of current leases in force across your portfolio or, for residential cases, the number of flats in the block. We can then work out a premium based solely on this information, provided that you have not had a claim exceeding £5,000 or more in the past, or more than one legal dispute in the last two years.

We can offer our Property Owner clients the option of taking out this specific Legal Expenses policy designed for their benefit, at renewal, and the premium can usually be added to your annual renewal premium. If we have not asked you whether you wish to take out this cover, please contact us and we will be happy to obtain a quotation for you. It is extremely cheap, bearing in mind the benefits of the cover provided.

Directors & Officers Liability cover for Property Owners... At last simplicity itself!!

You may recall from our last newsletter that we ran an article on Directors & Officers cover, and the importance of taking out this type of insurance, which protects Directors and Senior Officers of limited companies from actions of third parties, including shareholders, competitors, employees etc. Such cover is still relatively cheap to obtain.

The problem in the past for our Property Owning clients, has been the wealth of paperwork needed to even obtain a quote from an insurer. We had initially made things simpler by an arrangement we had with a leading insurer, whereby Property Owners could lump together limited companies under one overall banner and, on this basis, the amount of paperwork/information required to obtain a quote, was much reduced. The situation was still, however, not that simple.

Difficulties arose where an individual limited company had been set up to own one, or perhaps two, properties, and there was little in the way of management accounts available. The insurer, on such a basis, was not able to identify whether the company had a

positive net worth, and the underwriter was regularly asking for copies of accounts or detailed internal balance sheets.

We have recently negotiated a new facility with two major insurers which removes all this hassle and is simplicity itself!

Basically, to obtain a quote, all the Property Owner needs to do is provide us with the following information:-

1. The name of the limited company/companies.
2. The names of the directors.
3. Confirmation that the company/companies have a positive net worth.

The insurers will then rate the policy using the buildings declared value which we can provide to them. It really is that easy!!

This scheme is pretty unique to Reich Insurance Brokers and was devised by us, with two major D&O insurers, to ensure that a simplistic approach could be provided for all our Property Owning/Managing clients, offering the maximum of cover and the minimum of fuss.



We will try to provide our Property Owner clients with an automatic quote on D&O at renewal of their property portfolios, but if we haven't done this please contact us as you should not delay in obtaining this protection.

In this market, if you are a Director or Officer of a limited company, you really must ensure that you are fully insured.

Call us now for a quote!

 **0161 834 8877**

MORE CHANGES AT REICH!

In the last six months, there have been a number of further developments at Reich Insurance Brokers.

Firstly, we have completely redesigned our website - if you have not looked at this recently, try logging on to www.reichinsurance.co.uk

Secondly, we have recently rebranded our corporate identity, and are now referred to as RIB Reich (the RIB, of course, being short for Reich Insurance Brokers). We hope you like the new, modern look which is on our letterheading and all our company literature.

Furthermore, we have produced a very comprehensive brochure, detailing our services. A new first for us! If you would like a copy of this brochure, please call us.

The brochure relates to our exclusive Property Owners, Commercial and Personal Lines products - naturally, we welcome any feedback you may have.

Lastly, we have recruited David Lennon, BA Hons, ACII as our new Claims and Risk Manager. David joins us from Capita Insurance Services, and formally Independent Insurance, and brings with him a wealth of claims experience from various sectors of the industry.

His risk management knowledge will also increase the level of advice and range of services that we are able to provide to you, our clients.

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

Asbestos at work - Judgement Time.



As avid readers of our newsletter you will know that the Control of Asbestos at Work legislation came into force in May 2004. It is critical that Property Owners have procedures in place to ensure compliance.

It may be that you can transfer the responsibility to your tenants but you need to ensure that this is the case. The following court case will be of interest to you as it demonstrates that the authorities are starting to take enforcement seriously:-

"Worcester Crown Court heard how a carpet company exposed temporary maintenance workers to harmful asbestos fibres after neglecting to confirm that a sufficient asbestos survey had been undertaken.

The company had purchased the existing factory and arranged for the maintenance workers to clean the site, therefore enabling them to move in. The workers were not wearing any personal protective equipment so were exposed to asbestos fibres because the wall cladding contained 90% brown asbestos.

When selling the premises, the previous owner had said the building contained no asbestos, although nothing in writing was provided. An independent surveyor had recommended to the new owners that asbestos sampling should be undertaken before purchasing the factory, but this advice was ignored.

The company was fined £100,000 for failing to prevent employees from being exposed to brown asbestos, breaching Regulation 8(1) of the Control of Asbestos at Work Regulations, plus costs of £2,000. They pleaded guilty to the charge and have since spent £160,000 having the asbestos removed."

Taken from the Workplace Law Network
03/11/04 – Steve Shutler.

Property insurers are already starting to exclude asbestos from their Property Owners Liability covers and it is essential that Property Owners have a clear, defined procedure in place to ensure compliance with this act. If in doubt give your usual member of our team a call.

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In the event of a disaster would you sink or swim?

80% of businesses suffering a disaster without the benefit of a Business Continuity Plan go out of business within 12 months of the disaster (source: DTI).

Statistically, a business will face a major business interruption event once every five years – this may be enough to force the company to close down, even if it is properly insured.

How the business responds to the incident will determine whether customers, suppliers, staff and creditors remain confident in the company, thus securing its continued existence. The easiest way to achieve this is to have a Business Continuity Plan (BCP) yet, incredibly, 92% of businesses do not have a BCP.

An up to date BCP enables a business to operate in the confidence that, if faced with a disaster, it will be able to respond in an organised way. It also has the benefit of conveying to all customers/clients that the business has plans in place to ensure its long-term survival.

If your business has not got a BCP you need to act now in order to ensure that you are adequately prepared in the event of a disaster.

How do I go about writing a BCP?

The first step is to identify internal and external risks to your business, assessing the potential effect on the prosperity and survival of the organisation if such risks occurred. Risks in this context not only mean physical risks such as fires and floods

but also commercial risks such as changes in fiscal policy, legislative changes etc. Less obvious risks include the death of a vital member of staff, the failure of a major customer or supplier, a press scandal surrounding your trade/business, or the emergence of a new competitor.

Once the risks have been identified, and their severity assessed, the BCP needs to be written incorporating controls to prevent the most critical risks occurring and mitigating the consequences should other risks occur.

A good BCP needs to facilitate the creation of a crisis management or "Recovery" team and to identify key roles and responsibilities in the event of an incident – it will also contain emergency contact numbers/lists and recovery plans to ensure a swift return to normal trading.

However, despite the fact that the "theory" sounds simple, the reality of producing an effective BCP can often prove difficult and extremely time consuming – but don't worry, we are here to help!

We have access to experts who can assist you in producing a BCP at a competitive price – contact Vin Morris, Andy Kay or Simon Taylor on 0161 834 8877 for more information.

There is also the possibility that your insurers will offer you a discounted insurance premium once your plan is completed. An added incentive!

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