



REICH

insurance brokers

Review

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REICH GO GLOBAL

As the Property market yields continue to fall in the UK, many of our clients are also looking abroad for good investment opportunities. You have only got to read articles in the press to see the potential lure of investing in the new Baltic States, Eastern Europe and the current EU, especially countries such as Poland, Czech Republic, Hungary, Germany and France, not to mention the United States.

The difficulty in the past has always been to obtain insurance cover which replicates that available in the UK, with similar returns.

Reich Insurance Brokers have for a long time been market leaders specialising in arranging insurance for Property Owners, and we felt it critical to have an offering for our clients who are also investing outside the UK.

If you are thinking of investing, or already have property investments outside the UK, we are able to offer you a unique facility. After lengthy negotiations with a forward looking insurer we have managed to find a partner who is prepared to offer a similar insurance policy to that found in the UK, with all the advantages this entails.

The policy is printed and issued in the territory where the property is located but underwritten by the UK insurer. This ensures local control in the event of a claim and, most importantly, that an element of commission rebate is still available.



It really is an exciting new development, which we feel is a first in the industry, enabling us to offer you global protection for your investments.

Importantly, as is the case for our UK clients, we have agreed with insurers that a nominated firm of Chartered Loss Adjusters be appointed across our international accounts. In the unfortunate event of a major loss abroad, you can be assured of the same standard of claims service as you would get in the UK.

So, wherever you own property in mainland Europe or North America, please contact either Danny Lopian or Simon Taylor for more information on how to insure your foreign assets in the UK. We look forward to welcoming you as one of our international customers!

 **0161 834 8877**

TRUST THE EXPERTS WITH YOUR HOME AND MOTOR INSURANCE...

We consider ourselves to be one of the only major city centre commercial brokers genuinely interested in arranging personal insurance covers for our clients.

Despite the growth of direct marketing and the internet, we have seen significant growth in our personal lines accounts over recent years, due to our unique level of expertise

and unrivalled standard of customer service. You will find that the more covers you place with us, the better the premiums.

Many of our schemes allow your most valuable assets to be insured on the same contract, avoiding any areas of inadequate cover and offering the convenience of a common renewal date for everything.

Whatever your needs, large or small, we are confident that we have the right solution.

Call us now for a competitive quote - you won't be disappointed!

Also, you can read all about our exciting new Executive Apartments scheme elsewhere in this newsletter.

PROPERTY OWNERS...

LISTEN UP... DON'T RELY ON THE INITIAL VALUATION GIVEN ON THE PURCHASE OF A PROPERTY!



When was the last time you arranged for a revaluation of buildings forming part of your portfolio? Indeed, have you ever arranged for a professional valuation on a rebuilding basis?

These basic questions are of critical importance to ensure your assets are fully protected, as the market value of a property bears no relation whatsoever to the rebuilding costs for insurance purposes which must be calculated on the full reinstatement costs plus professional fees, VAT where appropriate, debris removal and local authority charges.

A standard lease imposes strict responsibilities upon Property Owners to set the Buildings sum insured on the basis highlighted above. The lease usually states, under a reinstatement clause, that if the premises are destroyed or damaged by an insured peril "the landlord will, with all reasonable speed, seek to reinstate the premises and apply the insurance monies received for this purpose." Furthermore, the clause adds that "the landlord will, to the extent the sums are insufficient as a result of the landlord's own act, neglect or default, **make up the shortfall out of his own resources**".

Thus, if the property is under-insured in the event of a claim and the claim is not paid in

full (i.e. if "average" applies – we talked about the effects of this in Newsletter 1, Autumn 2003) **the shortfall could have to be made up by the landlord**. In the case of a major loss this could have a catastrophic effect on a Property Owner.

Imagine a major £1M fire on an under-insured property where the tenant(s) enforced their rights to make the landlord reinstate and there was a shortfall of hundreds of thousands of pounds from the claim settlement figure. Could you, as the Property Owner, afford to stand such costs? In some cases, it could result in administration! It is thus in your interest to obtain a regularly updated valuation, establishing the full reinstatement cost of the property. We would recommend such at least once every three years.

In addition, Property Owners should not rely on the accuracy of valuations given by surveyors instructed on behalf of lenders, when purchasing a property. Most of these valuations are not intended to provide accurate reflections of the rebuilding costs, and are only an indication. We are aware of a number of cases recently, where the initial building valuation given on purchase has proven to be substantially less than the actual rebuilding cost. In one case, a surveyor provided a valuation recommending a rebuilding cost of just over £5M when, in actual fact, that figure turned out to be over

£8,500,000; in another the valuation was for £40M where the rebuilding costs turned out to be over £70M! Such errors are widespread.

We have the solution for you.

We have an arrangement with a professional firm known as IPS, who specialise in providing rebuilding valuations for our clients. IPS have already carried out revaluations of many of our clients' portfolios and have highlighted **some major elements of underinsurance**. In some cases they have found properties to be as much as 95% underinsured.

Following our experience of the excellent service received from IPS, and to secure the best of deals, Reich Insurance Brokers have recently taken out a minority equity stake in IPS to ensure that they provide a priority service to our clients at the keenest of prices. We are certain you will find their prices to be very competitive indeed, and their principal director is an ex-senior surveyor for a firm of Chartered Loss Adjusters, a case of poacher turned gamekeeper! Who better to ensure you are adequately covered when he has spent much of his career identifying elements of underinsurance for insurance companies/loss adjusters after a claim. Now IPS can use their expertise and work for you, our clients.

As it is the responsibility of the Property Owner to set the valuation, and as this cannot be carried out without the professional assistance of the surveyor, the cost of the survey can usually be charged directly to the tenants. As a Property Owner, you are perfectly entitled to carry out a valuation of your property on a regular basis, and a tenant would be hard pressed to argue the point.

To summarise, our recommendation is to obtain a revaluation of your property, or portfolio of properties, as quickly as possible. There is nothing more important, in our opinion, than insuring for the correct reinstatement figure and to insure for any less could cost you dearly.

If you would like us to obtain a quotation for such, please contact us and we will set the ball rolling.

WHY YOU NEED A PROFESSIONAL MANAGING AGENT

Here, at Reich, many of our clients have large property portfolios, often managed on their behalf by professional Managing Agents, a number of which are also major clients of ours in their own right.

The responsibility of Managing Agents is to maintain properties for the owner(s).

A professional Managing Agent would, as a matter of course, retain a formal contract in place between themselves and the Property Owner but also other relevant documentation concerning the service which they provide i.e. inspection records and maintenance logs.

In the absence of a formal contract (perhaps historically), documents pertaining to the payment of the Managing Agent's service, (invoices etc), must be kept by both parties. Such documentation should be kept safely and for a minimum of three years after an

agreement is ended, due to the period of time in which the majority of claimants have to make a claim.

We at Reich are seeing increasing numbers of public liability claims being lodged against our Property Owner clients involving tripping on pavements, falling down stairs or slipping on loose ground. Many of these can be repudiated if the above-noted documentation has been retained.

We believe that the service offered by a professional Managing Agent is vital. If, as a Property Owner, you do not feel that you are benefiting from such a service, we would be happy to recommend any of the professional Managing Agents on our books to you.

If you have any queries please contact our Property Team on 0161 830 5504.

ALL CHANGE AT REICH...

The last few months have seen numerous additions to our personnel at Reich. We have recruited Paul Gill as an additional member of staff in our ever-growing Property Owner's Department. Paul joins us from Willis and brings valuable experience to the team.

Additionally, David Cannon now forms part of our Claims Team replacing Lisa Shadbolt. David joins us from CIS and brings a number of years' claims handling experience with him.

The strengthening of our team here at Reich is great news for you, our clients, who will see further improvement in our already high levels of service and professionalism.

AT LAST A SOLUTION FOR PROPERTY OWNERS ON LEGAL EXPENSES

For many years we have offered Legal Expenses cover for our commercial clients, however we've never had a simple offering for our Property Owner clients.

Well now we have!

Have you ever fallen out with your tenant to the extent that a complete impasse has been reached? If so, you will probably appreciate the benefits of Legal Expenses Insurance. If not, consider this scenario:-

Our client, a Mr Morris, contacted us to complain that the tenant in one of his properties had been withholding rent. The tenant considered the Property Owner was in breach of the lease by not repairing an internal wall which had collapsed due to lack of maintenance.

Mr Morris visited the premises when notified of the problem and found the wall to be an internal partition wall erected by the

tenant themselves to create a storage area. He explained to the tenant that the wall was theirs and did not form part of the building structure. It had also been poorly constructed and maintained, therefore precluding a claim under the policy of insurance. The tenant disagreed.

Mr Morris tried to reason with the tenant but relations broke down rapidly and it was clear that there was going to be no easy end to the dispute. Luckily Mr Morris had taken out Legal Expenses insurance for this property (at a cost of only £189) and insurers appointed a solicitor to act on his behalf. The tenant appointed their own solicitors.

Mr Morris claimed 6 months rent from the tenants at £30,000 whilst the tenants counter-claimed the cost of demolishing and rebuilding the internal wall at £30,000. The matter was set to go to court, however, at the eleventh hour, Mr Morris' solicitors received a call from the tenant's solicitors saying they were willing to settle. It seems they had taken

counsel's opinion who had indicated it was likely they would lose the case.

Mr Morris received his back rent plus interest within 30 days and the tenants recommenced paying their quarterly rent. His legal costs amounted to £7,500, but it did not cost him a penny. Additionally, under the terms of the lease Mr Morris could recharge the cost of insurance to the tenants who had actually been charged and paid the insurance premium for Legal Expenses cover! We at Reich have entered an agreement with a major Legal Expenses insurer to provide the cover needed, the premium being calculated solely on the buildings declared value. We feel it represents excellent value for money. As you can see Mr Morris spent £189 and saved £7,500. Without the solicitor the matter could also have dragged on and might have resulted in quarter three's rent being withheld, a further amount of £15,000.

Unlike most Legal Expenses cover, with our offering you are even free to use your usual lawyer.

If you would like a quotation please contact us.

 **0161 834 8877**

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.

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DO YOU LIVE IN THE CITY CENTRE? IF SO, READ ON!

THE PROBLEM:

We are responsible for arranging many of the covers for the developers of the new residential developments springing up around Manchester city centre. However, whilst doing so, it has come to our attention that a large proportion of the residents do not hold adequate insurance cover for their own contents. In fact, in many cases they hold no contents cover at all.

Numerous residents are under the misleading impression that the insurance premium element of their service charge includes cover for their own possessions. Regrettably, however, this purely relates to the buildings cover and nothing more.

OUR SOLUTION:

Working with Zurich, one of Europe's leading insurers, we have created an exclusive policy wording for occupants of city centre executive apartments which provides the following:-

- Standard £40,000 worth of contents cover (this can be increased in amounts of £5,000 to suit your individual requirements)
- Accidental Damage cover which includes TVs and stereos
- Cover for any business equipment in your home
- 24 hour emergency assistance in the event of a claim
- Up to 20% No Claims Discount



Our development of this specific facility for executive apartments within Manchester, London and other city centres is further evidence of our ability to provide insurance solutions for the new breed of city centre clients with modern lifestyles.

Call Dave Fitton or John Owens now on 0161 834 8877 to discuss further and to obtain a competitive quote – or visit the dedicated link on our website at:

www.reichinsurance.co.uk/mcc/index.htm

LATENT DEFECTS INSURANCE: IN AT THE DEEP END?

In 1998 the £7m Clissold Leisure Centre in Hackney in London was chosen as one of 12 sites in the UK to represent Britain in the prestigious Millennium building and regeneration project.

At the time, Derek Fatchett, Minister of State at the Foreign and Commonwealth Office said "The 12 projects are prime examples of the excellence of British architecture and design, and of the innovation and creativity which abounds in Britain."

Kevin Crompton, Director of Learning and Leisure for Hackney Council stated, *"the centre is one of the most ambitious inner city schemes in the UK."*

If they were approached today, they may have a different view.

On 26 November 2003 the Centre, which finally cost £31m, was closed indefinitely. It was suffering a number of defects - most notably a leaking roof, cracked walls and warping timber floors. Hackney Council commissioned a report which found "complex and serious defects throughout the building". Further technical investigations are underway. The Mayor, Jules Pipe, said "It falls to me, my colleagues and the present management team to clear up this mess. I am also determined to make sure that whoever is responsible for this is held legally and financially accountable." Strong words, and an indication that a lengthy and expensive legal wrangle is underway.

The real tragedy is that if the Council had purchased Latent Defects Insurance, many of these problems could have been avoided.

This insurance policy would have paid for the cost of investigation and any necessary repairs, even up to the full rebuild cost if that is what was required. The public purse would therefore have been protected.

Latent Defects Insurance provides a 10 year policy for structural defects and waterproofing and is increasingly being used to protect building owners against the costs incurred when something goes wrong. As the legal bill tops £1.5m, and almost £6m has been earmarked for repairs, perhaps Latent Defects Insurance should be one of the first considerations for the building owners.

If you are involved in construction/development, please contact Vin Morris or Chris Lawson to discuss a Latent Defects quote on 0161 834 8877.

REICH
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