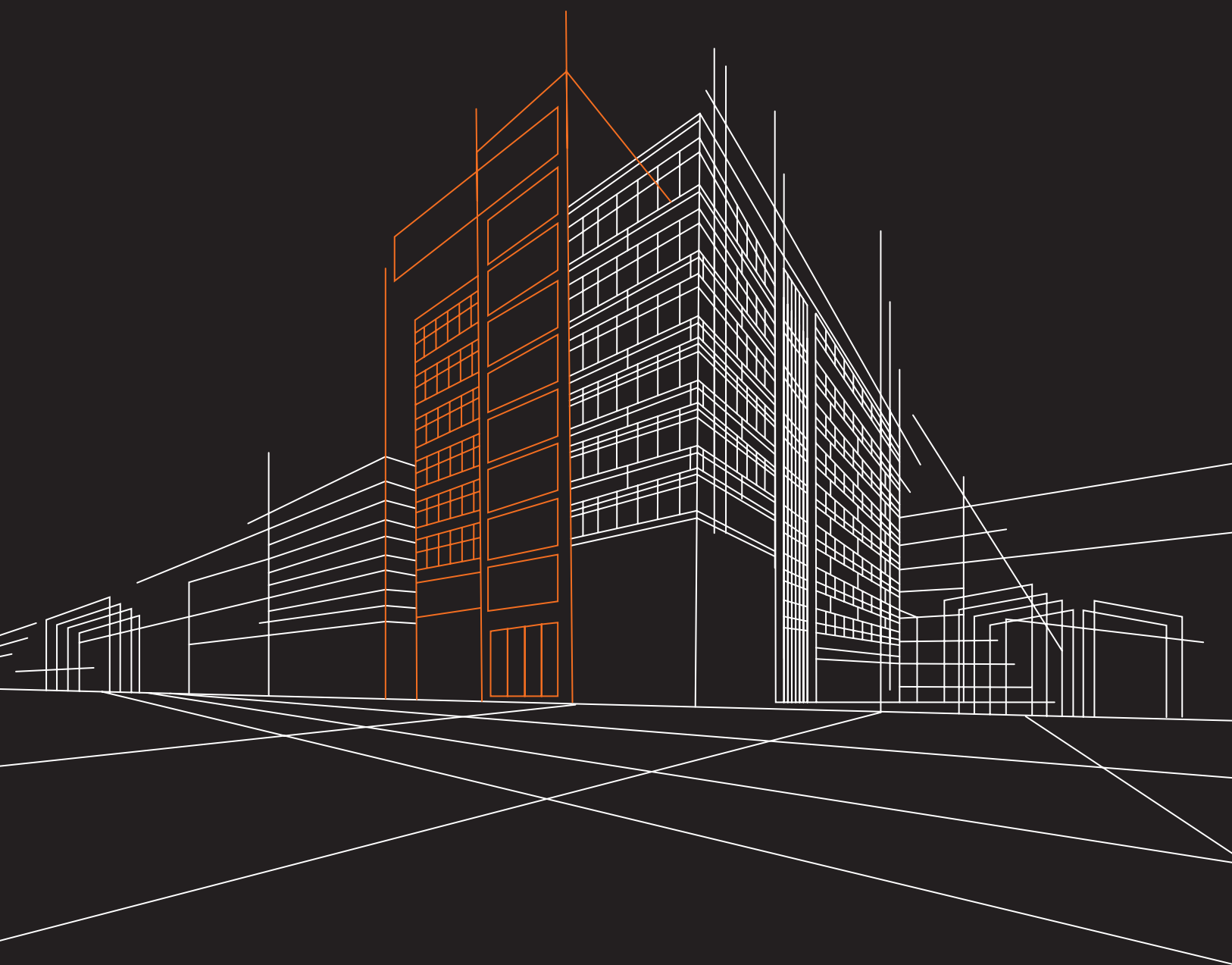

DEVELOPMENT INSURANCE



Bespoke insurance solutions
for property developers

WELCOME TO THE REICH GROUP

Based in Manchester, we are a top 50 UK Insurance Broker* with over 70 years' experience behind us and a combined total of £14.53 billion insured.

As a UK top 15 independent broker, we are large enough to deliver however diverse or complex your business needs are. We also have chartered status through the Chartered Insurance Institute, demonstrating our commitment to professionalism by recognising and reinforcing standards of knowledge, capability and ethical practice.

Remaining true to our independent roots, we pride ourselves on responding quickly, accurately and competitively to the individual needs of our clients, providing a range of insurance solutions for a number of specialist markets, including construction.



UK top 15 independent broker



Trust in our experience



24/7/365 personal service



UK leading independent property specialist

CONSTRUCTION & DEVELOPMENT SECTOR

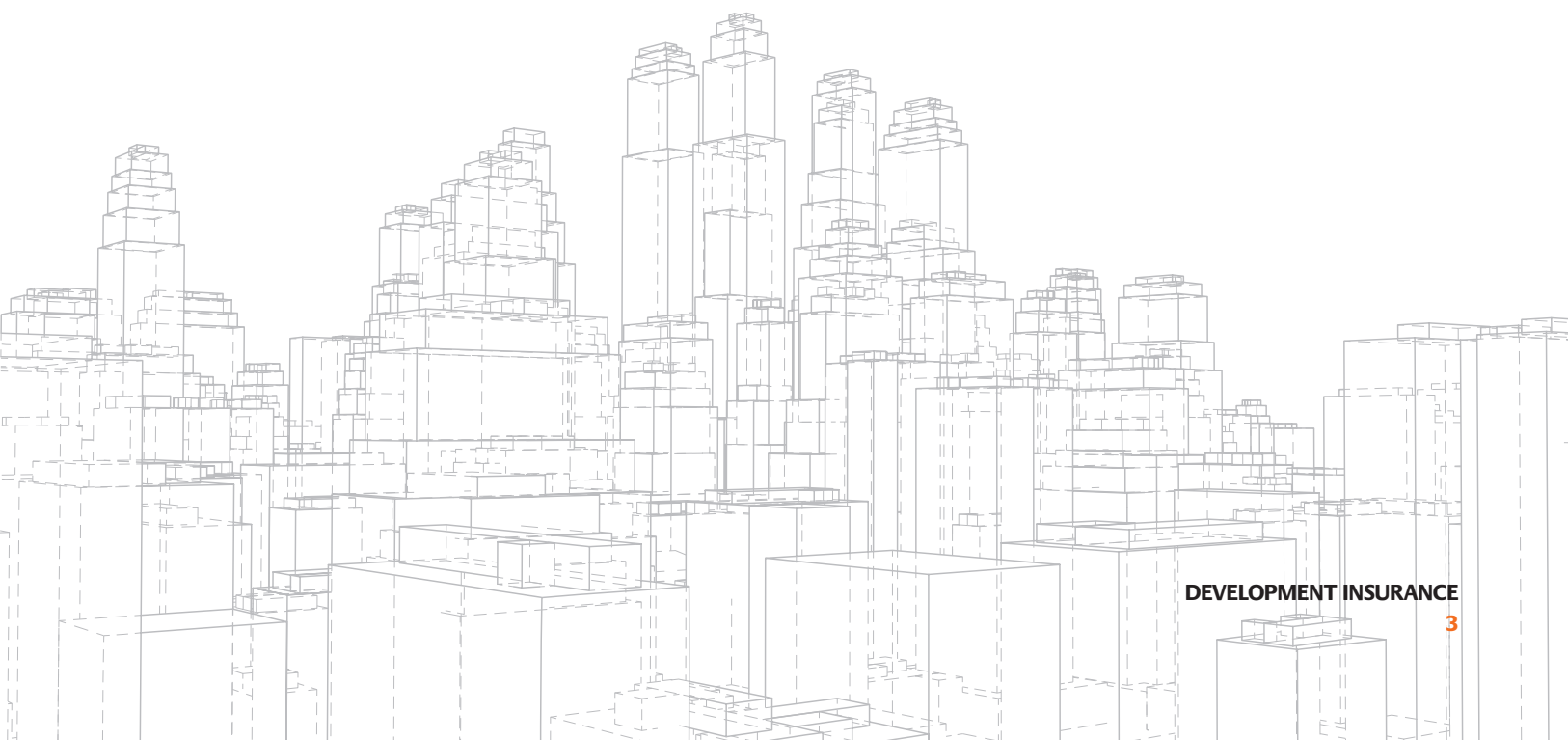
The UK Construction sector is arguably one of the most important industry sectors in the economy. Construction output in the UK is more than £110 billion per annum and contributes 7% of GDP (Government Construction Strategy May 2011). The industry accounts for approximately three million jobs, around 10% of the total UK employment, so it is no surprise that the insurance arrangements for businesses within this sector can be complex.

We see time and again that insurance is being handled by multiple parties, which can become disjointed and somewhat confusing. With your broker looking after your overarching insurances, your solicitor providing the Legal Indemnities, your surveyor arranging the Right to Light insurance, your property agent looking after your property portfolio and your project manager arranging the Structural Warranties, getting a firm grip of your insurance placement strategy can be a very difficult task.

If this is your current strategy, then you could be providing the same information several times, with those looking at site-specific insurances not communicating efficiently with those who are looking at annual covers. Third-parties arranging insurances on your behalf do not understand your business and what covers are in place already, so you are at risk of not being covered adequately, or even dual insurance, which is often not cost-effective.

Insurance cohesion

We have a team of experts in one brokerage, in one office, that can service the entire UK to bring a cradle to grave insurance offering, from acquisition of land, throughout construction, right through to practical completion and beyond. We do not believe in a one solution suits all and instead have created a bespoke offering, tailored around each client's unique requirements, often based on a simple application process.



LEGAL INDEMNITIES

We provide specialist Legal Indemnity solutions from all of the market providers, which protect lenders, property owners and developers against third party claims, arising from problems affecting the title, use or development of land. These include:

- ▶ Breach of planning/building regulations/listed buildings consent indemnity
- ▶ Restrictive covenants
- ▶ Defects in title, including loss of deeds
- ▶ Possessory title
- ▶ Lack of adequate access and/or services
- ▶ Deed of gift/transactions at undervalue (Insolvency Act 1986)

- ▶ Easements
- ▶ Judicial review and other planning and building regulation issues
- ▶ Search indemnities
- ▶ Breach of warranty (portfolio sales)
- ▶ Chancel repair
- ▶ Trust & probate i.e. missing beneficiary
- ▶ Lost documents i.e. lost share certificate
- ▶ Leasehold problems
- ▶ Flying freehold
- ▶ Bespoke wordings
- ▶ Other niche products are available upon request

We can arrange cover with limits in excess of £200 million, allowing us to accommodate all sizes of contract and risk profiles.

As an independent broker, we can carry out a detailed market analysis, without being tied to one provider. Whether the problem is straightforward or a complex matter possibly affecting a property transaction, our team of experts guarantee to find you a bespoke and comprehensive solution.

For the more straightforward cases, we have an online portal which enables you to:

- ▶ Acquire quotes from up to four leading insurers, in under 60 seconds
- ▶ Combine up to four risks in one quote/policy
- ▶ Access over 30 common policies
- ▶ Access limit of indemnity up to £25 million

RIGHT TO LIGHT

Right to Light is a form of easement that gives a long-standing owner of a building a right to maintain a certain level of natural light received through specified apertures of a building.

Right to Light is based on the Ancient Lights Law and is usually acquired under the Prescription Act 1832, occurring once light has been appreciated for at least 20 years of continued use. To determine what is considered 'sufficient' light, experts use a method initiated by Percy Waldram in the 1920s, which suggests that a person requires a certain level of illuminance (0.2% sky factor), the same figure is applied by the courts.

It is advised that a developer should seek specialist advice in the event that their new development has the potential to impair the light being received by a neighbouring property. Whilst a small loss of light may only result in monetary compensation, a significant infringement may give the neighbouring property owner the right to seek an injunction to have the development reduced in size or even partly demolished post-completion.

The Court's attitude towards attempts to stop or materially restrict developments due to rights of light by the grant of an injunction has fluctuated over the past decade. In 2011, the Courts showed a greater willingness to grant injunction but in the past few years, the pendulum has swung back in the direction of granting damages in lieu of an injunction, favouring development over private property rights.

The key advice for developers is to consider Right to Light issues at an early stage, which will include obtaining appropriate surveying and legal advice. In addition, Right to Light indemnity insurance policies are available to protect you from the risk of potential future claims.

These insurance policies can help enable developments to proceed without possible delays. They also protect developers by reducing various potential costs and diminution in value associated with a legal claim and any consequences of its outcome.

What's covered?

Every scheme is unique in its own rights and as such, each policy is tailored accordingly and can look to include:

- ▶ Legal fees
- ▶ Financial settlement (damages)
- ▶ Delay costs
- ▶ Loss in land or asset value
- ▶ Loss of gross profit
- ▶ Loss of rental income
- ▶ Limit of indemnity with an indexation
- ▶ Neighbourly matters

LATENT DEFECTS & STRUCTURAL WARRANTIES

Latent Defect Insurance, also known as a structural warranty, offers protection for any inherent defects of construction projects caused by failures in design, workmanship or materials, which may not become apparent or readily detectable (even with the exercise of reasonable care) until many years after completion of the project.

Policies can be provided for both new build and conversion developments and usually run for 10 or 12 years (often with an initial two-year developer liability period). Cover can be provided for several development types across various fields, including commercial, residential, private rental and housing association developments.

Why take out a Structural Warranty?

- ▶ Most UK mortgage lenders insist on a warranty from a recognised provider before lending on any property under 10 years old
- ▶ A credible policy will assist with the sale of a new home as it provides peace of mind to the new purchaser, as they are covered too

- ▶ All providers will conduct their own risk management service, with the sole purpose of identifying potential defects before they occur
- ▶ Building defects can dramatically impact asset value. A Structural Warranty completely mitigates the risk as the policy would cover the applicable defects
- ▶ Despite there being no regulatory requirement, lenders and financiers are keen on cover being arranged on certain schemes
- ▶ Removes the time delays and legal costs in proving fault or negligence of a defect
- ▶ Unlike collateral warranties and professional certificates, the insolvency of the construction or professional team won't affect the cover
- ▶ It provides an exit strategy for investors as it will enable the sale of residential units after a change of strategy within the first 10 years
- ▶ Has the ability to provide tenants with a certain level of additional cover

How Reich can assist

- ▶ We have a single proposal form
- ▶ We have strong relationships with all the major warranty providers
- ▶ We provide an independent comparison and advice
- ▶ We work with your preferred providers to get pre-agreed rates where applicable
- ▶ We offer flexible solutions in respect of payments which you would not be able to obtain by going direct

SITE-SPECIFIC INSURANCES

Insurance requirements on site are often dictated by your Joint Contracts Tribunal (JCT) contract. Where some will understand the needs of certain areas, there are several key points that are insured incorrectly or missed altogether. We work closely with your funders and interested parties to ensure the cover is put on the correct basis, to ensure you meet the insurance requirements stipulated in your contracts.

Contractors All Risk

Contractors All Risk provides cover for the material damage and losses to the new works on-site or in transit to and from the site. This is a joint named policy to be taken out by either the contractor or the developer (employer) as stated in the JCT contract. Having the policy on a standalone basis allows the cover to be extended to include delay costs following damage or material loss, as well as existing structures (where required) on the basis in accordance with the requirements under JCT. Even if these extensions are not required, individual site-specific policies are often more suitable where a company has only been established for the purpose of the build, or the project is of a significant size where premiums can be more accurate with some key extensions.

Liabilities on Site

It is often a requirement for the contractor to take out the liabilities on site. However, for larger projects, that have a large number of contractors on-site at any one time, a claim can become riddled with grey areas and concerns. A developer (employer) can take out a liability policy to cover all parties, which helps to mitigate these issues. Although these costs can be expensive, it can often be rescinded from the insurance costs which contractors charge as part of their tender process.

Non-Negligence Liability

Often known as JCT 6.5.1 cover due to its clause number in the JCT contract, this policy protects the developer's (employer's) strict liability to surrounding properties as a result of the work on site. Whilst some expect this to be covered automatically within the other policies, it is generally only covered for a few weeks and a specific policy is required at each location, due to the underwriting requirements around the policy.

Contractors Pollution Liability

Whilst this is not usually a requirement under the JCT contract, it can be a requirement by the local authority. However, we are witnessing an increasing number of claims, whereby the contractor and the developer (employer) are both jointly facing actions brought against them following pollution from a construction site. Although a JCT contract may put the responsibility on the contractor for some of these eventualities, a standard liability policy is unlikely to cover these.

Surety Bonds

Often, there are contractual requirements for certain Bonds including Retention Bonds, Performance Bonds, Payment Bonds and Road & Sewer Bonds. These vary between parties as to who is responsible for arranging and we have a bespoke team who can work with you to arrange each class of Bond accordingly.

ANNUAL CONSTRUCTION INSURANCES

Some insurances can only be covered standalone, some on an annual basis and some can be either, but often your individual needs will determine which option is more suitable to you.

Liabilities

Employers' Liability is a legal requirement and is often missed when setting up a Special Purpose Vehicle (SPV), with multiple Directors, labour only sub-contractors and temporary staff.

Third-party Liability in the form of Public Liability and Products Liability can be placed on an annual basis to cover your exposures anywhere in the UK.

Contractors All Risk (CAR)

Where contracts are of a small and similar basis, then a blanket Contractors All Risk policy across all sites in a 12-month period is often the more suitable route.

Professional Indemnity (PI)

PI covers claims for errors and omissions in your professional services. This cover is often missed by developers as it is assumed that all professional exposures are on the third parties. However, developers still carry considerable exposure. Our in-house experts can help ensure all of your exposures are protected.

Directors' and Officers' Liability (D&O)

One of the highest sectors for D&O claims in recent years is in the construction sector. Following the significant collapse of some high-profile contractors, developers have found themselves facing individual claims from investors, suppliers, contractors and others, meaning Directors' and Officers' Liability is arguably more important now than ever.

Crime

The construction sector is one of the most targeted for crime in the UK. Yet a surprisingly low proportion of construction companies in the UK purchase the insurance or are even aware of the cover that is available. Traditionally the predominant exposure is from theft by own employees and contractors hired. Typical losses include payments to false vendors, excessive ordering of materials and fraud. Technology and legislation are creating new threats in the construction sector as all this technology can be used by criminals too. Increased data which has a price for cyber criminals to exploit. An annual crime policy can help protect you from these emerging and traditional threats.

Cyber

Building Information Modelling, Telematics and Project Management Software are just some of the examples of how the construction industry has become more connected and dependent upon the internet and remotely accessed solutions in recent years. However, all of this growth creates more opportunities for hackers to launch a cyber-attack in the construction sector. Construction companies have a wealth of data and documents upon which they are reliant, making them an ideal target for a hacker. A Cyber Insurance Policy could help protect the business from such threats.

PROPERTY OWNERS

From large-scale developments to select portfolios of buy-to-let properties, initial design to occupation and management, we are experienced in all aspects of property insurance and our understanding, insight and expertise offer true peace of mind.

Whether you own a few properties or are part of a more corporate organisation, a property manager, or a tenant group seeking expert advice through the entire Right to Manage (RTM) process, we can help. Our unique access to a wide range of insurance markets, together with our own bespoke branded policy wordings from major, blue-chip global insurers gives us the capacity to develop solutions tailored specifically to your individual needs.

Whatever level you operate within the property market, we're your ideal property insurance partner. One that can provide the support, clarity and reassurance to become a cornerstone of your business. With bespoke wordings and many extra covers provided at no added cost, our policies include:

- ▶ The cost of reinstating your property in the event of loss or damage
- ▶ Any loss of rent if your property is rendered unusable following an insured event, or the cost of comparable alternative accommodation for your lessees, while your property is repaired
- ▶ Any claim against you as property owner for third party injury or damage
- ▶ Contract Works insurance up to £1 million
- ▶ Eviction of squatters
- ▶ Reinstatement to match
- ▶ Theft by persons lawfully on the premises
- ▶ Capital additions
- ▶ Party wall cover
- ▶ Loan and facility agreement cover for your lender
- ▶ High limit for loss of rent/alternative accommodation for residential properties
- ▶ Notifiable disease
- ▶ Prevention of access

Exclusive Terrorism facility

We also have an exclusive Terrorism facility with underwriters at Lloyd's which includes the following benefits:

- ▶ No requirement for Government to declare an official terrorism event
- ▶ Includes sabotage
- ▶ Covers nuclear, chemical, biological and radiation
- ▶ No requirement to cover every property you own
- ▶ Competitive premiums
- ▶ Loss of rent can be included

OUR PROPERTY CLIENTS

Property Owners

A large number of our clients fund the purchase of their commercial property with a facility from a lender. This facility agreement clearly sets out the insurance requirements, and any breach of the terms will likely result in forfeiture. It's the reason we offer products that are specifically designed to meet your every legal obligation.

Commercial Property Managers

If you are responsible for arranging the insurance of your client's commercial property, it is imperative that you follow the correct procedure as your client could seek legal redress for any losses they suffer as a result of any shortfall in the insurance claim settlement. Equally, the tenants could also pursue a claim under the terms of the lease. We're aware of your obligations and can arrange cover that fully protects you and your clients.

Residential Property Managers

We understand that you require the most competitive premiums available, with comprehensive cover supported by a personal, individual service. Remember, it is imperative that you follow the correct procedure as your client could seek legal redress for any losses they suffer as a result of any shortfall in the insurance claim settlement. We specialise in residential properties of all types and can meet the need for products tailored to your specific insurance requirements.

Fund Managers

Highly experienced in protecting the assets of property funds, our team of specialists can provide an expert personal service to ensure any issues are resolved quickly and efficiently. Comprehensive cover can be arranged to guarantee that, in the event of loss or damage, no costs are incurred by the fund that would be detrimental to investor returns. Competitive premiums minimise cost and maximise returns. Finally, our policy wording includes a unique basis of claims settlement that gives the fund manager the flexibility to opt for a full cash settlement. When an asset has been substantially damaged or destroyed, liquidising the asset to invest elsewhere by securing a cash settlement is a huge benefit.

Right to Manage (RTM)

While giving leaseholders the opportunity to take control of their property, forming a RTM company also comes with very real responsibilities, including the cost of insurance and maintenance. Delivering exceptional value for money, and priceless advice on the most comprehensive, competitive covers available, we can ensure that if the worst happens, the costs will be recoverable from the Insurer and not fall back on the lessees. We can also provide many extra covers at no additional cost.

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Insurance
Healthcare
Private Clients
Life
Construction

