



The Adviser

SPECIAL BULLETIN

A TAYLOR PATTERSON PUBLICATION

Are you adequately protected?

Insurance protection for property owners

Property owners and landlords including Trustees need to assess an increasing number of factors when arranging insurance cover for property that they have invested in.

It is a matter of great priority to set the correct sum insured from inception of a policy, through to renewal date and annually thereafter.

All property owners should remember that their chosen reinstatement value should include debris removal costs and professional fees that, typically, can add 20 per cent to the overall figure. The ability to recover VAT on rebuilding and repair costs should also be taken into account when choosing the correct sum insured, and use of a RICS qualified surveyor is strongly recommended.

Most property owner package insurance policies will include an element of rental income and property owners' liability protection. In terms of loss of rental income following damage to the premises, a minimum indemnity period of 36 months should be purchased, and the policy should provide an automatic uplift in relation to mid-term rent reviews.

Property owners' liability needs to be considered with a minimum limit of indemnity of £2 million for any one incident, and both rental income and property owners' liability should be extended to cover losses arising from

legionella where air conditioning units are present.

Another consideration in relation to buildings protection is the extent of cover provided by the policy. It should be remembered that not all 'package' policies include subsidence cover as standard, and terrorism coverage now has to be purchased by payment of an additional premium.

Property owners' insurance requirements are never static. For instance, they may alter as a result of changes in legislation such as the The Landlord & Tenants (Covenants) Act 1995 which deals with liabilities for previously owned properties under privity of contract. Such responsibilities can (subject to certain conditions) be covered under a property owners' policy by means of a special extension to cover.

All property owners need to consider their own circumstances and the risks they face arising from the ownership of their properties. The cover they purchase should be bespoke because very often a simple package cover that has not been tailored to their needs can, quite simply, be totally inadequate.

Other considerations for the property owner

In addition to protection for their buildings, rental income and against their potential public liability exposure, property owners may also need to consider other covers:

✓ Statutory Inspection, and Engineering Insurance for Engineering Plant.

Steam boilers and certain types of hot water boilers require inspection every 14 months by law. Passenger lifts require statutory inspection every six months.

Insurance cover is available for sudden and unforeseen damage (including breakdown) and loss or damage to property resulting from explosion or fragmentation.

✓ Premises Pollution Liability Insurance

Landlords may wish to insure against a range of losses that could be incurred as a result of the discovery of pollution conditions at their premises, including sudden and accidental as well as gradual pollution.

✓ Employers' Liability Insurance

Statutory Employers' Liability Insurance coverage is required for all landlords' employees such as maintenance staff.

✓ Directors & Officers Liability Insurance

Cover can be purchased to protect all Directors of those companies that own property which have limited liability or limited liability partnership status.

The Insurance covers costs arising from personal liability incurred whilst acting as a Director or Officer of the company. Similarly, cover is available to committee members of Residents' Associations.

✓ Contract Works Insurance

During periods of renovation or extension of properties landlords may have a responsibility to insure the works and building materials until such time as the works are completed.

In these circumstances a contract works policy would fulfill these requirements.

✓ Latent Defects Insurance

Owners/developers are able to insure against damage to new build property resulting from latent defects. A cover is normally taken for 10 years following practical completion and needs to be arranged prior to construction.

If you would like advice, a quotation or to review your property owners insurance arrangements please contact our office on 01772 555073.



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