

# Covernotes



## Attention all landlords: '10 of the best' available for you

**Finding relevant and pertinent insurance protection for commercial and residential properties can be a struggle for landlords, but as your broker, we have access to market leading cover offering all that a landlord requires.**

We can help landlords navigate what can be a huge issue – the potential trap of the sum insured and the insurance law of 'average'. Now it is possible to steer clear of the pitfall of underinsurance, if an RICS-accredited chartered surveyor's professional valuation is provided when policy cover is taken out.

This cover rightly lays claim to offering '10 of the best' – elements that landlords have previously struggled to find in a commercial or residential landlords' insurance policy, or for which an extra charge has typically had to be paid, making our exclusive option well worth considering.

Automatic accidental damage cover and subsidence cover are offered as standard – the latter being a real bonus after last year's heatwave and drought.

Another key area ticking a landlords' box is rental income protection, providing cover for lost rental income should

damage occur before a new tenant moves in. Any costs incurred in housing them elsewhere will also be picked up as per the policy details.

There is not only protection for fixtures and fittings, outbuildings and annexes, but also for components of the property, such as walls, fences and car parks, and those more likely to be found in a high net worth rental property, such as a tennis court.

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Scenarios such as flood, lightning and explosion are covered, along with theft cover and tenant damage protection. Whether property is damaged by a leakage of oil, or an infestation of

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vermin, we can ensure you will have cover for the agreed cost of repairs and reinstatement.

The exclusive arrangement to which we have access also protects landlords against outbreaks of infectious diseases within a mile of their property, which might render their properties impossible to access. Up to three months' rent will be covered if that is the case.

Costs incurred via the legal obligation to recycle items that have been left at the premises by fly-tippers can also be claimed. Should a landlord with a portfolio of properties accidentally forget to name one property, that is seen just as a natural mistake.

Whilst landlords' covers continue to focus on practical losses, such as the provision of replacement keys and modern-day issues such as unauthorised occupants and the utility bills they may rack-up, the world of landlord insurance is also embracing less tangible losses.

Reputational damage is one of these and our exclusive option offers up to £2500 of PR support to handle a media crisis and carefully manage a landlord's image.

Such covers provide a real step-up for landlords who need wide-ranging coverage for their property. Discovering how this can protect your portfolio can be done in just one phone call, so contact us now.



## Insurers demand transparency with regards to bankruptcy

**Within the last nine months we have seen a stark warning, which those declared bankrupt in the past, or those considering this as a course of action in the future should heed carefully, given the potential impact it may have on their insurance status.**

In May 2018, one of Britain's biggest insurers, Aviva, rejected a £1.8m fire damage claim after a Cheshire care home was allegedly set alight by vandals. The claim has thus far been declined on the basis Aviva claim a director of the claimant was an undischarged bankrupt.

Aviva believes that in reality, the person the claimant describes as a "self-employed consultant" was actually in a position of authority, being solely responsible for the company's business in the UK. It has, therefore, rejected the claim because that individual was declared bankrupt in October 2001

but continued to act as a co-director of another company, which then went into liquidation in April 2010, making him an undischarged bankrupt. Aviva also alleges he has a history of failing to disclose material facts. The case will go to trial between November 2019 and February 2020.

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What this case does highlight, whatever the final verdict, is that bankruptcy is a status which must be declared to an insurer,

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as failure to do so could result in a claim being declined. Hiding bankrupt directors behind-the-scenes as shadow directors will make no difference. Insurers will often refuse to insure a business run by an undischarged bankrupt and may take the same view when it comes to those with County Court judgements, High Court judgements and/or criminal convictions to their name. Failing to declare such matters can be a huge financial mistake which will probably result in a declination, should an insurance claim have to be made.

Whilst the Rehabilitation of Offenders Act 1974 is more lenient in deeming when a crime is "spent", a status of bankruptcy lasts 'forever' in the eyes of many insurers. A broker should not assume a client has no history of bankruptcy. The specific question needs to be asked and an honest answer provided on the insurance proposal form.

Bankruptcy of individuals has risen, as Individual Voluntary Arrangements to pay off debts have declined. If the company sector follows the same trend, there could be many businesses jeopardising their ability to find insurance and then receive pay-outs on such insurance, if a claims scenario emerges.

This issue is extremely pertinent at present. In Q3 2018 there were 4308 companies entering into insolvency and voluntary liquidations were at the highest level since Q1 2012, with these comprising over 71% of all company insolvencies. Particularly hard-hit were the construction industry, wholesale and retail and businesses involved with motor repairs.

Whilst a good broker will ask the question about bankruptcy and listen carefully to how it is answered, all clients should ensure they probe the backgrounds of their directors and shadow directors extremely thoroughly. Leaving things to chance, or assuming insurers will not launch investigations into a director's background could be a costly mistake to make. Transparency is key.

We are here to help you ensure you do declare all material facts and to source insurance that will protect you. If you are ever uncertain whether something is a material fact or not, please do get in touch with us to discuss it further.

Sources:

<https://www.insurancetimes.co.uk/aviva-rejects-185m-fire-claim-because-man-was-bankrupt-/1427244.article>

<https://www.insurancetimes.co.uk/aviva-hits-back-in-ongoing-185m-fire-claim-court-battle/1427778.article>

<https://tradingeconomics.com/united-kingdom/bankruptcies>



## PI Insurance placement gets tougher

**Facing exacting questions at renewal is proving the order of the day for firms seeking to renew their Professional Indemnity (PI) cover, particularly for design and construction businesses. Brokers need to respond to this by being more alert than ever to the requirement to ask the pertinent questions to which insurers expect answers.**

Acting in the client's best interest entails gathering as much information about previous contracts handled by a company as possible. Brokers should be asking clients to go back through their files to examine past projects, including a review of materials and processes where appropriate, in the light of what happened at Grenfell Tower.

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Terms offered by PI insurance markets have typically hardened as a result of the sizeable underwriting losses incurred and anticipated because of Grenfell. PI insurance policies operate by providing retrospective cover – covering projects in the past that have been handled by the insured – as well as cover for current-day projects and those being handled in the future. Professional errors leading to a claim can occur several years before they actually manifest themselves. Insurers are therefore keener than ever to know what work has been carried out in the past and to assess the risks these could carry, for example, understanding what type of cladding, façade and panelling materials were used.

Some insurers no longer have the appetite for PI risks, so have withdrawn from the market altogether. This is not surprising. Lloyd's and London Markets made a £2bn loss in 2017 and PI was an underperforming class. One underwriter – Berkshire Hathaway – made its first loss in 15 years. Those insurers remaining are getting tougher on PI policyholders, by restricting cover, hiking premiums, increasing excesses or asking for elements of self-insurance.

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### Over a third of claims result from errors made by third parties...

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Brokers who are being asked to place PI risks on behalf of construction companies, architects and consultants, need to be on their toes. They must provide insurers with the full picture, however unpalatable it may be, highlighting the retroactive date of the policy and what historic projects need to be covered.

Naturally, insurers are nervous about large claims appearing on the horizon. They are even asking brokers to go back 15 years – not the typical five or ten – declaring all material facts relating to projects carried out in the past, on which their clients could have offered advice, design specifications, inspection or supervisory services, or consultation.

Insurers want to see that businesses have systematically audited previous installations, to ascertain what they used in

the past does not now present a fire risk. They also wish to reassure themselves that buildings such as schools, hospitals and commercial premises – and not just high-rise residential tower blocks – are not at an increased risk.

Furthermore, insurers need to know whether or not the proposed insured has been asked to remove any potentially dangerous materials from any sites, or whether any concerns have ever been raised about materials used in the past.

Both clients and brokers need to be giving themselves a long lead-time to deal with a PI renewal, as renewing a policy or finding a new insurer to take one on could easily take two to three months with all the additional information required to be sourced and provided. Whilst much of the spotlight is on the construction world, others looking for PI cover such as lawyers and accountants, also need to get in contact with their broker some way ahead of the date from which they require cover, or when a policy is due to be renewed, for the same reasons.

Not declaring material facts relating to a risk could land a client in serious financial trouble. Any circumstances known at the inception of a policy, undeclared to the insurer, can result in a claim being refused. It is also essential to get the retroactive date right, as any claims arising from work carried out, or advice given before that date will also be turned down. From our data analysis, the average time it takes for an error to be discovered is 1171 days, but some errors go back much further.

Over a third of claims result from errors made by third parties, so the audit of what has happened in the past needs to cover the actions and materials choices of sub-contractors who carried out work in the main contractor's name.

Having a broker assist by probing and asking the right questions is probably vital for many who are seeking PI cover in the construction and design sectors. Contact us now to find out more about how we can ensure you get the correct cover to meet your requirements.

Sources:  
Willis Towers Watson PI Flyer: Property Cladding  
Willis Towers Watson PI Webinar – Construction Professional Indemnity Insurance, January 2019, A Brief Guide





## Do not let fate ruin your fête

**In 2018 Britain had that rarest of things – a heatwave – but it may come as some surprise to learn that it still rained 40% of the time and on 147.4 days last year. In August, regarded as the height of summer, raindrops fell on 13.2 days.**

Whilst precipitation can be irritating for those holidaying, it can result in financial loss for event organisers. Those hosting indoor or outdoor exhibitions or events face a whole range of circumstances that could lead them to be out-of-pocket or sued or prosecuted. For this reason it is advisable for organisers to get protection in place from day one of their event planning.

This advice applies no matter what size the event and regardless of whether it is a national music festival or a local village fête. Insurance cover is available for all manner of celebrations, sports fixtures, member-focused shindigs, farmers markets, county shows, exhibitions, conferences and voluntary fundraisers, to mention just a few. A number of insurers offer protection and policies which can be tailored to the needs of the specific event, making it relevant and affordable.

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Cover tends to fall into three categories – protection against cancellation due to weather and other circumstances, property and money protection, and legal liability cover (public and employer liability).

Cancellation is not all about the weather, there are numerous reasons for calling the 'do' off. These can range from the non-appearance of a key guest, celebrity, act or speaker, to an event having to be called off to respect a day of national

mourning. Some policies will also allow an event organiser to add in terrorism cover.

Property at the event can be at risk of damage or theft, whilst takings and money set aside for wages need to be protected, to avoid the financial loss that could occur if these sums were stolen.

On the liabilities side, there is always the risk of staging, props or equipment injuring a member of the public or damaging their property, which is why public liability cover is essential. Those employed to erect displays, lighting, backdrops, stands or other features required at the event, even if only taken on as temporary workers, legally need to be protected by employer's liability insurance.

Any size event is vulnerable to an incident that results in proceedings being brought under the terms of corporate manslaughter legislation, the Health and Safety at Work Act, or the Food Safety Act. Defending a claim is typically expensive, so this alone makes buying protection a wise move.

Event insurance can cover aspects such as bouncy castles, the cost of litter clean-ups, problems arising from face-painting and henna tattoos, the cost of hiring equipment (should the event not run), trailer security and credit and debit card theft or fraud.

The vital thing for such cover to be worthwhile is working out the sum insured – the amount needed to cover potential losses – correctly. This is where a broker adds value, assisting you with the calculations and ensuring you are not left short on protection, if you need to call on your policy.

Tales of the unexpected have been the undoing of many an event organiser. If you do not wish these to catch you out, talk to us to ensure you have the right cover in place for your event.

Sources:  
<https://www.statista.com/statistics/610672/annual-rate-raindays-uk/>  
<https://www.statista.com/statistics/584922/number-of-raindays-in-uk/>



## Laying claim to the fastest reporting

**The world of motor claims management is changing apace. The main challenge is that of achieving continuous improvement in claims management, whilst keeping claims' costs as low as possible, thus minimising any possible knock-on effect of higher premiums.**

There is growing awareness that faster reporting of accidents can greatly assist. If an insurer can be informed of an incident within four hours of it occurring, the costs should be lower. This should then also assist in minimising other possible settlement costs, such as those associated with credit hire vehicles.

Figures from fleet accident Management Company, Sopp + Sopp, show that whilst the average reporting time for a claim was previously 28 days, some fleet operators have now slashed this to less than one hour. In fact 75% of some

operators' accidents are reported in less than 60 minutes.

The use of technology has played, and will continue to play, a major part in this and will undoubtedly have a knock-on impact on the reporting and settlement of commercial and domestic motor claims. The prospect of automated claims notification is now on the horizon, with black box technology already used in some vehicles.

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Telematics and dash cams provide a bank of data that will transform the claims landscape. Whilst understanding what

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had happened at an accident scene was once a case of guesswork and a trust in witness statements, technology can now be used to precisely confirm the speed at which a vehicle was travelling at the point of an incident, together with other relevant factors relating to the accident location.

These days valuable data is available in abundance, whether gleaned from CCTV cameras, drivers' smart watches or general traffic and weather reports. An accurate picture can quickly be pulled together, helping claims handlers assess how accidents occurred and who might be at fault.

However, having data available and being able to use it is a different matter. Privacy rights may prevent claims departments accessing some data.

Much will depend on the availability and use of new technology. Car damage is being assessed via smartphones and tablets, rather than sending a loss adjuster out to view the vehicle. Judgement based on photographic evidence is becoming increasingly popular.

The other growing claims trend is for claims submissions to be done via portals that allow both parties in an incident to say who they agree is at fault. Around 90% of claims submitted in this manner go through this process uncontested, making the claim faster to handle and settle, because of its amicable nature.

In the coming months, we believe both insurers and third parties will battle fiercely to ensure they are the first to receive notification of a claim, developing apps and other reporting technologies to achieve this.

Motor claims handling and the associated costs of cases are being affected by the increasing sophistication of vehicles. Due to numerous automatic features, advanced parts and technologically advanced components, car repairs are becoming much more expensive, inflating claims settlements and putting upward pressure on motor premiums.



Within the world of motor claims, there is a huge opportunity for dedicated brokers to assist their client, by producing informed presentations of the risk when approaching an insurer for terms. Demonstrating that a client is committed to reporting incidents quickly, as well as using technology such as dash-cams and telematics, will help the client's case when the risk is being analysed.

As we are still some way off automatic notification of claims from hi-tech cars, using a broker's expertise makes perfect sense. To understand how we can help you navigate the claims process and ensure yours is a fast-reporting and insurer-friendly claims reporting process, please get in touch with us now.

Sources:  
Willis Towers Watson, Fleet Forum Review 2018  
Allianz Future Fuels Document

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This edition of Covernotes precedes Britain's exit from the EU. We are keeping a very close eye on all developments and shall be addressing the known impacts of Brexit on our clients and their insurance requirements in our Summer 2019 issue, once the political arrangements have been confirmed.

This newsletter offers a general overview of its subject matter. It does not necessarily address every aspect of its subject or every product available in the market. It is not intended to be, and should not be, used to replace specific advice relating to individual situations and we do not offer, and this should not be seen as, legal, accounting or tax advice. If you intend to take any action or make any decision on the basis of the content of this publication you should first seek specific advice from an appropriate professional.

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