



An insurance guide to the
enfranchisement process



Complete reassurance. Total support





If you are acquiring - or considering acquiring - the freehold of your building, you will know that the process requires a great deal of planning and that there are many legal and technical issues to consider.

Once formed, your new freehold company will have full responsibility for the management of your building and this includes insurance, something which many people overlook.

This guide to insurance for enfranchisement has been compiled by Kerry London and the Association of Leasehold Enfranchisement Practitioners (ALEP) to help flat owners understand the insurance implications of undertaking a freehold acquisition.

This booklet is meant as a guide only and we recommend that you contact Kerry London to discuss the specifics of your situation and your individual needs.

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The facts

- ◆ **Market value**

The insured sum should represent the full cost of rebuilding the property (including demolition and clearance costs) and not its market value. For example, older properties, located in the areas of the country where house prices are lower, might, in fact, cost much more to rebuild than their market value suggests.

- ◆ **Communal contents**

Insurance policies for blocks of flats will provide limited cover for the contents of communal areas - typically a limit of around £10,000 is provided. Such contents should include furniture, carpets and curtains.

- ◆ **Plant inspection and breakdown repair**

This would include, for example, engineering insurance for lifts etc.

Any building with lifts will need to comply with the statutory requirements for inspection and maintenance.

A broader plant inspection and engineering policy will cover lifts alongside specified equipment in the building under a single policy.

- ◆ **Employer's liability**

This is essential where staff - concierge, gardeners, porters and caretakers, for example - are employed. Some insurance providers will offer Employers' Liability cover as standard, others may charge an additional premium.

- ◆ **Directors' and Officers' liability**

The law does not differentiate between a director of a freehold company and an individual running a large commercial business.

The actions, or inactions, of freehold directors can have a serious impact on other leaseholders' property.

Directors can personally face legal action for this and, potentially, face unlimited personal liability. It is important to ensure that any policy covers the individual directors.

- ◆ **Property Owner's Liability**

It is essential that any insurance policy includes Property Owners' Liability cover in case of injury, death or damage to third party individuals on or around your property - postmen, meter readers or council employees, for example.

Checklist

If you are considering acquiring the freehold of your building, you might wish to ensure that your insurance policy provides cover for the following:

72 hour claims provision

Damage occurring from the same cause, continuously or intermittently during any period of 72 hours, will be treated as one loss at each separate premises for the application of excess.

Trace and access

The reasonable costs incurred in locating the source of the damage caused by: (1) the escape of water or oil from any tank apparatus or pipe; (2) accidental damage to cables, underground pipes and drains serving the property insured.

Alternative residential accommodation

If the residential areas of the property are unfit to inhabit or access is denied as a result of insured damage, insurers will pay (1) Freeholder rent (including ground rents) that should be paid or should have been received but has been lost as a result; (2) the costs of reasonable accommodation and temporary storage of residents' furniture; (3) the cost of reasonable accommodation in kennels or catteries for residents' dogs and cats.

This is usually covered for up to 25% of the building sum insured.

Mid-term amendments

Many insurers impose an administration fee in addition to any adjustment calculations when you make amendments to your policy midway through the policy period.

Eviction of squatters

This covers legal expenses incurred by you in pursuit of proceedings to evict squatters from any part of the premises. There will usually be a policy limit attached to this.

Terrorism cover

If the building is damaged as a result of a terrorist incident, then any loss will only be covered if specific terrorism cover has been taken out. Furthermore, some mortgage lenders insist upon terrorism cover being in place as part of any loan to flat owners. Terrorism cover is not automatically covered and will need to be purchased separately.





How to reduce insurance claims

A low claims record will usually result in a lower insurance premium, so it is in the interests of everyone in the block to reduce the number of claims.

Year after year, insurers report that the greatest number of insurance claims result from water damage originating from flats.

Here are some simple steps to help you avoid unnecessary insurance claims:

- Turn off the water supply to any flat that is likely to be unoccupied for any length of time;
- Ensure stop-taps are checked regularly - this could be done when the boiler is serviced;
- Check all taps are turned off when the property is left unoccupied;
- Don't leave plugs in basins, baths and sinks when the property is unoccupied;
- Regularly check hose connections to appliances such as washing machines and dishwashers;
- Ensure there is a key-holder or that there is someone with the contact details of a key-holder during periods of absence;
- Do not leave running taps unattended;
- Ensure that bath and shower sealants are in good order and effective shower screens or curtains are in place.

For more information on Kerry London's specialist enfranchisement insurance service, visit kerrylondon.co.uk

Alternatively, contact Tom Russo:

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About Kerry London

Kerry London has been supporting ALEP members with insurance for enfranchisement since 2011.

Kerry London provides high quality, professional and independent insurance solutions and is one of the largest and most influential independent insurance brokers in England. Kerry London is a Lloyd's accredited broker.

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About ALEP

Formed in 2007 and now with more than 195 member organisations, ALEP is a not-for-profit association that brings together barristers, managing agents, project managers, solicitors and valuers working in the residential leasehold sector.

ALEP promotes best practice by vetting individual barristers and organisations to ensure they have significant expertise in leasehold enfranchisement. Membership of ALEP acts as a badge of assurance so that flat owners and freeholders can be confident that they are employing professionals with the right level of expertise in handling potentially complex transactions.

alep.org.uk



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