

PROTECTING YOUR FREEHOLD PROPERTY AN INSURANCE GUIDE



If purchasing or considering purchasing 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 managing your building, including insurance, which many people overlook. Kerry London Ltd has compiled this guide with the Association of Leasehold Enfranchisement Practitioners (ALEP) to help flat owners understand the insurance implications of purchasing a freehold.

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

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The Facts

Preventing underinsurance

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

Protecting your communal contents

Insurance policies for blocks of flats will provide limited cover for the contents of communal areas – it usually covers around £10,000, and for furniture, carpets and curtains.

Lift inspections and breakdown repairs

You will need engineering insurance to protect communal lifts. Any building with lifts must comply with the statutory requirements for inspection and maintenance or this could invalidate your insurance. A broader plant inspection and engineering policy will cover lifts and other specified equipment in the building under a single policy.

Employer's Liability Insurance for building services

This insurance protects employees such as concierge, gardeners, porters, and caretakers, against injuries caused at work. Some insurance providers will offer Employers' Liability cover as standard, while others may charge an additional premium.

Directors' and Officers' Liability Insurance

As the director of a freehold company, you are responsible for actions or inactions which impact other leaseholders within the property. Directors can face legal action for this and, potentially, unlimited personal liability. It is important to ensure that any policy covers each individual director.

Property Owner's Liability Insurance

Property Owners' Liability Insurance is essential to protect against 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 within a 72-hour period, will be treated as one loss at each separate premises and attract the relevant insurance 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 you have to vacate your property because the residential areas are uninhabitable or access is denied as a result of insured damage, insurers will pay:

- ◆ Freeholder rent (including ground rents) that should be paid or should have been received but has been lost as a result
- ◆ reasonable accommodation costs and temporary storage of residents' furniture
- ◆ the cost of accommodation in kennels or catteries for residents' dogs and cats up to a value of 25% of the building sum insured

Mid-term amendment costs

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

Covering the cost of evicting 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.

Consider Terrorism cover

If you consider the building to potentially be at risk of a terrorist incident, then you will need specific terrorism cover. Furthermore, some mortgage lenders insist upon terrorism cover being in place as part of any loan to flat owners. It's important to be aware that terrorism cover isn't automatically covered and so you will need to purchase this separately.



Minimising insurance price increases

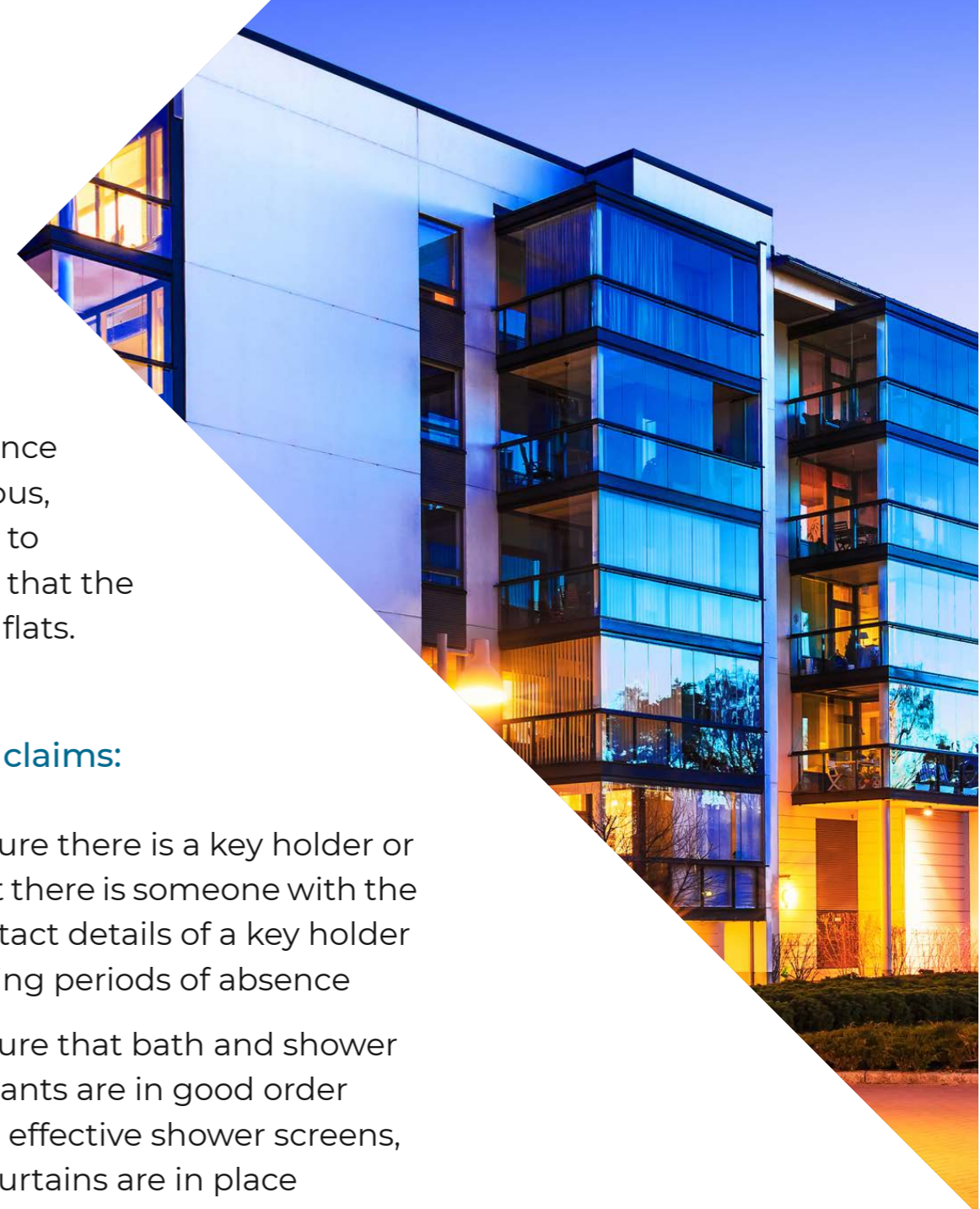
As with any type of insurance, fewer claims can help keep the cost of insurance premiums down or at least reduce the chances of increases. It sounds obvious, but it's important that all residents work together to ensure they take steps to minimise the stress and inconvenience of claims. Insurers have highlighted that the greatest number of insurance claims tends to come from water damage in 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
- ◆ Check stop-taps regularly – this can be included in your regular boiler service
- ◆ Turn off all taps when the property is unoccupied
- ◆ Regularly check hose connections to appliances such as washing machines and dishwashers
- ◆ Don't leave plugs in basins, baths, and sinks when the property is unoccupied
- ◆ Do not leave running taps unattended
- ◆ Ensure there is a key holder or that there is someone with the contact details of a key holder during periods of absence
- ◆ 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 discover.kerrylondon.co.uk/alep

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About Kerry London

Kerry London was established over 35 years ago to provide the construction sector with specialist insurance and personal service. They are part of the successful Kelliher Insurance Group, an Insurance Age Top 100 Independent Broker. Their team of over 150 people is based in offices across London, Godalming and headquartered in the City. As an accredited Lloyd's of London Broker, they can arrange reliable cover for the most complex risks from the world's most trusted market.

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About ALEP

Formed in 2007 and now with 250 member organisations, ALEP is a not-for-profit association that brings barristers, managing agents, project managers, solicitors, and valuers working in the residential leasehold sector together. ALEP vets 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.

www.alep.org.uk

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