



INSURANCE PROVISION BY LANDLORDS GOOD PRACTICE GUIDE

1. Landlord Values in the Provision of Insurance

- 1.1 Within most leases, one of the owner's obligations to occupiers is to arrange the provision of insurance.
- 1.2 Landlords undertake to exercise this obligation in a way which is:
 - a) fair to both parties;
 - b) efficient;
 - c) provides good value;
 - d) and, transparent.
- 1.3 This guide sets out good practice for owners in how to exercise this obligation and meet these values. It applies both where insurance is arranged in-house and where it is out-sourced to a managing agent or a broker.

2. Risks Covered

- 2.1 The normal risks covered are damage to buildings, loss of rent, engineering breakdown and statutory inspection and public liability.

3. Principal Benefits Provided by Owners to Occupiers

- 3.1 Protection against specified risks.
- 3.2 Normally, particularly in multi-let buildings, protection is provided more efficiently, effectively and cheaply than if each occupier provided its own insurance.
- 3.3 Additional benefits which occupiers generally could not secure for themselves, derived from the purchasing power and specialist knowledge of the owner or their insurance adviser and the availability of wider cover on a portfolio basis. They include principally:-
 - more competitive premiums;
 - extended cover against wider risks;
 - administration of claims;
 - expeditious and efficient reinstatement in the event of property being damaged;
 - technical advice on how to reduce claims and minimise risks;
 - specialist inspections;

3.4 Should insurance cover prove defective, the risk will normally reside with the owner, except in circumstances where the occupier's action causes the insurance to be void.

4. Basis of Owner Remuneration

4.1 The owner is entitled, at the owner's discretion, to take a reasonable recompense for undertaking insurance functions and responsibilities.

4.2 The full recovery of:-

- the insurer's premium;
- management, administrative and technical costs incurred by the owner in undertaking the insurance obligation;
- reward for any retained risk.

5. Owners' Obligations to Occupiers

5.1 Good value should be sought taking into account service in respect of claims, policy cover, reputation in the market and financial stability, not solely the competitiveness of the premiums charged.

5.2 Premiums recharged to occupiers should reflect the benefit of long-term discounts and quantity discounts secured by the owner in overall policies.

5.3 Good value, including premiums, should be tested against the market at each insurance review, such reviews to be held at regular and reasonable intervals.

(It should be noted in respect of this obligation that reviews are likely to be less frequent where long-term discounts are secured and the number of insurance companies of the stature to offer block policies is limited).

5.4 Cost recovery and any recompense taken should be fair and reasonable reflecting the extent of the services provided and the risk to the owner.

5.5 On request, the occupier should be informed how much commission, if any, is being taken.