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Insurances For Owner Management Companies Discussion – 14/03/2013



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A: Block Policies

The available insurance companies in the market

Insurance Companies	Appetite
Ace	Medium to Large Complexes
Allianz	Small to Medium complexes with very low claims experience
Aviva	Clean risks with very low claims experience
AIG	Very Active small to large complexes
Chubb	More selective on risks with regard to location, construction and claims
Ecclesiastical	Recently re-entered the market
Liberty	Very Occasional
Mitsui	Medium to Large Complexes
RSA	Active small to large complexes
Travelers	Larger complexes with proven claims experience
Zurich	Very active small to large complexes
XL London (IPORS)	Very active small to large complexes

What Impacts Premiums

The 3 main factors that impact premiums are **Rebuilding Sums Insured, Claims Experience and Policy Excess**. A clean risk is rated predominantly against the buildings sums insured to arrive at their required premium. The previous 3-5 years claims is then taken into account as well. If the risk has performed well standard / discounted rates allowed but if the complex is not profitable from an insurer point of view they look at increasing premiums and excess.

Choosing higher excesses can help reducing premiums so always ask an insurer for options where possible. If the claims experience is bad options may not be available with insurers looking to impose higher policy excesses

A lot of apartment complexes were built before and during the “boom”. The Buildings Sums Insured may have never been adjusted over the years to reflect the now lower rebuilding costs. Your brokers should have an immediate view if the buildings sums insured seems too high or indeed too low and at this stage a surveyor could be employed to carry out a specific rebuilding cost survey. This has proven very worthwhile for a number of our customers over the last few years

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How to get a quotation

To start the process of receiving a quotation you need to speak to and appoint an independent insurance broker who specialise in Owner Management Company risks. The reason is most insurers do not sell apartment products direct to the public where car and home insurance is widely available.

Many brokers will have access to some of the market but you can be surprised how limited the market research they provide can be - sometimes limited to a handful of insurers. The appointed broker should have **DIRECT** access to the majority of apartment markets available and have an understanding on the intricacies and complexities that different complexes can bring from claims right through to location and cover problems. Asking 1 or 2 brokers who both could have limited market access to insurers could be to the detriment of your complex in missing out on possible savings with other insurers.

You need to appoint an independent specialist broker that will act for **You** in achieving the best premium options, cover options, excess options and overall experience in all matters relating to management companies from the widest market available. If unsure don't be afraid to ask them!!

The quotation process

To successfully approach a broker and for the broker to shop the complex to the insurance market the apartment director will need certain information on their complex. This process should be carried out circa **2 months** prior to renewal date.

First thing is request an up to date confirmed **5 years claims experience** for your complex – all insurers will need this information to firm up a quotation.

I have also outlined below a data gathering template that should answer the majority of standard questions posed to directors on their complex by insurers / brokers.

3.



APARTMENT BLOCK

Renewal Date: _____
Current Insurer: _____

Management Company Name: _____
Location/Address: _____

Property Examples (photos tell a thousand words – include a few photos of the complex where possible)



Details of Property

1. Address: _____
2. Year Built /Approx. Age: _____
3. Overall Number of Units split between apartments _____ and Duplexes _____
4. Number of Blocks _____
5. Number of Storeys _____
6. Construction: Purpose Built Apartments / Duplexes <ul style="list-style-type: none">➤ Walls: _____ eg concrete block etc➤ Roof: _____ eg pitched tiled roof on timber frame / flat concrete roof / flat mineral felt etc➤ Floors: _____ eg concrete all floors / concrete ground floor with upper floors wooden etc
7. Fire Protection Details: <ul style="list-style-type: none">➤ Common Area Extinguishers / Hose Reels: Yes / No➤ Common Area Fire Alarm: Yes / No➤ Smoke detectors in each individual apartment: Yes / No
8. How far from nearest waterway
9. Any special features like water features / playgrounds etc

4.

Sums Insured / Limits

Cover required	Material Damage All Risks incl. Subsidence & Glass
Buildings	€ _____
Common Area Contents	€25,000 per block
Alternative Accommodation / Loss of Rent	25% of buildings sums insured
Trace and Access	€15,000
Fire Brigade Charges	€25,000
Landscaping Costs	€15,000
Day One Inflation Provision	15% of buildings sums insured
Employers Liability (minor property repairs)	€13,000,000
Public Liability (estate common areas)	€6,500,000

Existing Policy Excesses

Standard Excess € _____
Water / Storm / Flood € _____

Requested Policy Excesses

Standard Excess € _____
Water / Storm / Flood € _____

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Role of your broker – what to expect from policy placement through to renewal

1. Handle proactively any general queries the management company / agent may have during the year.
 2. Accept notifications on claims from agreed authorised persons only. Liaise with insurers / claimant on any problem claims with proposed solutions if possible. See claim through to settlement and finalise with issuing a settlement cheque.
 3. Review insurance company surveys with the management company / agent and negotiate where need be – these surveys highlight to the client any unique hazards in the complex that could lead to a claim and should be looked at proactively to protect your claims experience. Issue the risk requirements to be implemented and follow up to ensure compliance eg gutter cleaning every year, rectification works to steps / carpets, ensure fire alarms serviced etc
 4. Often individual owners make contact on their apartment cover and a broker should outline the covers under the apartment block policy V covers under the owners contents policy eg damaged carpets should be a contents a claim!!.
 5. If asked check adequacy of insurances of contractors used eg Painters, Electricians
 6. Arrange and monitor direct debit / premium payment facilities
 7. Forecast Insurance Costs for upcoming budgets
 8. 2 months prior to renewal get updated 5 year claims experience and review. Discuss with the management company / agent any outstanding claims or certain type of claims that keep occurring and see if there is a workable solution to avoid them in the future
 9. Prepare a submission and market to all relevant insurers available.
 10. On completion of the market exercise carry out final negotiations with the competitive insurers and prepare a renewal report for issuing to the management company / agent with the broker's recommendations
 11. Take instructions on how to proceed on the renewal to include direct debit / premium finance options where applicable
 12. Instruct insurers, review the policy documentation received from them to ensure the covers are as requested and issue the documentation to the client finalise
 13. Repeat steps 1 - 12
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6.

B: Engineering Statutory Inspection

Do we need to have both a normal maintenance agreement in place along with insurance company statutory inspection??? **“YES”**

These items go hand in hand.

(a) Compliance with Health and Safety Legislation

SAFETY ALERT - PASSENGER AND GOODS LIFTS



(Installation, Operation and Examination of Passenger and Goods Lifts)

This Safety Alert is issued by the Health and Safety Authority (HSA) for the attention of those who have any responsibility for the safety of lifts including employers, property managers, facility managers and lift installation, maintenance or inspection companies.

The HSA is investigating the occurrence of a passenger lift failure where the lift car dropped 4 floors in an uncontrolled manner. Catastrophic failures of this type are rare but this incident and other safety issues brought to the attention of the HSA highlights the need to observe the legal obligations which apply to this type of equipment.

PERSONS IN CONTROL

The Safety, Health and Welfare at Work Act 2005. [No.10 of 2005]

This Act places a duty on persons who have control to any extent of a Place of Work to ensure that the means of access to and egress there from and any article provided for use are safe and without risk to health.

EMPLOYERS

The Safety, Health and Welfare at Work (General Application) Regulations 2007. [S.I.No.299 of 2007]

These regulations place a duty on all employers responsible for the operation of lifts to ensure:

- Lifts (passenger, goods or both) are subject to a 6 monthly thorough examination by a competent person after which the competent person must issue a report of the examination which contains all the information prescribed in the Regulations.**
- Where the report sets out conditions for the safe working of the lifts, these conditions must be adhered to. **(These thorough examinations should not be confused with normal maintenance activities).**

Those responsible for the operation of lifts should ensure that they have a current report of thorough examination. They should also be in possession of a log-book where details of any repairs or checks have been recorded.

Operators should also be satisfied that the lift has been installed in compliance with the European Communities (Lifts) Regulations 1998 to 2008, or the European Communities (Machinery) Regulations as appropriate. Where operators have concerns with the installation, they should obtain the services of competent installers to carry out appropriate examinations and tests.

INSTALLERS

The Safety, Health and Welfare at Work (Construction) Regulations 2006.[S.I.No.504 of 2006]

The installation and commissioning of a lift comes within the scope of these Regulations and the Client is obliged to appoint a competent Project Supervisor for the Design Process (PSDP) and a competent Project Supervisor for the Construction Stage (PSCS).

Maintenance and User Manuals along with Final Inspection records and EC Declarations of Conformity should form part of the safety file submitted to the Client on completion of the construction project.

Project supervisors need to take account of the EU Lifts Directive 95/16/EC as amended by the Machinery Directive 2006/42/EC, which is transposed into Irish law by the European Communities (Lifts) Regulations 1998 to 2008.

Information on the detailed legal requirements will require reference to the text of the Directives.

Note: Some lift installations may be subject to the Machinery Directive rather than the Lifts Directive.

The European Communities (Lifts) Regulations 1998 to 2008. [S.I.Nos.246 of 1998 and 406 of 2008]

Requirements exist for the design, certification, marking, installation and testing of lifts before they can legally be put into use. Conformity assessment procedures have to be followed which include the use of notified bodies. Notified bodies are legal entities appointed under European legislation for the purposes of conformity assessment under specific Directives.

The European Commission has published a detailed guide to the Lifts Directive which can be downloaded at:http://ec.europa.eu/enterprise/sectors/mechanical/lifts/index_en.htm

Lift suppliers and installers need to be able to demonstrate that they are in compliance with these requirements including their use of Notified Bodies. (Note there is generally a notified body associated with the lift design/manufacture and a notified body associated with the installers of the lift).

7.

COMPETENT PERSONS

Competent persons carrying out inspections/thorough examinations in addition to their normal inspection should pay particular attention to the following:

1. Cracks or wear on the sheave supporting structure.
2. The security of guiderails and their fixing bolts, and the need for supplementary testing of same if required.
3. In installations with limited headroom, arrangements to prevent contact between the lift and the structure should be assessed as fit for purpose.

It is also required that the competent person undertaking the thorough examination should assess the need to have the safety components (referred to in Annex 4 of the Lifts Directive) tested.

FOLLOW UP

If you are in control of or have responsibility for a passenger or goods lift you are advised to check that your installation meets the necessary requirements. The HSA will in the coming months be conducting inspections of premises which operate passenger and goods lifts, checking in particular for installation certificates and 6 monthly "reports of thorough examination".

References:

Irish legislation can be accessed at www.irishstatutebook.ie

European Directives can be accessed at <http://eur-lex.europa.eu/en/index.htm>

(b) Compliance with the Apartment Block Insurers conditions in policies

Example of condition obtained in Zurich's policy

Section D – Property Owners' Liability Cover

What is insured	What is not insured
Indemnity Provided Any amounts which you, as owner of the building(s) become legally liable to pay as compensation for an accident, occurring during the Period of Insurance, which causes accidental death or accidental bodily injury to a person or accidental damage to material property.	Any liability: <ul style="list-style-type: none">• arising from an agreement which imposes a liability which you would not otherwise have been under.• arising from the occupation of the building(s).• for damage to property owned or held in trust by you or in your custody or control.• for bodily injury to any employee.• for the cost of remedying any defect or alleged defect in the building(s).• arising from lifts, hoists, escalators, boilers or other similar hazardous equipment which are subject to statutory inspection unless an inspection contract with a qualified engineer (which fully complies with statutory inspection legislation) is in force at the time of any incident giving rise to a claim.• the ownership possession or use of dangerous dogs as specified in Regulations made under the Control of Dogs Act 1986 or any subsequent amending legislation, where such ownership possession or use is not in accordance with the provisions of such Regulations.

As outlined above Zurich would decline any liability claim where there is no statutory inspection certificate. The certificate has to comply with statutory inspection legislation and the best placed engineers to provide these are from the insurance company policy.

In short you need both a maintenance contract and also a statutory inspection arrangement in place to comply with both Health and Safety Legislation and also insurance company policy conditions.

Insurance Providers

Allianz
Aviva
HSB
RSA
Zurich

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C: Directors and Officers Liability

There are a wide range of providers here with some sizeable differences in pricing. We use 2 suppliers whom we find to be at the most competitive end. Outlined below is a summary of some of their pricings as an example.

Chubb

Limit	1 – 200 Units	200 – 500 Units
€500,000	€18.00	€432.00
€1,000,000	€98.00	€12.00

Hiscox

Limit	Up to 50 Units	51 – 100 Units	101 – 250 Units	251 – 500 Units
€500,000	€32.00	€87.00	€442.00	€498.00
€1,000,000	€42.00	€98.00	€35.00	€608.00

Does every Management Company need this cover? Simply put if you are a Director “YES”

Directors and Officers of Management Companies/Committees can now be held personally liable for the failure to perform their duties and therefore be made responsible for any damages and / or legal costs incurred thereby putting their own personal assets at risk.

Insurance cover is available to protect the Directors & Officers of Management Committees for their potential exposure to claims brought against them for any actual or alleged breach of duty, breach of trust, neglect, error, misstatement, omission, breach of warranty of authority, libel/slander or any other act committed by the committee members in the course of carrying out their Management Company activities:

Sources of Potential claims are as follows:

- Government departments may bring claims against officials for Health & Safety issues or Environmental issues
- Apartment owners or groups of owners could sue for mismanagement of for breach of apartment development rules
- Restriction / Disqualification of Directors by Office of Director of Corporate Enforcement (High Court)
- Creditors could sue in cases where there may be a dispute
- Failure to keep and lodge proper books of accounts
- Disputes between the Developer and Management Committee may lead to claims
- Accusation of fraud (until proven in fact) may need to be defended

Policy would also extend to cover:

- All past and present Directors & Officers of the Management Committee
- Legal costs incurred in defending claims
- Advancement of defence costs
- Innocent Directors & Officers of the Management Committee should one of their colleagues prove dishonest or fail to disclose material circumstances when proposing for insurance cover

9.

For Individual Owners

D: Combined Apartment Contents and Buildings Excess Policy

Standard Contents Cover Features

As well as standard Fire and Perils cover the following issues are addressed:

- Automatic Accidental Damage Cover
- Occupiers Liability cover up to €3m
- No Average for sums insured above €25,000

Buildings Excess Cover in addition to your Contents Claim

- In addition to your contents claim where you also suffer loss due to the application of an excess under the buildings block insurance for a covered loss they will cover this amount in addition to your contents claim up to €5,000.
- Standard Contents Cover and Buildings Excess Cover Policies have an Excess of €250 and Water damage excess €500.

Special Contents Cover Features

- Definition of Contents extended to include fixtures & fittings – kitchens, wardrobes, solid flooring etc. fitted by the Insured which may not be covered under the Buildings Block Policy
- Denial of Access – wording extends to denial of access even if individual apartment not damaged (but subject to an admitted claim under buildings block policy)
- Alternative accommodation cover included
- Discounts for apartments above ground floor level