

McCarthy & Stone Retirement Lifestyles Limited, as Landlord, is required under the terms of the apartment leases to provide buildings and associated insurance. This buildings insurance also includes third party liability insurance and terrorism cover. The policy provides the same, or possibly better, cover as policies provided by most insurance providers. Lift inspection and Estate Manager sickness insurance is also provided.

McCarthy & Stone negotiates the appointment of the insurers and the premiums based on the insurer insuring the whole of the McCarthy & Stone portfolio of developments and all the McCarthy & Stone commercial business and its business assets. This means Homeowners benefit from our buying power. McCarthy & Stone uses a broker, currently Marsh, to check the market and source a suitable insurance company to insure its portfolio. The broker receives a commission from the insurers. McCarthy & Stone does not receive any commission from the broker or insurer. On occasions a premium rebate may be received and any such rebate in respect of development premiums received is paid back to the development service charge account.

BUILDINGS INSURANCE POLICY

Brief summary of cover:-

Financial Limit – cost of rebuilding the development
Excess - £250 but subsidence excess is £1,000, per claim
Fixtures and Fittings - Communal Areas and Apartments
Alternative accommodation – limit 40% of the declared value (value shown on each certificate)
Communal Area contents – Homeowners must insure their own contents
Renewal date – 1st April each year

Insurance Certificate

Each development has its own insurance certificate which shows the total financial amount of cover which is the maximum the insurers will pay out. This is based on the rebuilding cost of the development and not a multiple of the market sale value of each apartment. The insurers will only pay out the amount it actually costs to repair or rebuild the development up to the total amount of the cover. The rebuilding cost is reviewed regularly and assessed in accordance with the recommendations of the Royal Chartered Institute of Surveyors.

The development insurance certificate also shows any excesses, which are explained below, and any special conditions for the development.

The Estate Manager keeps a copy of the current development insurance certificate and a copy is available to Homeowners on request.

This document is a summary of the main terms of the policy and is not conclusive of all terms or conclusive that any particular claim would be accepted by the insurers.

ESTATE MANAGER SICKNESS POLICY

YourLife Management Services Limited as the managing agent and employer of the Estate Manager takes out this insurance to provide payments towards the cost of relief or temporary cover for an Estate Manager's absence due to sickness. Claims will be made on this policy where the Estate Manager is off work due to illness for any period over seven days.

LIFT INSPECTION POLICY

It is a statutory requirement for passenger lifts to be inspected and the Landlord as the owner of the development is required to have a policy in place. This policy is not technically an insurance policy as the premium paid covers two inspections of the development lift(s) each year. The policy does not cover any associated maintenance or repair which is necessary as a result of the inspections. This policy is in addition to the usual annual maintenance contract.

SERVICE CHARGE - POLICY PREMIUMS

The buildings insurance policy, including the third party liability and terrorism cover; Estate Manager sickness policy and the lift inspection policy premiums are all charged to the service charge account for each development. Any excesses on these policies are also charged to the service charge account. Rebates are refunded to the service charge account.

CONTENTS INSURANCE – HOMEOWNERS RESPONSIBILITY

It is the Homeowner's responsibility to insure their own apartment contents and personal possessions.

The apartment lease defines which parts of the building belong to the Landlord and which parts belong to the Homeowner. It is not the Homeowner's responsibility to insure the parts of the apartment which the lease defines as belonging to them where that part of the apartment is covered by the Landlord's buildings policy. Please see later in this document as to what is covered by the Landlord's buildings insurance.

Homeowners' contents policies will include all furniture, carpets, curtains, electrical items and all personal effects. Many policies include third party liability cover which covers injury to anyone visiting the apartment or their property where the injury or damage is the fault of the Homeowner.

Contents policies provide differing levels of cover such as new for old. They can also cover extra items such as legal expenses cover, freezer contents, sports equipment and valuables such as jewellery.

There is no legal requirement for anyone to take out contents cover but it is prudent to do so. If a Homeowner does not have contents cover they will be responsible for any damage to or losses of their possessions.

Sometimes it is necessary for a Homeowner to claim on their contents insurance for damage to their furniture and possessions even though the cause of the damage results from a buildings policy risk. If this is the case the contents insurance company may make a claim against the buildings insurance

company to recover the cost of what they have to pay out under the contents policy. This enables the contents insurance company to process the Homeowner's claim more quickly and the Homeowner's claim does not have to wait until a claim against the buildings insurance company is settled.

McCarthy & Stone strongly recommends that all Homeowners have contents insurance.

FREQUENTLY ASKED QUESTIONS

Which company provides the insurance?

Cover is currently provided by the following:-

Buildings, Third Party Liability and Terrorism – Chubb (formerly Ace Group European Limited)
Estate Manager Sickness – AIG Europe
Lift Inspection - Zurich

Are Homeowners policy holders?

No, McCarthy & Stone is the policy holder but Homeowners have an 'interest' in the policy as apartment owners and there is an automatic inclusion of Homeowners as having an interest in the buildings insurance policy.

If any Homeowner has a mortgage on their apartment their mortgage lender also has an automatic inclusion in the buildings insurance policy as having an interest in the policy.

Homeowners do not have an interest in the Estate Manager Sickness policy, the policy benefits McCarthy & Stone Management Services as the employer of the Estate Manager, but the proceeds of any claims are paid into the development service charge account to which the claim relates.

Homeowners do not have an interest in the Lift Inspection Policy, it is for the benefit of the Landlord as the Landlord has the statutory duty to have the lifts inspected.

What is meant by 'Building' for insurance purposes?

The definition of 'Building' for insurance purposes means the development as a whole but cover for the outside areas may be limited.

The structure of the apartment block which includes:

- Roof
- Walls
- Ceilings
- Floors
- Doors
- Windows and in most cases the glass
- Sanitary Ware
- Permanent fixtures and fittings e.g. fitted wardrobes and fitted kitchen units
- Pipes, wires, cables, drains, underfloor heating and tanks

The buildings policy also includes cover for the development communal furniture and other communal items.

The cover for the outside of the block will include:

- Substantial external structures e.g. garages
- Fences
- Landscaping
- Trees which are in imminent danger of causing harm.

What cover does the Buildings insurance provide?

The buildings cover will include:-

Loss or damage that occurs as a result of:

- Fire
- Explosion
- Bad weather, including lightening, storms and flooding
- Earthquakes
- Theft or attempted theft
- Malicious damage or vandalism
- Freezing or bursting of any part of the plumbing system
- Falling trees, lampposts, aerials or satellite dishes
- Subsidence, heave and landslip
- Impact by vehicles or aircraft

The policy also includes:

- Alternative accommodation
- Ground rent due to the Landlord for any period the apartment is uninhabitable
- Demolition
- Site clearance
- Repair and rebuilding costs
- Tracing of water leaks and re-instatement, but not necessarily repair of the cause
- Architect's fees
- Other professional fees associated with claim

What is an excess?

It is usual for insurance policies to have an excess which means that only claims over the excess amount will be paid out. To have no excess would increase insurance premiums generally as there would be many minor value claims. Any claim is reduced by the excess and usually any excess will be paid from the development service charge account.

The standard claim excess for the buildings insurance policy is £250 so only claims with a value of more than £250 will be made.

The excess on the buildings insurance policy for subsidence, ground heave and landslip claims is £1,000. It is quite usual for policies to have this excess for subsidence, ground heave and landslip.

The excess on the buildings insurance policy for a landscaping claim is £1,000. Many buildings insurance policies would not include landscaping.

There are no excess on the Estate Manager Sickness Policy although there is a seven day period of illness before a claim can be made.

There is no excess on the Lift Inspection Policy.

Will I have to pay the excess if the damage is my fault?

McCarthy & Stone would normally charge any excess to the development service charge account even though the damage was caused by an individual Homeowner or to an individual apartment. McCarthy & Stone takes this view because all Homeowners pay the cost of the insurance premium through the service charge and all Homeowners benefit from the cost differential in the premium by having this excess. Most claims relating to the direct actions of Homeowners are accidents. However if the actions of a particular Homeowner causes repeated claims we reserve the right to charge the excess to that Homeowner.

How is a claim made?

Buildings Insurance - as it is the Landlord's policy any claim is made in the Landlord's name and the claim is commenced by YourLife Management Services Limited as the Landlord's managing agent. If the claim relates to a specific apartment the apartment owner will need to complete the relevant part of the claim form as they will have the direct knowledge of the event causing the claim. For claims in respect of the main structure and communal areas these will be processed by the development Area Manager.

Marsh, as our broker, is the claims handler and the direct link with the insurer. Cunningham Lindsay has been appointed by Marsh to administer smaller claims so that they can be processed more quickly. Marsh negotiates the settlement of claims with the insurer.

The insurers will usually appoint a Loss Adjuster to handle substantial or complex claims on their behalf.

Homeowners, Estate Managers, Area Managers and other staff may be called upon to provide information and evidence relating to a claim and to facilitate work by the loss adjusters and repairing contractors.

Estate Manager Sickness Insurance – these claims are processed by the YourLife Management Services HR Department.

Lift Inspection Insurance – claims are not necessary for this insurance. The insurance provides for the inspections required by statute. These inspections are arranged between the insurer, the Area Manager and the Estate Manager.

How soon do the insurers need to know that there may be a claim?

The insurers need to know as soon as possible that there might be a claim. To delay informing them of a possible claim could cause a difficulty with the claim. It does not matter if the insurers are advised of a possible claim and the claim does not become necessary or is under the excess. It is better for the insurers to know rather than not. It is important to the insurers to know their exposure to possible claims.

What is third party liability insurance?

This insurance covers the legal liability for injury to a person or damage to their property whilst in or using the communal parts of a development. There must have been fault on the part of the insured party. An example could be leaving something such as cleaning equipment on the stairs which causes someone to fall and they injure themselves.

Homeowners should have their own third party liability insurance in respect of anything happening to anyone or another's property in respect of their apartment or anything resulting from their own actions outside their apartment. This cover is usually provided in conjunction with contents insurance policies, further information on contents policies is given above.

What if homeowners do not have this cover?

If homeowners do not have this cover and someone suffers harm or loss whilst in their apartment or as a result of the homeowner's actions in the communal areas, which was because of the fault of the homeowner, the person who suffers could make a claim against the homeowner personally. This would mean that the homeowner would have to pay for the loss from their own funds.

What is terrorism cover?

Terrorism is a standard exclusion for buildings insurance policies. Terrorism incidents are a risk in today's society, although in our experience, thankfully, very rare in respect of McCarthy & Stone developments. It is not anticipated that a terrorist incident would emanate from a McCarthy & Stone development but, more likely, something happening nearby. The policy extension to include terrorism cover means that if damage occurs to the development as the result of an act of terrorism a claim can be made for such damage to be repaired.

McCarthy & Stone developments are built in desirable locations which could reduce the risk but there is still a risk from something happening in the locality. As a responsible landlord McCarthy & Stone considers it is prudent to have this additional cover. The additional cost is small for this peace of mind.

Can McCarthy & Stone tell me whether a particular event will be covered by the Buildings insurance?

McCarthy & Stone is not permitted to give insurance advice. To give this advice advisors must be registered with the Financial Conduct Authority (FCA). Even FCA advisors would not be able to say whether a hypothetical incident would be covered by the insurance or not. Each claim is considered and whether a claim is accepted or not based on the actual events and evidence available. Claims are not automatically accepted and there can be many reasons why a claim would not be accepted. If a claim is refused the insurer will give the reason as to why they are rejecting the claim.

If a claim is rejected by the insurer and it relates to part of the development for which the Landlord is responsible the repair cost would be paid from the development service charge account.

What does alternative accommodation mean?

The Buildings Insurance will pay for the cost of alternative accommodation if an apartment, part of the Building or the whole of the Building is uninhabitable as the result of damage caused by a risk covered by the insurance policy. The type of accommodation will depend on the circumstances of the damage, who is affected and how long it will take to repair. If damage can be repaired quickly then the accommodation may be a hotel. If it will take a long time to repair damage the insurance would pay for the rental of an alternative place for the Homeowner to live. Sometimes a payment may be made to a family member or friend who accommodates the Homeowner.

There is a limit on this benefit which McCarthy & Stone has agreed with the Insurers at a maximum of 40% of the declared value, as shown on the insurance certificate, of the development. This should be more than adequate cover even if the whole development was destroyed.

What does betterment mean?

Buildings insurance policies will reinstate damage on a like for like basis. If as part of claim someone wants something improved, such as granite kitchen work top where they previously had a laminate one, the insurers would consider this a betterment and would not pay the whole cost. They would only pay the equivalent of the cost of the laminate worktop and the Homeowner would have to pay the additional cost.

If the item cannot be replaced on a like for like basis because it no longer exists and something better has to be used this is known as involuntary betterment and would be covered by the insurance policy.

What if I do not have my own contents insurance?

If you do not have your own insurance you will not be able to claim for any damage or loss caused to your contents or personal effects. Contents insurance will usually provide cover for loss of your portable personal possessions when you are out and about. The level of cover varies to suit individual needs and also affects how much you will pay. Some contents policies will cover legal expenses, damage by pets, new for old and accidental damage. The greater the cover, the greater the cost.

McCarthy & Stone recommends that all its Homeowners have their own contents cover.

The lease tells me which parts of the apartment belong to me and which belong to the Landlord. Will my contents policy cover everything that the lease says belongs to me?

No, the contents policy is what it says, it is for contents. The fixtures and fittings such as sanitary ware, fitted kitchens, floor structures (but not floor coverings) are all covered by the Landlord's buildings insurance policy.