



Spring Risk Guide

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Spring is a busy season in the rental market, as many people choose to move during this time due to milder weather, often resulting in higher turnover rates and more vacant properties. The warmer weather also provides ideal conditions for addressing winter maintenance issues, which may sometimes involve working at height.

Additionally, the UK government is intensifying its green initiatives and drive toward Net Zero. A key aspect of this effort is the Energy Act 2011, which raises the minimum Energy Performance Certificate (EPC) rating for commercial properties to 'C' this year, with further increases expected in the future. This spring guide examines these topics in detail and offers preventive measures to help you mitigate risks and avoid insurance claims.

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The Energy Act 2011 and its impact on property lettings in 2025

The Energy Act 2011 is a pivotal piece of legislation in the UK, designed to enhance energy efficiency and reduce carbon emissions. As mandated by the Act, starting 1 April 2018, it became illegal for landlords to grant new leases for commercial properties with an Energy Performance Certificate (EPC) rating of **F** or **G**. This regulation also extends to subleases and lease renewals.

As of 1 April 2023, landlords are prohibited from continuing to let commercial properties with an EPC rating of **F** or **G**. This means that leases that were initially legal when granted are now unlawful unless an exemption applies.

This requirement aims to ensure that properties are energy efficient and contribute to the UK's carbon reduction targets. Additionally, the Act established the Energy Company Obligation, which works alongside the Green Deal to target energy efficiency measures at households that need additional support, such as those with vulnerable people or low incomes.

Energy Performance Certificate (EPC)

Property owners who are renting out or selling their business premises must obtain an Energy Performance Certificate (EPC). This certificate is also required when a building under construction is completed or when there are changes to the number of parts being used for separate occupation, such as installing or extending fixed heating, air conditioning, or mechanical ventilation systems.

However, certain exceptions apply. An EPC is not required for commercial properties if the owner can demonstrate any of the following:

- The building is listed or officially protected, and meeting the minimum energy performance requirements would unacceptably alter its character.
- The building is temporary and will be used for two years or less.
- The building is designated as a place of worship or is used for other religious activities.
- It is an industrial site, workshop, or non-residential agricultural building with low energy consumption.
- The building is a detached structure with a total floor space of less than 50 square meters.
- The building is scheduled for demolition by the seller or landlord, who must possess all the relevant planning and conservation consents.



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There are also exemptions for certain vacant commercial properties and demolition plans. Additionally, if property investors believe they have been unfairly fined for not having an EPC available, they may be able to appeal the charge.

Minimum Energy Efficiency Standards (MEES)

Minimum Energy Efficiency Standards (MEES) currently mandate that rented commercial properties must have a minimum EPC rating of **E**. Starting in 2028, this minimum rating will increase to **C** for commercial landlords, and it is expected to reach **B** by 2030. Approximately 10% of commercial properties currently have an EPC rating of **F** or **G**. Upgrading these properties takes time, so landlords cannot afford to ignore MEES.

The Green Deal

The Green Deal is a government initiative aimed at improving energy efficiency in homes and businesses across the UK. It provides financial support for energy-saving improvements such as insulation, double glazing, and renewable energy installations like solar panels and heat pumps. Property owners can repay the costs of these improvements through savings on their energy bills, enabling them to invest in energy efficiency without the need for upfront expenses.

The Energy Company Obligation (ECO)

The Energy Company Obligation (ECO) is a government initiative in Great Britain aimed at improving energy efficiency. Its primary goals are to reduce fuel poverty and lower carbon emissions. The scheme imposes a Home Heating Cost Reduction Obligation (HHCRO) on medium and large energy suppliers, requiring them to promote measures that help low-income, fuel-poor, and vulnerable households maintain a warm home. These measures include installing insulation and upgrading heating systems.

ECO has gone through several updates, with the most recent version being ECO4. This iteration applies to measures installed from 1 April 2022, and will continue until 31 March 2026. The scheme is administered by Ofgem, acting on behalf of the Department for Energy Security and Net Zero.

What this means for property owners and occupiers

Lenders are increasingly taking the energy efficiency of property portfolios into account when setting their lending criteria. They want to ensure that property owners have included the costs of upgrading properties to meet the required energy efficiency standards in their business plans. From a tenant's standpoint, an energy efficiency assessment could influence a rent review. This could lead to higher or lower rent, depending on the property's new energy performance rating.

Furthermore, changes in tenancy agreements and property values due to energy efficiency improvements might affect the payment of Stamp Duty Land Tax (SDLT). Landlords' mortgage lenders might have concerns about how these changes impact the property's value and their loan security.



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A note of caution: tenants should not assume that landlords will pick up the bill for energy efficiency improvements. The lease may contain a statutory compliance covenant, which could oblige the tenant to carry out improvements to ensure the premises comply with the regulations. If the landlord has to carry out work to the property at the end of the lease term to ensure it reaches the prescribed energy rating, section 18 of the Landlord and Tenant Act 1927 may mean that the tenant is responsible for the diminution in value of the reversion to the lease by the breach.

Alternatively, any Green Deal costs might fall within the charges that can be passed on to tenants. The effect on renewals within the security of tenure provisions of the Landlord and Tenant Act 1954 is unclear.

What property owners and occupiers need to consider

Without an understanding of the Energy Act 2011, property owners could face unexpected expenses. The Royal Institution of Chartered Surveyors (RICS) already considers a property's EPC rating in its valuations. This means that properties with poor energy efficiency ratings may be valued lower, which could impact property owners financially.

Owners and occupiers will need to assess the costs and viability of undertaking retrofits or refurbishments and should also bear in mind how their property values may be affected. Remember, all rentable property must have an EPC Assessment. Energy efficiency improvements should take advantage of void periods, lease breaks, or be included as part of the ongoing maintenance and plant renewal programme.

Weighing up the potential use of Green Deal finance is certainly worthwhile. Property owners should conduct a thorough review of their portfolios to identify any potential issues, such as properties that might fail an EPC assessment. It is also important to consider the regulations when acquiring new properties, both from an investment perspective as a landlord and from the viewpoint of a tenant when acquiring a new lease. As previously noted, tenants may potentially bear the costs for energy efficiency improvement measures.



The cost of insuring empty properties

The insurance industry has long been wary of vacant properties, often restricting cover, raising premiums, and increasing demands for enhanced risk management. Moreover, the current economic climate has seen a rise in vacant building stock, with break clauses being enforced and leases not being renewed. Over time, insurers' attitudes toward empty properties have hardened too, with responsibility for property maintenance and protection increasingly falling to the landlord or lessee.

How landlords can be financially impacted by vacant properties

For the landlord, this can have far-reaching implications because they may suffer a loss of income and face increased property rates, while at the same time complying with insurance policy conditions and additional risk management requirements, which increase the cost of property maintenance. Insurers are also likely to increase premiums for vacant properties, a cost that landlords must bear in the absence of rental income from tenants. Additionally, insurers may reduce insurance cover for empty premises.

'Vacant' and 'void' unoccupied property

When a property becomes vacant, insurers will treat it as either a 'vacant unoccupied' or 'void unoccupied' property. What distinguishes one from the other is that a 'vacant unoccupied' property has a tenant, but the tenant is not currently occupying the property, while a 'void unoccupied' property is one where there is no occupant nor lease. Properties that are let under licence are usually occupied for a short period. Licences do not contain the same level of responsibility as a proper commercial lease; therefore, if they become empty, insurers treat them as unoccupied.

Why is there a difference? If there is a current full repairing and insuring (FRI) lease, a tenant still has specific responsibilities for the property, even when not occupying it. When certain perils are withdrawn by insurers when a property becomes vacant, these perils may become the tenant's responsibility, a fact that most tenants are unaware of. This outcome does depend upon the wording of the lease, which may stipulate that the landlord must provide insurance only if it is available in the market. If there is no mention of this, it may allow room for argument.

What landlords must do

When a landlord becomes aware that their property is empty, they must notify their insurance intermediary immediately, as nearly all property owners insurance policies contain an unoccupancy clause. Even if the policy does not explicitly include this clause, there is a fundamental tenet in insurance known as 'reasonable precautions.' This imposes a duty of care on the policyholder when there is a significant change in risk, such as when the premises become unoccupied. The unoccupancy clause, applicable to both 'vacant' and 'void' properties, varies among insurers.

The key points include:

- The number of days defined by the insurance company after which a property is deemed empty
- The inspection requirements for vacant properties, both internally and externally, which must be documented
- The removal of waste and combustible materials
- Enhanced security measures for the premises, including sealing letterboxes
- The need to turn off and drain down services, particularly sprinkler systems.

Remember to check your own policy and ask your intermediary for exact conditions.

Cover will be affected if an insured incident occurs that can be directly linked to any of these conditions not being fully met or implemented. Insurers will usually alter rates and conditions when a property becomes empty, as this represents a material change in the risk. This generally occurs unless a prior agreement has been reached to maintain existing rates and conditions, which is uncommon.

When conducting an initial survey before applying for insurance, several factors should be considered. These include:

- Age of the property
- Number of storeys
- Type of construction, including flooring materials
- Planning permission status
- Duration of unoccupancy
- Previous occupants
- Any new or planned renovations
- Inspection schedule
- Waste clearance procedures
- Confirmation that utilities have been turned off
- The presence and activation status of security systems.

If any of the aforementioned elements are missing, the cover may only extend to risks such as fire, lightning, explosion and aircraft. However, if all the necessary information is provided, wider perils may be added to the schedule including riot, civil commotion, malicious damage, earthquake, storm, flood and impact. Only an all risks policy can provide complete peace of mind for all parties, but such a policy is achievable only if the underwriter is provided with a complete picture of the property.

What is the cost of a vacant property?

As noted earlier, Insurance rates for empty properties are higher than those for occupied properties and landlords must bear the burden of these increased premiums without rental income. Additionally, landlords will face increased costs related to marketing the property and the potential challenges of addressing dilapidation and ongoing maintenance. This is why landlords are highly motivated to keep their properties occupied. The consequences of having tenants move out can be burdensome.

Notifying creditors

However, there is another party involved in this relationship—the lender. Credit may have been granted based on a specific level of yield, and the costs associated with servicing this credit could hinder landlords from renegotiating rents. Financial institutions should recognise that having a tenant is preferable to having no tenant at all. The landlord's ability to meet loan obligations may be compromised by the additional insurance costs incurred if a tenant moves out. As the demands on rental income increase, a landlord may choose not to fully comply with insurance requirements in order to save costs. This decision could jeopardise the insurance coverage, leaving the asset vulnerable.



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Vacant property insurance policies

Of course, some insurers see this as an opportunity to insure a sector of the property market that is not popular with mainstream insurers. The offer may be attractive, but as always, the devil is in the details; these vacant property policies will always have strict unoccupancy conditions, which must be adhered to. They will have onerous claims conditions. They will only offer limited perils. Cover will be made subject to survey, and that survey may throw up requirements which again have to be implemented.

In conclusion, if one of your properties is about to become vacant or has just become vacant, inform your insurance intermediary immediately. Verify that the tenants are still in residence; if they have left and the property has been vacant for a certain period, your coverage may already be affected.

Remember, insurers expect cooperation in minimising the risks associated with an empty property. Therefore, landlords should proactively take steps to reduce hazards, such as removing combustible materials before being asked. After all, losing an insurer can lead to less favourable alternatives, so it's crucial to check your lease and ensure that your tenant is aware of their ongoing obligations.



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Watch your step: the risks and requirements of working at height

Working at height is inherently risky yet unavoidable in many industries, particularly construction and maintenance. Understanding the risks involved is crucial for ensuring the safety and well-being of workers. The most significant risk when working at height is, of course, falling. Falls can occur from ladders, scaffolding, rooftops, and other elevated surfaces, often leading to severe injuries or fatalities. Additionally, tools, equipment, or materials can fall from height, posing a danger to workers below and potentially resulting in serious injuries or fatalities for those on the ground. Inadequate or poorly maintained structures such as scaffolding, ladders, or platforms can collapse, leading to accidents. Weak or damaged surfaces can also give way under the weight of a worker. Adverse weather conditions, such as strong winds, rain, or icy surfaces, can increase the risk of slips, trips, and falls. Poor visibility can also hinder safe movement and decision-making.

Several factors can contribute to accidents when working at height. A primary issue is the failure to properly assess the risks involved, which can lead to unsafe practices and the oversight of potential hazards. For instance, workers who lack proper training and a clear understanding of safety procedures are more likely to make errors that could result in accidents. They may use the wrong equipment or fail to maintain and inspect their tools properly. Furthermore, inadequate planning and lack of supervision can leave workers unprepared for their tasks. Additionally, fatigue or distractions can increase the likelihood of mistakes, which can have serious consequences when working at height.

Ensuring safety and preventing falls

The general requirements outlined in the Health and Safety at Work etc. Act and the Management of Health and Safety at Work Regulations are applicable. However, specific duties concerning fall prevention are detailed in the Work at Height Regulations. Additionally, other regulations may be relevant depending on the circumstances. For example, if work equipment such as a cherry picker is used, the Provision and Use of Work Equipment Regulations would also apply. In certain industrial settings, the Workplace (Health, Safety, and Welfare) Regulations may also be applicable.

The Work at Height Regulations

These regulations establish minimum safety standards to prevent falls and apply to nearly all work premises. 'Work at Height' refers to any location (at or below ground level) from which a person could fall a distance that might cause personal injury. The responsibilities outlined in the regulations extend to access to and from such locations, except when using a staircase in a permanent workplace. It is important to note that these regulations do not cover travel to and from a place of work.



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The regulations include the following requirements:

- Duties related to the organisation and planning of work at height.
- A requirement that individuals performing such work are competent or are supervised by competent persons.
- Guidelines for steps to be taken to avoid risks associated with Work at Height.
- Duties concerning the selection and specification of work equipment.
- The necessity to avoid risks from fragile surfaces, falling objects, and dangerous areas.
- The requirement for inspecting certain work equipment and the locations where Work at Height is carried out.

Work at Height: Your duties as an employer

If an organisation employs people, it is required to adhere to its responsibilities under the Health and Safety at Work etc. Act. This includes Section 2, which outlines general duties to employees, and Section 3, which specifies general duties to those who are not employees. Additionally, compliance with the Management of Health and Safety at Work Regulations is necessary, particularly Regulation 3, which pertains to risk assessment.

Organisations must also follow the Work at Height Regulations, and any specific requirements outlined in the Provision and Use of Work Equipment Regulations. This obligation is in addition to any civil law duty of care they owe.

In light of these regulations, best practice considerations include the following:

- Ensure that work is properly planned in advance, including emergency procedures and the selection of appropriate work equipment. This work should be appropriately supervised and carried out safely.
- Ensure that completed risk assessments identify situations involving Work at Height and determine the necessary actions to comply with applicable statutory requirements. Risk assessments should clearly demonstrate that if ladders are to be used, their usage is justified due to low risk, short duration, or the presence of existing site features that cannot be altered. In most cases, risk assessments should be recorded, reviewed, and updated as necessary.
- Identify the required precautions by first avoiding any need for Work at Height, if possible, by completing tasks from ground level. If Work at Height is unavoidable, determine the appropriate work equipment and other necessary precautions to prevent falls. Whenever possible, use existing places of work that are stable, strong, and provide safe access. If this is not possible, employ suitable equipment to mitigate the distance and consequences of a fall. Collective protection measures, such as edge protection, scaffolds, and nets, should take priority over personal protection measures like harnesses. Consider specific working conditions, access/egress travel distances, potential fall distances and consequences, duration and frequency of use, emergency evacuation and rescue requirements, and load capacities.
- Implement and maintain the necessary precautions identified.

The Work at Height Regulations set specific standards that need to be met for working platforms (see Schedule 3); guard-rails, toe-boards, barriers or similar collective means of protection (see Schedule 2); nets, airbags or other collective safeguards (see Schedule 4); personal fall protection systems, work positioning systems, rope access and positioning techniques, fall arrest systems and work restraint systems (see Schedule 5); and ladders (see Schedule 6).

Other precautions will include:

- Preventing materials or objects that could cause injury from falling. This includes ensuring they are correctly stored and will not be thrown or tipped from heights. Additionally, work areas should be clearly identified, and unauthorised access should be restricted where necessary. Safe access, the use of lifting equipment, adequate lighting, safety around overhead services and equipment, and the use of personal protective equipment (PPE) must also be ensured.
- Avoiding work on or near fragile surfaces, such as roof lights. If this is unavoidable, adequate precautions must be implemented to prevent falls. This may include providing suitable platforms, coverings, guard rails, roof ladders, crawling boards, and warning signs.
- No Work at Height should be carried out during adverse weather conditions.
- Work (including organisation, planning, and supervision) must only be performed by competent persons. If individuals are in training, they must be supervised by someone who is competent. The level of required competence should be determined through a risk assessment.
- Keeping records of any training and information provided to employees is essential. Training records should include details such as the names of those trained, the training date, the trainer's name, an overview of the training content, any certifications provided, and a signed statement from trainees acknowledging that they have received and understood the training.
- Ensuring that the workforce is appropriately consulted regarding the required precautions.
- Documenting the arrangements and responsibilities for managing Work at Height as part of the health and safety policy (or related documentation) necessary to comply with health and safety laws. This documentation should include arrangements to ensure that the specified inspections, as detailed in the Work at Height Regulations, are carried out by a competent person. It should also cover the control of contractors involved in such work and the steps to be taken when it is not possible to follow the required system of working.

Work at Height: Your duties as a non-employer

If an organisation has control over any Work at Height carried out by others, it must comply with the Work at Height Regulations, but only to the extent of its control.

Similarly, if the organisation controls work equipment, or if a person at work uses, supervises, or manages the use of that equipment, they must adhere to the Provision and Use of Work Equipment Regulations. Again, compliance is only required to the extent of their control. 'Work equipment' refers to any machinery, appliance, apparatus, tool, or installation used at work, whether exclusively or not, and includes access equipment.

In addition to these specific requirements, organisations that do not have employees will still need to meet duties under the Health and Safety at Work etc. Act 1974. This is where they control non-domestic premises made available to others as 'a place of work' or where they may use 'plant or substances provided for their use there' (Section 4).

In these circumstances and for Work at Height, they must make sure that the premises and plant (e.g. any access equipment) provided for use by others are safe.

A similar civil duty to that of employers is also owed.

Further topic resources

Further information is available as follows:

- The Work at Height Regulations, SI 2005/No. 735, available at <https://www.legislation.gov.uk/ukxi/2005/735/made>
- General information is available at <https://www.hse.gov.uk/work-at-height/index.htm>
- Working at Height, A brief guide, INDG 401, HSE, available at <https://www.hse.gov.uk/pubns/indg401.pdf>
- Safe use of ladders and stepladders, A brief guide, INDG 455, HSE, available at www.hse.gov.uk/pubns/indg455.htm

Green initiatives can lead to higher insurance claims when they go wrong

Lithium-ion batteries



Claims related to lithium-ion battery fires increased by 7% from 2022 to 2023. In fact, the London Fire Brigade has described them as the 'fastest emerging and growing fire risk'. Found in items such as e-bikes, e-cigarettes, and mobile phones, these batteries can catch fire while charging or if damaged.

To reduce these risks

- Provide tenants with a well-ventilated area outside residential buildings to charge their e-scooters and e-bikes.
- Educate tenants about the hazards of lithium-ion batteries and their proper storage.
- Conduct a fire safety assessment to identify and mitigate risks.

Electric and hybrid vehicles



In the UK, 239 fires related to electric vehicles (EVs) were reported from 2022 to 2023. Hybrid cars have a comparatively higher fire risk than electric and internal combustion engine (ICE) vehicles because of the combination of a combustion engine and a lithium-ion battery.

To reduce these risks

- Hire professionals for charging point installation.
- Use impact protection to prevent parking damage.
- Ensure regular maintenance to avoid issues with improper charging and stolen cables.

Green and living roofs/walls



The UK has over 2.15 million square metres of green roofs – and that's set to rise. Green roofs and living walls, however, can pose a fire risk. Water damage can also occur if plant roots penetrate the roof or wall's waterproof layer.

To reduce these risks

- Install a reliable irrigation system to keep plants healthy and reduce fire risk.
- Schedule inspections and maintenance to check for damage, leaks, or plant health issues.
- Ensure the waterproofing layer is intact to prevent water damage to the building structure.

Solar panels



In the UK, there were 66 fires related to solar panels reported between January to July 2023. As well as posing a fire risk, Solar panels can be dislodged by high winds if not secured correctly. Their weight can also cause structural problems to roofs and buildings.

To reduce these risks

- Follow PV Operation & Maintenance manual
- Ensure proper installation
- Conduct regular maintenance.

Contact us

This infographic highlights the risks associated with green initiatives when they go wrong. If you'd like to learn more about our residential property solutions, visit our [webpage](https://www.clearinsurancemanagement.com) or call 020 7280 3450. www.clearinsurancemanagement.com

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Insurance terminology explained

Let's face it: insurance terminology can seem baffling and inaccessible sometimes. For example, terms such as 'endorsement' and 'warranty' have very different meanings within the context of an insurance policy than in everyday exchanges. Like other professions, insurance has evolved its terminology to ensure precision, clarity, and consistency. Unfortunately, to the unfamiliar consumer, 'insurance-ese' can come across as obscure and unnecessary jargon.

Our glossary of common insurance terms – and what they mean

While the following glossary is in no way exhaustive, we have included insurance terms you're more likely to encounter when taking out a policy or making a claim and—hopefully—demystified them for you.



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All Risks Insurance

This type of insurance covers losses resulting from any unexpected event except those explicitly excluded from cover. This differs from **Named Perils Insurance**, which only applies to losses resulting from specified causes.

Average (Condition of Average)

In insurance, **Average** comes into play when the amount a property is insured for is less than its actual value (i.e., it is underinsured) and is typically applied when the amount of underinsurance exceeds 15%. If this happens, the insurance company will only pay a proportionate amount of any claim, which will be equal to the amount of underinsurance (i.e., if the property is 50% underinsured, then insurers will only pay for half the claim). This is called the **Condition of Average**.

Condition

A strict requirement in an insurance policy that, if breached, allows the insurer to deny liability (see **Warranty**).

Contract Works (or Contractors 'All Risks')

Contract Works Insurance provides cover, subject to certain exceptions, for building works during construction, as well as materials, equipment, plant, and temporary buildings. It is also known as **Contractors 'All Risks.'**

'Day One' Uplift

An insurance policy feature that protects against a possible shortfall in a claim payment should inflation increase the **Declared Value** between the start of cover (inception) or renewal, the incident date, and up to the date that any rectification works are completed. A percentage limit of between 10% and 50% usually applies.

To illustrate, if the building's Declared Value at inception or renewal is £1,000,000 and the inflation rate is running at 5% when the incident occurs and the claim is made, then the Declared Value at the time of loss is £1,050,000.

Declared Value (or Reinstatement Cost)

Declared Value is the insured's assessment of the cost of rebuilding a property insured at policy inception or renewal. This value, otherwise known as the **Reinstatement Cost**, should also include professional fees and the costs of debris removal and compliance with public authority regulations.

Declinature

Declinature refers to the refusal or denial of an insurance application or claim by the insurer.

Deductible

The **Deductible** is a specified amount a loss must exceed before a claim is payable. Only the amount over the Deductible is recoverable.

Employee

An **employee** is defined as:

- Any person under a contract of service or apprenticeship with the insured
- Any person who is hired to or borrowed by the insured
- Any person engaged in connection with a work experience or training scheme
- Any labour master or person supplied by the labour master
- Any person engaged by labour-only subcontractors
- Any self-employed person working on a labour-only basis under the control or supervision of the insured
- Any voluntary helper.

Employers Liability Insurance

Employers Liability Insurance protects businesses from financial losses arising from workplace injuries or illnesses suffered by their employees. This insurance is compulsory in Great Britain and can only be provided by an authorised insurer, with some exceptions.

Endorsement

An **endorsement** is an amendment or addition to an existing insurance policy that alters the terms or cover of the original policy. This can include adding, removing, or modifying cover.

Excess

Excess is the first portion of a loss or claim borne by the insured. An excess can be voluntary to obtain premium benefit or imposed for underwriting reasons.

Exclusion

An **exclusion** is a provision in a policy that excludes the insurer's liability in certain circumstances or for specified types of loss.

Inception

Inception refers to the actual date when an insurance policy becomes effective. From this date, the policyholder is covered according to the terms and conditions of the policy.

Index Linking

Index Linking is a mechanism insurers use to adjust the building's Declared Value on a policy to reflect changes in the economy, such as inflation or deflation. This adjustment is designed to avoid underinsurance but there is no guarantee that it will.

Indemnity

Indemnity is the principle whereby the insurer seeks to place the insured in the same position after a loss as they occupied immediately before the loss (as far as possible).

Insurable Interest

For an insurance contract to be valid, the policyholder must have a legally recognised interest in the insured item. This means that the policyholder must benefit from the safety, wellbeing or freedom from liability of the insured item and would be negatively affected by its damage or the existence of liability. This is known as the **Insurable Interest** and must exist at the time the policy is taken out and at the time of the loss.

Insurance Policy

An **insurance policy** is a document that lays out the terms and conditions of an insurance contract and serves as legal proof of the agreement to insure. It is issued by an insurer or its representative for the initial period of risk.

Insured

The **insured** is the person or company whose property is insured or in whose favour the policy is issued.

Insurance Premium Tax (IPT)

The Finance Act 1994 introduced this tax on most general insurance risks located in the UK.

Limit of Indemnity

The **Limit of Indemnity** refers to the maximum amount that an insurer will pay out for a claim under a policy.

Loss Adjuster

A **Loss Adjuster** is an independent claims expert who acts as a consultant to insurers. Their role is to assess the extent and value of a claim. Although paid by the insurer, a member of the Chartered Institute of Loss Adjusters is required to act with the claimant's legitimate interests in mind.

Loss Assessor

A **Loss Assessor** is a person who acts on behalf of the claimant, negotiating the settlement of a claim in return for a fee paid by the claimant.

Lloyd's Broker

A broker approved by the Council of Lloyd's can enter the underwriting room at Lloyd's and place business directly with underwriters. Lloyd's brokers must meet stringent integrity and financial stability requirements set by the Council of Lloyd's. Additionally, they are required to submit a special accountant's report annually to the Council of Lloyd's regarding their financial position.

Material Fact

In insurance terminology, a **Material Fact** refers to any fact that would influence the insurer in accepting or declining a risk or in fixing the premium or terms and conditions of the contract. It must be disclosed by a proposer or by the insurer to the insured.

Named Perils

A **Named Perils Insurance** policy provides cover only for the specific risks or events explicitly listed in the policy. These events, known as 'perils', might include fire, theft, vandalism, or storms. If a peril is not named in the policy, any damage or loss resulting from that peril will not be covered.

Policyholder

The **policyholder** is the person or company in whose name the policy is issued (see also Insured).

Public Liability

Public Liability refers to the insured's legal liability to persons who are not parties to the contract of insurance and are not employees of the insured. Cover relates to injury or damage (including trespass) only. It is also known as **Property Owners Liability** and/or **Third-Party Liability Insurance**.

Reinstatement

Where an insured property is damaged, settlement is usually made through the payment of a sum of money. However, a policy may give the insured or the insurer the option to restore or rebuild ('make good') the property instead.

Standard Construction

Standard construction refers to buildings built using conventional methods and materials, such as stone, brick, slate, concrete or timber.

Statement of Fact

A **Statement of Fact** is a document that details the information upon which the insurance contract is based. It plays a crucial role in underwriting by documenting the risk details the insurer uses to determine policy terms and conditions, cover and premium.

Subrogation

In Contracts of Indemnity, **Subrogation** refers to the right of an insurer to stand in the place of the insured and exercise all rights and remedies available to the insured, whether already enforced or not.

Sum Insured

The **Sum Insured** is the maximum amount payable in the event of a claim under a contract of insurance.

Terrorism

In the Terrorism Act 2000, **Terrorism** is defined as:

(i) actions involving serious violence against a person, serious damage to property, serious disruption of the electronic system,

(ii) which is designed towards seriously influencing the government or intimidating the public and

(iii) is made for the purpose of advancing a political, religious, or ideological cause.

Third Party

In insurance terminology, a **Third Party** refers to a person claiming against the insured. The First Party is the insurer, and the Second Party is the insured.

Underinsurance

Underinsurance occurs when an insurance policy fails to provide enough cover to meet the financial loss of a claim. If a loss occurs and the risk is underinsured, the policyholder may have to pay a substantial share of the costs out of their own pocket, leading to potential financial hardship.

Warranty

A **warranty** is a strict requirement in a policy imposed by an insurer. A breach entitles the insurer to deny liability.

Wear and Tear

'**Wear and tear**' refers to the amount deducted from claims payments to allow for any depreciation in the insured property caused by its normal usage.

This glossary is necessarily condensed. You can find more extensive glossaries and resources below:

[Glossary | ABI](#)

[One Smart Place Glossary of Insurance Terms](#)



If you'd like to learn more about managing your risk, please visit our [residential property webpage](#) or call 020 7280 3450 to speak to one of our property broking team.

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