

Property Insurance Notes

A guide to the insurance and protection of property held in your SIPP with Suffolk Life.

**This is a legally binding document between you and Suffolk Life.
It is part of a set all of which should be read together:**

- » Key Features
- » Schedule of Fees
- » Terms and Conditions
- » Property Guide
- » Property Form
- » **Property Insurance Notes**

SIPP

Insurance Notes

As soon as insurance cover is necessary we will pass the cover application to the insurer, who will issue a certificate of insurance.

1 All property bought for your SIPP(s) is legally and beneficially owned by Suffolk Life Annuities Limited (we, us). Statute imposes several responsibilities on the owner of a property. Some of these responsibilities cannot be assigned or avoided even if the property is tenanted or vacant. Likewise, statute imposes other, sometimes concurrent responsibilities on the occupier of the building. The occupier will almost always be the tenant who has leased the property from us.

It is very important to structure the insurance of the property in such a way that every party is best served.

Accordingly, we have arranged a block buildings insurance policy for all properties held for our SIPPs. This policy will be with Royal & Sun Alliance or such other insurer as we at our discretion shall determine (the insurer).

2 The policy arrangements are as follows:

We, as landlord, will insure the property in our sole name in respect of the following risks:

- a) property owners' liability insurance risks;
- b) material damage to the building (e.g. fire and explosion); and
- c) rent receivable cover (i.e. to ensure that your SIPP(s) continues to benefit from an amount equal to the rent in the event of insurance damage to the property rendering it uninhabitable).

The policy or policies will include a tenant non-invalidation clause.

3 The tenant will:

- a) reimburse us, as landlord, the cost of all the above insurances, where the lease so provides; and
- b) need to insure separately his trade equipment, stock and any risk relating to his business operation.

4 Please note that insurance is in respect of the building only. Therefore tenant's improvements will not automatically be covered and nor will fittings and trade equipment.

Trade interruption cover must be separately obtained by the tenant, if required. If a quotation for these risks is required we can arrange for our insurance brokers to contact you.

5 With the exception of farmland, the premium in respect of each property will be commensurate to the risk.

For farmland, there will be a fixed rate (reviewed each year), currently £42.38 per annum plus insurance premium tax, in respect of the unavoidable liabilities that go with property ownership.

6 All premiums will be paid from your plan(s) and then, where possible, recovered from the tenant as insurance rent. The period of insurance currently runs from 1 May to the last day in April each calendar year.

For properties insured part way through the year, a proportion of the annual premium will be billed at the appropriate time.

Thereafter the full annual premium will be collected on renewal.

If there is no tenant or the lease does not contain provisions to recover the insurance premium as rent, the sum due will remain payable from your SIPP(s).

7 The interest of the tenant and any mortgagees will also be noted on the policy. The rebuilding cost (where applicable) will be as advised by the valuer. This sum will be increased annually in line with a suitable index, unless or until a revised sum is notified to us in writing.

Where VAT on rebuilding costs is not recoverable in any particular case, the cover negotiated with our current insurers will cover that additional liability.

8 The policy automatically provides for up to three years' loss of rent cover. This means that in the event of damage to or destruction of the property, which is insured under the property damage section, your SIPP(s) will continue to receive the benefit of the current rent for a maximum of 3 years (or less if the building is reinstated earlier and the tenancy resumes).

9 By insuring all properties together the individual rates become competitive. It also makes the administration more straightforward. In the event that we are paid commission in respect of the property insurance policy we will retain this.

10 Please note there is restrictive cover applicable where the property is unoccupied and there is also an increase in the excess. Clearly unoccupied premises are a higher risk to insurers therefore premiums and excesses will be reviewed on a regular basis and may be increased at any time. Currently it is standard for an additional premium to be charged after 3 months of continued unoccupancy and a further additional premium after 6 months. After 6 months the excess on the policy is also increased to 1% of the declared value (minimum £2,000). Cover may also be restricted to certain perils. Any changes to the cover provided will be notified at the time of the change. Should the property become unoccupied please let us know in writing without delay. The insurer's current requirements for vacant properties are set out in the next section (Risk Management Guidelines).

11 Subsidence cover is included by our current insurers, but they may require a further questionnaire to be completed to confirm cover, depending on the nature and location of the property. In some circumstances a structural report may also be necessary and in exceptional cases cover in respect of subsidence may be excluded.

12 Our current insurers will not charge an additional premium where a property is in an area of flooding risk. However, the normal excess may be greater in individual cases. This will be flagged up by our brokers when any individual property is put on risk. In exceptional cases claims may be restricted or refused.

13 If we purchase a property where insurance is effected by a third party e.g. we acquire a long leasehold interest where the landlord has the right and obligation to insure, or we acquire a beneficial share in a property and the insurance is arranged by the legal owner, insurance will be in the name of the third party and it will not always be possible for us to be shown as a joint insured. In this event a note of our interest in the insurance will be notified to the relevant insurer. Please note, however, that such an arrangement does not cover us as property owner against public liability risks. Therefore, in such cases it will be necessary for us to effect a separate public liability insurance cover in respect of that individual property. If rent is payable under the terms of a sublease we will also require our own loss of rent cover.

Risk Management

Protection of unoccupied buildings

Introduction

Each year there are around 9,000 fires in empty buildings. Fire, theft and malicious damage in empty premises cause losses in excess of £100 million each year.

Intruders into buildings will have a number of motives:

- » use the premises for commercial purposes (fly tenants);
- » strip the premises of anything of value such as electrical or plumbing fittings;
- » vandalise the premises or set a fire;
- » squat; or
- » other activities such as unauthorised parties, storage or stolen property etc.

In addition to the material damage aspect, the health and safety of visitors, welcome or otherwise, must also be considered. Unoccupied buildings are an attractive playground to children and a 'duty of care' is owed to them even though they are trespassing.

When a building is to be vacated and no other tenant is to move in, action must be taken to ensure the safety of the building and those people who have legitimate access, or indeed making unauthorised entry, to that building.

Removing contents

Combustible contents and waste materials offer fuel for the arsonist and temptation to thieves.

- » All contents should be removed immediately. This should include all furniture, and all other removable items not forming part of the fittings to be included in a sale. For short term un-occupancy (up to 6 weeks), it may be more practical for some items of furniture to remain, but this should be kept to a minimum.
- » All waste materials should also be removed from inside and around the premises and internal and external areas swept clear.
- » Tanks of combustible waste should be drained and appropriate action taken to make safe from any explosion risk arising from residual vapour.
- » Ensure that postal and other deliveries are stopped and that items such as free papers are removed on a regular basis.

Improving security

Doors

External doors to the property should be of solid timber construction, at least 44mm thick. The door to be secured with at least one 5 lever mortice deadlock to British Standard 3621. In addition, the hinge side on outward opening doors should be protected with hinge bolts, e.g. fire exit doors.

Sliding timber and metal doors or roller shutters should be secured internally with a good quality close shackle padlock together with the manufacturer's corresponding locking bar.

Glazing

It is considered good practice to board up glazing in doors, windows, skylights and other openings in a building that is to be vacated. In certain locations and areas it is essential for the continuance of insurance cover.

- » Boarding should be of substantial exterior grade plywood at least 18mm thick. Chipboard is not suitable in terms of resistance to attack or the elements.
- » The boards should be secured to the doors and window frames with minimum 50mm exterior non-return screws or ribbed nails with heads recessed below the surface of the board.
- » Where the frames are of aluminium or uPVC construction, the boards should be attached to minimum 75mm x 75mm battens which in turn are secured to the masonry at the sides of the window, in the recess.
- » Avoid overlapping boards or allowing gaps which can be easily attacked. Fit the boards close to the framework, brickwork or battens.
- » Mesh grills such as Expamet can be used as an alternative to boarding.
- » Where there is resistance to boarding from the local authority, consideration could be given to using a sympathetic colour scheme which blends in with surrounding buildings or civic street furniture.

Perimeter security

Consideration should be given to protecting the perimeter of a property to prevent its use as a campsite or for fly tipping. Suitable methods include the use of temporary or permanent bollards or site security fencing.

Lighting

Retain internal and external lighting where possible to give the illusion of occupancy. Good lighting creates a degree of vulnerability for the criminal or trespasser and ideally the site should be illuminated externally.

Ensure as far as possible that lighting is located high enough so as to be out of reach to criminals.

Intruder alarm protection

The installation of an intruder alarm system should be considered, if not already installed. A well designed, installed and maintained intruder alarm system can provide effective security measure, deterring potential intruders and offering early warning of intrusion.

Moving out of a premises can leave an existing intruder alarm system vulnerable to false alarm activations.

If the system is to remain in operation you should ensure procedures are in place to maintain the system. You should also ensure that the records held by the police have been updated to take account of any new key holders.

CCTV

The installation of a CCTV system may be considered. If one is already installed it is of little use for crime prevention unless it is monitored. This can be carried out by a static guard on site or remotely by connection to a monitoring centre.

Manned guarding

These services should be contracted to the company registered with the Inspectorate for the Security Industry (ISI), a division of the National Security Inspectorate www.nsi.org.uk (tel: 01905 773131).

Different types of guarding services are available:

- a) Static guards – these are permanently based at the secured premises where they carry out routine patrols and check visitors etc. Suitable for large extensive sites where the cost can be justified.
- b) Mobile patrols – these undertake to visit a site a certain number of times a day. Although providing a deterrent, their main benefit lies in the quick reporting of damage or graffiti at the premises to the owner.
- c) Keyholding services – where the owner lives some distance from a building and cannot comply with the police requirements for keyholders, the use of a security company can be considered. In the event of alarm activation, the alarm receiving centre will notify the keyholding company who will then attend the premises and notify the police and property owner of any damage.

Specialist contractors

There are several companies offering specialist security services in relation to vacant property. These services range from sealing doors and windows to purpose designed temporary alarm and access control systems.

Companies offering these services include:

Orbis plc

Tel. 01895 465500

www.orbisplc.com

Vacant Property Security Ltd

Tel. 020 8695 6611

www.vacantpropertysecurity.com

Repeat victimisation

There is evidence to suggest that once a building has been attacked, further attacks could occur within a short time period. Good management, regular inspection visits and regular maintenance of the property can help to prevent repeat attacks.

The police

The police can also be approached for specialist crime prevention advice and knowledge of crime patterns in the area.

In addition, the police should be provided with an up to date list of keyholders and telephone numbers.

Fire protection

Any automatic fire detection or suppression systems installed in the premises will continue to provide early warning and/or control of fire and should be retained where still in operation, particularly where the system provides a signal to an alarm receiving centre.

It is important that the systems continue to be properly maintained, particularly with the change of environment un-occupancy brings.

Ensure that sprinkler systems are charged with air or adequate arrangements made to ensure pipework is not left vulnerable to freezing. If it is not possible to maintain the sprinkler system it should be drained down.

The fire brigade

The local fire brigade should be informed of the following material facts:

- » the location, type and quantity of any material that may continue to be stored on site;
- » the state of the water supplies to the site, particularly where the water supply has been disconnected to hose reels or sprinkler installations;
- » the state of any automatic fire detection system particularly if there is a connection to an alarm receiving centre;
- » access to the site, if this has been altered or blocked (e.g. for perimeter security); and
- » any alterations to the security that may impinge on fire escape routes for neighbouring premises

Maintenance

Ensure that the fabric of the building is maintained in good order. Without regular maintenance a vacant property can quickly become run down and attract the undesirable attention of vandals, fly tippers and the like. Remove graffiti and carry out repairs promptly.

Health and safety

Authorised visitors such as surveyors, guards, contractors and prospective purchasers will need to have access to the property at various times. The health and safety of such visitors must not be placed at risk while undertaking their duties and to ensure their safety, the following points should be considered:

- » warnings to be given with regard to any specific danger, e.g. structural defects;
- » adequate light should be made available;
- » barriers should be provided around any dangerous or unsafe areas;
- » details of those visiting the premises should be recorded;
- » visitors should be equipped with personal alarms or mobile telephones and ideally should not enter the building unaccompanied; and
- » they should advise another party of their estimated time of return.

Temporary use of buildings

An empty building still continues to incur expenses for the owner and, while trying to find a permanent tenant, the letting of the building on a short term basis may be considered. From a security point of view, this is to be preferred to an empty property and where possible:

- » the premises may be offered on a short term loan perhaps to a local charity or the local authority; and/or
- » use should be made of any living accommodation attached to the premises.

However, the following points should be considered:

- » some changes of use may require planning permission or certification under fire safety legislation;
- » temporary occupants may have less regard to the protection and security of the property since they do not have a financial interest in it; and
- » unsafe working practices may be employed, for instance, overloading the electrical supply or using dangerous portable heaters.

N.B. your insurer must always be notified if there is a change in occupancy.

Insurers' requirements

In addition to an acceptable level of physical security, insurers will normally insist on the following straightforward measures being taken at unoccupied properties:

- » all keys should be accounted for. If any keys are missing, the locks should be changed immediately;
- » gas, electricity and water supplies should be disconnected at the perimeter of the building with certain exceptions listed below. A record should be left on site so that any future owner or tenant can see what has been done and arrangements for services to be reconnected;
- » all water tanks, boilers, heating systems and pipes should be drained down;
- » any electricity supply should remain connected to any fire or intruder alarm, or CCTV system that is to remain in operation. Insurer's agreement is needed for the electricity supply to remain connected for this purpose;
- » all combustible materials should be removed from both inside and outside of the property;
- » the letterbox should be sealed;
- » regular internal and external inspections should be carried out and details of these visits recorded. The interval between the visits will depend on the location and type of the premises but weekly inspections are normally required by insurers;
- » surrounding grounds and gardens should continue to be tended. It is important not to allow these to become unkempt, as this will attract unwanted attention; and
- » an inspection of the property may also be carried out by insurers from time to time.

Summary

The suggestions and recommendations listed above should be implemented with any unoccupied property that is likely to remain unoccupied for some time. It should be borne in mind that a well looked after, secured property will be much easier to sell or re-let in the long run.

For further assistance on this or any other risk control topic, please contact our brokers who are Oval Insurance Broking Limited, at 34 Foundation House, Ipswich, Suffolk, IP4 1BN (tel: 01473 211311).

www.suffolklife.co.uk

Suffolk Life is the trading name of Suffolk Life Pensions Limited (registered in England and Wales number 1180742) and Suffolk Life Annuities Limited (registered in England and Wales number 1011674).

Both companies are authorised and regulated by the Financial Services Authority.

Suffolk Life Annuities Limited is an authorised insurance company that provides self-invested personal pensions, trustee investment plans and similar pension products.

Suffolk Life Pensions Limited is the scheme administrator of Suffolk Life's self-invested personal pensions and administers the products of Suffolk Life Annuities Limited.

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Telephone calls to Suffolk Life are recorded for training, monitoring and fact verification purposes.

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