PROPERTY
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Criminal charges
Crime hits SMEs harder but risk management advice can keep the rates locked down

Up in smoke
As property claims soar many businesses are unaware that claims may be avoided by better damage prevention

How low can Property go?

Property rates may turn the corner in 2008 – but don't bet on it

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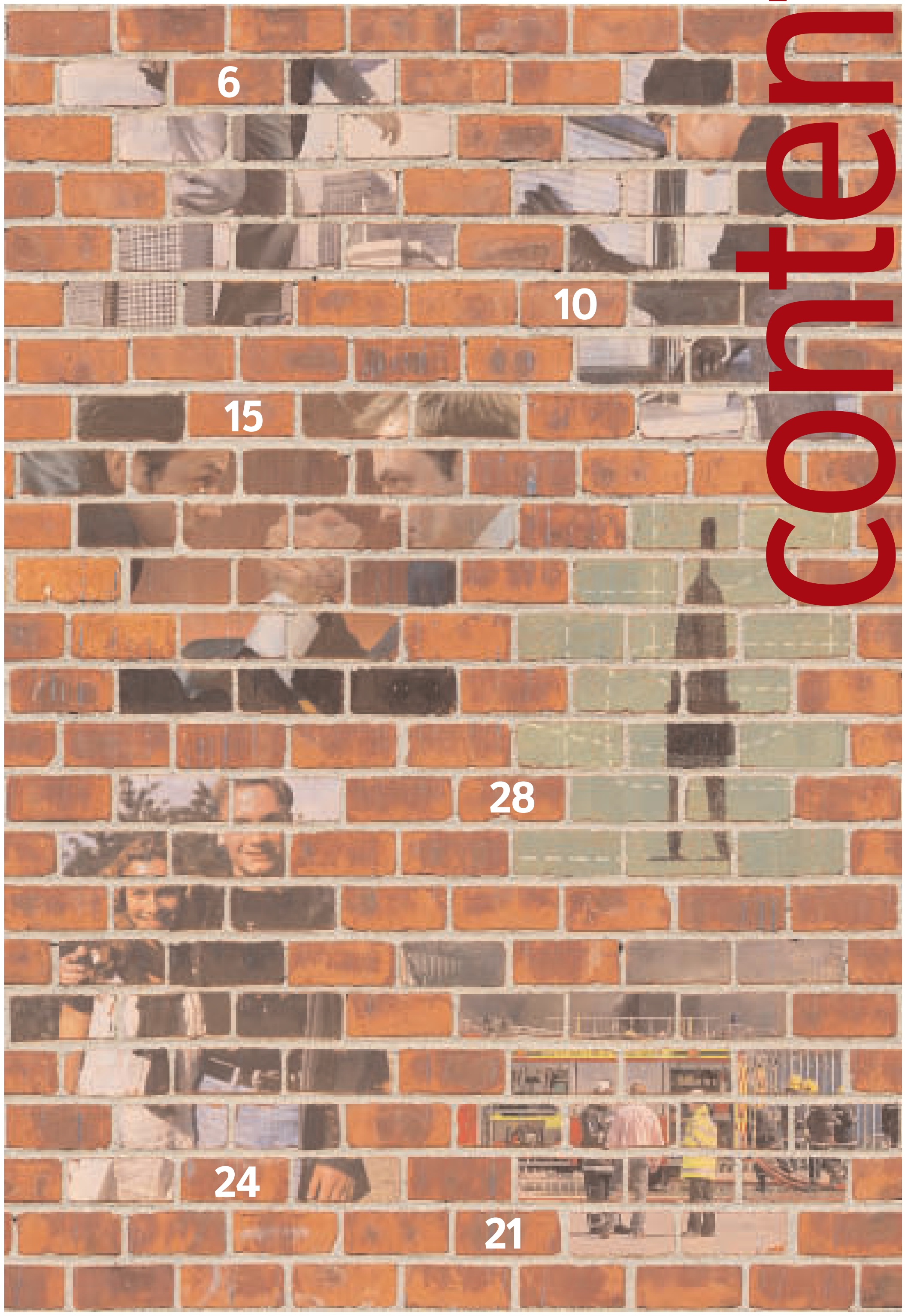

"If the light at the end of the tunnel has been switched on, then there must be a very low wattage bulb inside"

Adam Boakes, Evergreen, page 6

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Tough times ahead

It is a tough time for property insurance. Commercial rates have plummeted dramatically in the last two years. In 2005, it is estimated that GWP declined by 7.4 percentage points, and with an upturn not expected until 2008, this is a difficult market (page 6).

Insuring commercial property is highly precarious. The ABI shows that last year £790m was paid out in commercial fire claims alone – 60% up from the previous year (page 21).

Additionally, the cost to businesses in terms of disruption to their operations owing to fires increased to £220m, the highest level since 1997. This year's numbers are likely to be even higher because of claims from the Buncefield oil depot fire.

Worrying statistics dominate all aspects of the property market. Crime-related business insurance claims rose 6% in the first three months of this year and business crime is costing SMEs over £700m a year (page 10).

But the broker can play a key role in finding the correct insurance for an SME, with the potential to bring the cost of insurance down.

And in the on-going battle of direct writers versus brokers in the commercial property arena, brokers can show they have the upper hand. Cover not provided by a broker can be limited, as the property owner receives no independent professional advice (page 15).

Properties abroad, usually a second home, can be covered under a normal household policy, but there are considerations relating to the extent to which UK-based insurers will be willing to cover overseas risks (page 24).

And buy-to-let property investment has been one of the UK's highest growth industries in recent years (page 37) but the buy-to-let insurance world is something of a minefield of complex sub-clauses. And with this comes another opportunity for brokers to exploit.

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The end of the property insurance rate slump has supposedly been in sight for several years. It may finally arrive in 2008, reports **Andrew Holt**

The kamikaze world of property insurance

→ **Property insurance rates have** been in the mire for so long that an upturn always seemed around the corner. The good news, of sorts, is things cannot get any lower. The bad news is that any bounce back will not be evident until well into 2008. Therefore, competition is fierce and blood, sweat and tears will be shed before then.

It is the commercial market that has been hit most. Commercial property rates have been declining during 2005 and 2006 and are part of a cyclical reaction to some good market results.

These have arisen from a combination of strong rate increases in the early part of the decade following 9/11, benign weather and good investment returns.

Phil Bird, director of non-motor and SME at Groupama, says: "The positive nature of the market's property results has drawn capital into the market and created excess demand from insurers and this has had the effect of creating rating pressure as supply exceeds demand.

"This is currently being evidenced by some insurers allowing rating reductions of the order of 10%-15% on new business, with selective reductions for renewal business as well."

At the same time, further pressure on margins has resulted in some carriers agreeing enhanced commission deals with brokers that are either not reflected in their pricing or work transfer.

Bird adds: "There is also a suggestion that some underwriters have been prepared to accept cases and underwriting standards that in a hard market they would not have accepted."

Correction

All of this looks to lead to market results in 2007 that are nowhere near as strong as in previous years and bring pressure for a rating correction – something that the market certainly needs.

Bird says: "Of course, we still need to remember that 2006 is not yet over and if the market sees a major weather event that impacts reinsurance treaties we may yet experience some upwards pressure on rating from reinsurance costs and the impact on net lines."

This picture is supported Adam Boakes, UK development manager for broker-only SME insurer Evergreen. He says: "We are still seeing intense competition within the SME marketplace and it appears that technical rating as an underwriting discipline has been completely abandoned.

Instead the philosophy of the majority of insurers appears to be 'any business, at any price'. Market share remains their sole objective with no apparent regard for either underwriting quality or profit."

And Boakes believes it is difficult to see any short-term change in market conditions due to excess of capacity to be filled. "Based on our historical trends, however, we would expect to see a leveling of rates over the next 18 months, as current pricing strategy is simply unsustainable.

"In the short term, however, top line growth would seem to be the only message that is being fed to the underwriting rooms as the kamikaze approach continues. If the light at the end of the tunnel has been switched on, then there must be a very low wattage bulb inside," says Boakes.

Analysis

There is no shortage of neutral analysis to highlight the plight of the property market. Datamonitor says the commercial property insurance market's gross written premiums (GWP) declined in 2005, following a slowdown in premium growth rates in 2004.

This is in the context of growth rates having fallen dramatically in the previous two years, from 24.3% in →

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→ 2003, to only 2.8% in 2004. In 2005, it is estimated that GWP declined by 7.4 percentage points.

According to Aon, non-marine property premiums are likely to continue their downward trend this year and the bottom of the cycle is unlikely to be felt until the end of 2007.

Oliver Schofield, director of Aon global property practice group, says: "A clear divide is opening up between US and international risks and this is likely to be a main feature of the global property market in the coming year."

Aon's Global Market Property Tracker survey interestingly revealed that terrorism and natural disasters have not had a great impact on international property insurance rates - despite their continued slide.

Innovation

Brian Brown, head of general insurance at analysts Defaqto, says insurers have to become more innovative to have an edge in this market. "This is a tough market where success will require insurers to increasingly tailor their products to meet customer needs."

The area where Brown expects to see the most growth is in the mid-net worth market with insurers moving in to meet the demand created by the ownership of the higher value products that are finding their way into people's homes.

But it is the focus on new innovative products that insurers have to plug into. And the message presented by Defaqto that insurers will struggle in the current competitive property market to increase premiums and retain customers is a big warning.

It says that with a massive range of products available, insurers need to differentiate themselves from their competitors.

Price focused

In its report, Changing Policies for a Changing World, Defaqto repeats the view held by many in the market, that marketing continues to focused on price rather than on service or product features, making it even more difficult for the public to make an informed purchasing decisions.

Despite attempts by some leading companies to educate the general public that insurance should not be seen as a commodity product, whole swathes of the market persist with the price approach.

Looking at home insurance premiums offered by the majority of companies historically, they have remained largely static over the past 10 years and are likely to do so in the immediate future.

Possible market developments

Defaqto believes that there will be a number of significant changes in the home insurance market over the next two to three years:

- **Brokers that are unable to deal with customers on websites and through emails will struggle to survive;**
- **New types of cover and product changes will become more frequent;**
- **More items of cover will become optional;**
- **Insurers will move into the higher value end of the market.**

Cross selling

Looking ahead, it is likely that the banks will be the big winners with their ability to cross-sell to existing customers. "We can expect to see distribution patterns change as insurers try to reduce costs," says Brown.

"This is most evident from the increasing use of the internet for purchase as well as research in the home insurance market. However, the use of web aggregators – comparison sites offering quotes from many insurers – means that individual insurers will have to work harder to attract and retain customers."

And the worry is that brokers will not be able to deal with customers on websites and through emails and will struggle to survive.

This is bad news for brokers. But one broker disagrees. "This is nonsense. Banks have failed in every part of financial services they have entered as a new market. Where is the likes of Natwest if this is a real challenge?" says the broker.

He claims there is a regulation issue here. "When banks use leverage from the money they lend people to sell insurance, isn't that breaking some conflict of interest rules?"

> "If the light at the end of the tunnel has been switched on, then there must be a very low wattage bulb inside," Adam Boakes, Evergreen

Cost cutting

But with increased competition, insurers have been taking a number of steps to remain competitive. These include reducing administration expenses through the use of offshore staffing, reducing claims costs, minimising acquisition costs and improving claims handling procedures.

"Many insurers are also making better use of use of repair management companies and an increasing number are directing customers to purchase online," says Brown.

Niche player

One company that is benefiting and taking advantage of the innovative trend in property offering is Ecclesiastical Insurance. Chris Lees, chief underwriting manager at Ecclesiastical Insurance, says: "We have not seen the bottoming out like the bigger, leading players have, because we work in such a niche area.

"We work heavily with brokers to be as innovative as possible with products specifically designed through strong relationships. So the price factor is not that important for us."

Ecclesiastical covers property in the care sector, independent education and church buildings.

Brokers have adapted to the perils of the property market, says Paul Maynard, broker director for UK and Ireland at Willis. "Brokers always adjust to the market conditions and the current situation plays into the hands of a client, because the rates going are not high."

And he puts a different perspective on the whole outlook. "It is a tough market. But the last 12 months in property in reality have not been that bad, as most companies are going to make money out of this period." **IT**

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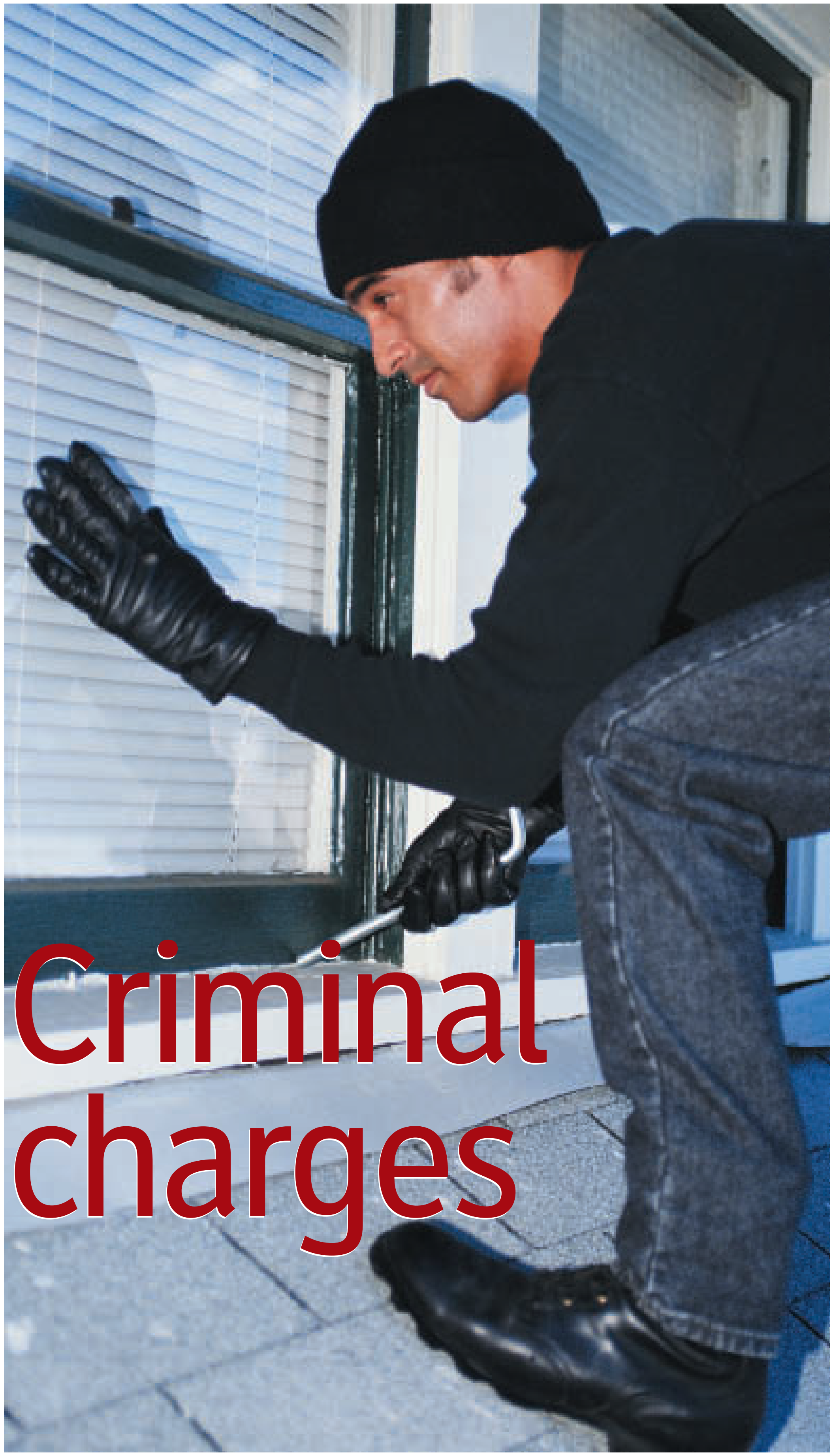

Crime is eating away at small to medium-sized firms, but risk management advice can keep premiums locked down. **Caroline Muspratt** reports

→ **Everyone knows the old saying** that "crime doesn't pay". But when it comes to crime against businesses, insurers are paying out millions.

A report from AXA earlier this year found that the average cost of a crime-related business insurance claim rose 6% to £4,179 in the first three months of this year. It said that business crime is costing small and medium-sized enterprises (SMEs) well over £700m a year.

While many businesses have to deal with the unpleasant, but not financially destructive claims of car theft and vandalism, others are coping with more significant risks such as arson and fraud.

More than half (57%) of businesses have been the victim of crime on at least one occasion in the past year, a recent survey for the Federation of Small Businesses found.

The hotel and restaurants sector experienced the highest rates of crime, and by region it found that Northern Ireland, Yorkshire & Humberside and the North East were the most likely to be at risk.

Unreported crimes

However, the report said that up to 40% of crimes against small businesses are not reported to police, and therefore to insurers. It said: "Most small business owners are of the opinion that reporting the crime would not achieve anything."

Business insurance is unlike car insurance, where motorists who lose their no claims bonus see their premiums rocket. Even so, David Williams, claims director at AXA, admits that many SMEs are →


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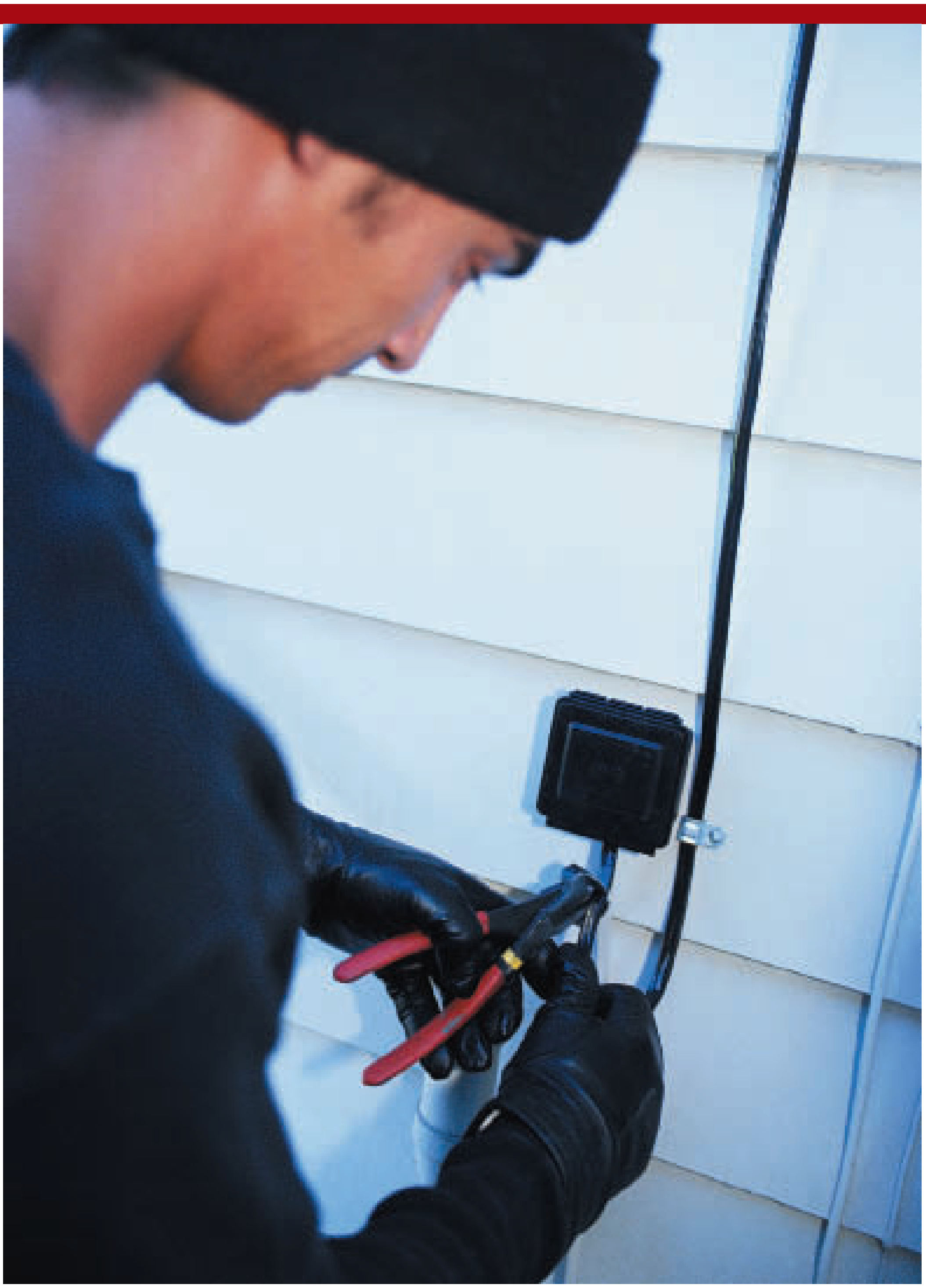
property owners
trust?



→ reluctant to report crimes to insurers as while one claim would not impact premiums, rates could increase if a pattern of crime emerges.

For example, John Heaney, UK commercial underwriting manager at Hiscox, says claims against loss or theft of laptop computers is becoming increasingly common from small businesses. In one instance, he says a company reported 18 cases of lost laptops, and the insurer worked with the company to apply a higher excess.

"The employee would be responsible for that excess so it does take a lot more care," he says, adding that the claims had reduced from 18 to zero over the following year.

On the whole, small businesses have not seen their insurance premiums increase over the past couple of years, despite the rising value of claims. Heaney says: "Market pricing has reduced over the past 12 months because of capacity. There are more insurers chasing after business."

Higher premiums

Phil Bird, director of non-motor and SME at Groupama, says: "Ultimately increased costs of crime that result in higher insurance claims are paid for in higher premiums, as over an insurance cycle insurers have to deliver underwriting profits.

"However, insurance prices are generally segmented to a high degree and so an increase in crime at national level will not necessarily mean that an individual client will pay more if their area has not suffered so significantly, or if they have been active in taking action to reduce risk."

Businesses can keep the cost of their insurance down – and make insurers happier about taking on the risk – by doing what they can to improve security.

Williams says: "We cannot be complacent, but the economy is reasonably buoyant. If we have the slightest downturn in the economy, we know from previous experience that crime levels will rocket, so companies need to be thinking about security now."

Brian Newbury, technical director at Corporate Health & Safety Solutions (CHSS), says new legislation coming in during October will require all employers to carry out a fire assessment risk, which will include looking at the possibility of arson.

"Companies will have to look at how they can minimise risk and this could bring premiums down," he says.

The biggest cause of arson is a waste bin left outside the business premises, Williams says. "Moving that bin can make the world of difference."

A business continuity plan, and potentially a second site that can be used if there is disruption to the main business premises, are also important.

Allister Smith, risk manager at

Norwich Union (NU), says: "A disaster, no matter what kind, can have a serious impact on a business, and small to medium-sized businesses are often the hardest hit. Statistics from NU in the past reveal that without business continuity capability companies may only have a one-in-10 chance of survival."

He adds: "The preparation of a business continuity plan should also be regarded as a priority for any business."

In fact, Matthew Knowles, a spokesperson for the Federation of Small Businesses, said some companies prefer not to take additional measures such as installing CCTV on their premises.

"If a small business invests in a security system the premises have a higher rateable value, and the business rates it pays would increase," he says. "It is ironic – the company ends up paying more for protecting itself. It's a vicious circle."

Most small business owners are of the opinion that reporting the crime would not achieve anything

Identify risk

Brokers can play a key role in finding the right kind of insurance for an SME and potentially bring the cost down, Heaney says. "Brokers have local knowledge and understand what the client environment is, and brings that across to the insurer to make sure the insurer fully understands the risk."

Williams agrees: "The vast majority of SMEs use brokers. Small businesses know they can benefit from technical advice. Brokers can also give advice on doing certain things to reduce premiums."

Bird adds: "A broker can help an SME business in a number of ways. First, they can help identify risk and recommend appropriate insurance cover and then search the market for a reputable insurer offering the right price.

"As part of this process they can then work with the insurer and the client to put in place risk management/mitigation programmes to minimise the impact on the business of relevant criminal acts.

"Additionally, intermediaries can usually offer very valuable advice on business continuity and disaster recovery programmes too."

He adds: "Sometimes issues such as disaster recovery and business continuity receive less attention from intermediaries because there is no obvious connection to their core broking business or any obvious route to remuneration."

However, he says a broker is in an almost unique position to offer expert advice on matters of risk and with access to insurers support can add value in helping to effect individual programmes.

"Brokers' understanding of an SMEs business is almost unrivalled and can be absolutely critical in ensuring quality advice for busy SMEs." **IT**

James Sullivan looks at the pitched battle between brokers and direct insurers now being fought in the commercial property arena

Direct competition

➔ **The march of the direct writers** into areas previously seen as the preserve of brokers has been a source of continued anxiety in recent years. The biggest threat posed by the direct writers has been the commoditised policy for small to medium-sized businesses – potentially a goldmine given the volumes involved.

However, there are other, more distinct commercial areas which are now also increasingly under threat. The one which is currently worrying some brokers is the commercial property arena, for so long the bread and butter business to commercial brokers.

Is the deluge likely to arrive if this business line starts to flow away from brokers?

Mike Townsend, divisional director of Oval Insurance Broking, spells out the real threat: "In recent years more and more direct writers have turned their attention to the commercial property insurance market.

Pre-set service

A number of commercial property products are now available on a direct basis from a cross-section of insurers. The underwriting parameters and scope of cover is usually pre-determined and cover is only available provided that the appropriate boxes can be ticked."

However, that the scope of cover provided by such writers is more limited is hardly surprising. After all, this is a relatively difficult marketplace at the moment. The commercial property insurance market's gross written premiums declined by 7.4 per cent in 2005, following a slowdown in premium growth rates the previous year.

And perhaps more importantly, according to the same research, commercial property claims costs increased significantly in 2005, following a benign year in 2004. Overall, claims costs rose by 69.1% in 2005, driven by a rise in all risks except theft. Claims costs resulting from fire and weather damage soared and, as a result, business interruption costs also increased.

In recent years more and more direct writers have turned their attention to the commercial property insurance market

So cover not provided by a broker can be rather limited, but still useful, according to Townsend. The products on offer from direct writers can thus be attractive to the sorts of property owners that have "small straightforward insurance requirements that fit into the appropriate underwriting pigeon-holes".

Independent advice

But the real concern with such a service, he points out, is that the property owner receives no independent professional advice and is provided with a quotation – only if they have ticked all the right boxes – from the sole insurer approached.

But how concerned should brokers really be? According to Townsend, at the moment there are several factors working in their favour. "A competent commercial property broker should have no major worries about this competition as their role goes well beyond the mere placing of insurance cover," he says.

"The provision of professional advice is a crucial element of a broker's service delivery and without this

The provision of professional advice is a crucial element of a broker's service delivery and without this input a property owner is left to make his own decisions

input a property owner is left to make his own decisions on the most appropriate level of insurance protection. On the other hand a broker with a property market focus will fully understand their client's business process and the key objectives of the insurance programme.

"Other features of a broker's service delivery include administrative support, the vetting of contracts and leases and advice of any other related areas of insurance including construction risks and liability issues. It is a brave property owner indeed that ventures into the insurance market single-handed."

No threat

Indeed, some people in the market take the line that there isn't really a threat to brokers at all. Stuart Reid, chief executive of commercial property brokers Stuart Alexander, is reasonably relaxed about the issue. "We don't see direct writers getting involved at all," he explains. "Commercial property is either dealt with by managing agents or large firms, so it's dealt with business to business. The internet isn't really used."

Nonetheless he recognises that if the current situation were to change significantly, it would be a concern: "Are direct writers going to take over the world? No. Are they going to do certain things? Yes. And commercial property is one of the golden eggs of the insurance world, with a high volume and low claims. But at the moment we don't see direct writers giving us any cause for concern at all."

Yet for others such a lack of concern is itself the problem. According to Simon Burgess, managing director of broker British Insurance, direct writers taking a bigger share of the commercial property market is merely a "natural extension" of what has already happened with other lines of insurance.

He blames such encroachments on the brokers themselves: "They have allowed the competition to come in because they have not been proactive. There are no real professional qualifications for brokers. There is no kitemark of quality, so it all comes down to price."

Yet the price issue – albeit in another form – could actually be the brokers' salvation in the next few years in the opinion of Tony Boobier, vice president, international solutions, at property specialist Marshall & Swift.

He says that with underinsurance levels of up to 50%, one of the big issues for brokers is calculating the rebuilding cost – for both residential and commercial properties – which directly impacts on premiums. This will be a major issue for the market as the cost of rebuilding in future is likely to be higher, affecting premiums.

Level playing field

Thus a crucial tool for commercial property brokers in their battle with the direct writers, in his opinion, is to use impartial, third-party data on rebuilding costs. He says: "Similar challenges were faced by the Canadian broker market. They recognised that the only way to keep a level playing field on rebuilding costs was for all brokers and insurers to use the same independent, impartially created data. Calculating the correct level of insurance was seen to be a 'golden truth' for brokers and insurers alike, and that this was best left in the hands of impartial experts."

Whether third-party data alone will be enough to aid the broker in this key area will remain to be seen. Perhaps the vagaries of the marketplace, with b2b purchasing the norm, will ultimately save them from the encroachment of the direct writers. But if price wins the day, a much tougher fight will yet have to be fought. **IT**

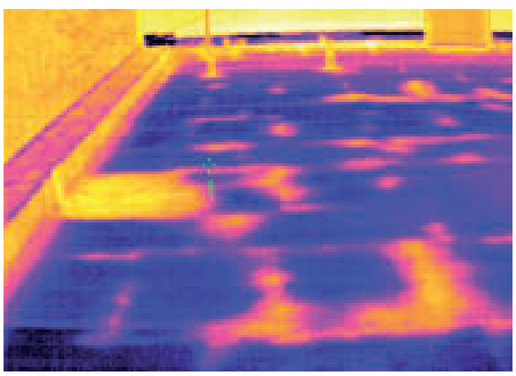
Leak prevention is better than cure

Commercial properties with flat roofs are particularly susceptible to roof leaks which have historically been impossible to detect until the damage is done. Leaking pipes have been equally difficult to pre-inspect, but still require lengthy and expensive restoration work when a leak does occur.

There is therefore a strong rationale for insurers and brokers to insist on a robust property inspection that identifies such risks prior to policy inception or renewal. Insurers exposure on high net worth properties and commercial risk can be offset; with a greater understanding of the risks associated with the building a premium can be more appropriately underwritten and exclusions can be introduced should reported faults not be rectified.

Using the latest technologies, Munters directly employed leak detection specialists, can proactively identify damaged pipes and moisture ingress (roof leaks) with minimal cost and disruption. Competitively priced, Munters are offering commissions on sales generated ensuring insurers and brokers can not only benefit from a risk free income but also negate some of the 'hidden' risks associated with commercial property.

For more information contact Nik Day on 01480 442328 or email nik.day@munters.co.uk



Munters collaborate with Countrywide Property Management to provide 'Home from Home' for victims of property damage

Following a property damage incident, whether it is fire, water or flood damage; the prospect of having to uproot and move into temporary accommodation can be as traumatic for customers and their families as the incident itself. The disruption to daily life, whilst facing the anguish associated with seeing their home damaged, is a particular pain insurers are keen to address for customers.

The stress of moving into often unsuitable temporary accommodation is further increased by unnecessary delays. Policyholders can wait up to 30 days to be assigned medium term accommodation. With hotel accommodation costing approximately £150 a day for a family of four, the cost to insurance companies can be substantial.

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For more information contact
Mike Burrows on 01480 442328
or email mike.burrows@munters.co.uk

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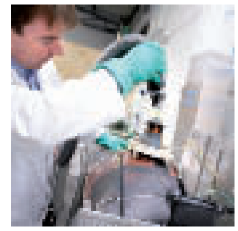

Munters maximise restoration skills to reduce disposals costs

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Our technicians will assess the level of damage to items and provide insurers with a recommendation on whether such items can be successfully restored. Where restoration is possible, Munters will do so at no cost to the insurer and sell the item, sharing any profit from the sale equally with the Insurer. Alternatively, items can be restored at cost and donated to the Insurers nominated charities, a meaningful contribution to the company's corporate responsibility strategy.

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Aidan Rogerson on 01480 442328
or email aidan.rogerson@munters.co.uk

Up in smoke

As commercial property claims soar by 60%, **Andrew Cave** finds that many business claims could be avoided by better damage prevention and risk assessment

➔ **Insuring commercial property** is more precarious than it sounds. ABI figures show that last year £790m was paid out in commercial fire claims alone – 60% up from the previous year.

Additionally, the cost to businesses in terms of disruption to their operations owing to fires rose to £220m, the highest level since 1997. This year's figure is likely to be even higher because of claims from the Buncefield oil depot fire.

Floods, storms, terrorism and theft are also all potential problems. The Carlisle floods last year affected 3,500 homes and 300 industrial properties.

It's tempting to believe that the insurer's role is simply to price clean-up effectively, but some underwriters believe there is a lot more to it.

"We believe the majority of losses are preventable," says Martin Fessey, director of European market development and business development at FM Global. "We have a £50m research campus in Rhode Island, US, which helps us investigate fires, windstorms and explosions by simulating them in life size.

"We then work with clients to understand their business and the actual risks they face and help them with solutions to mitigate these risks."

Rising claims

Fessey believes one reason for rising property claims is that larger factories and warehouses are being built. Another is that smaller premises contain increasingly costly equipment. Tighter supply chains and a reduced amount of spare manufacturing capacity also increase business interruption claims.

The solutions start with the smallest details, says Fessey. A few extra screws in the corner of a roof might stop it blowing off in a gale, while a fully-automated sprinkler system will drastically reduce fire risk. It's about understanding your exposures and planning for them" he says.

"It can be simple things like making sure you have a supply of sandbags. There are a lot of things businesses can do."

A few extra screws in the corner of a roof might stop it blowing off in a gale, while a fully-automated sprinkler system will drastically reduce fire risk

Common sense

Andrew Dear, director of technical services at loss adjuster AMG, says part of the reason for rising fire claims is a failure by insurers to adequately survey risks.

For example, AMG knows that the majority of floods come up less than 30cm so it can advise clients not to store anything below this level.

Similarly, AMG knows that a great many floods are caused not by sea ➔

→ or river intrusion but by water from drains backing up on to the street because drainage systems cannot cope with sudden downpours. It can therefore advise against construction near water sumps or at least high- lights the dangers for buildings that already exist there.

"You cannot eliminate these things completely but there is a lot that you can do," says Dear.

Another problem is that insurers tend to be less rigorous on risk and pricing when there is a soft market.

Phil Bird, director of non-motor and SME business at Groupama, says commercial property premiums for small businesses have fallen by 10% to 15% in the past year.

"This company does not compromise on quality or risk in a soft market," he says, "but some others do and the industry will suffer as a result."

Bird believes fire risk has been exacerbated by changes in call-out response times introduced by fire brigades in some rural areas

"There is a greater perceived focus on life over property," he says. "No one can argue with that, but it does have consequences in terms of property risk."

Fire and flood

Douglas Barnett, AXA's risk control strategy manager, says reasons for increased levels of property losses include greater use of combustible building products and large un-compartmented warehouses with no active fire suppression.

He also points to poor overall levels of fire safety management and poor maintenance of water and sewerage infrastructure that leads to damage during flash-flooding.

Similarly, poor levels of mainten-ance and increased use of lightweight construction increase the likelihood of wind damage claims.

"AXA is responding," says Barnett, "by carrying out traditional surveys

of premises by in-house risk control surveyors.

"We also have an innovative risk management assessment product for premises and businesses that we don't visit and we are assisting policy-holders affected by underinsurance by offering a building valuation service."

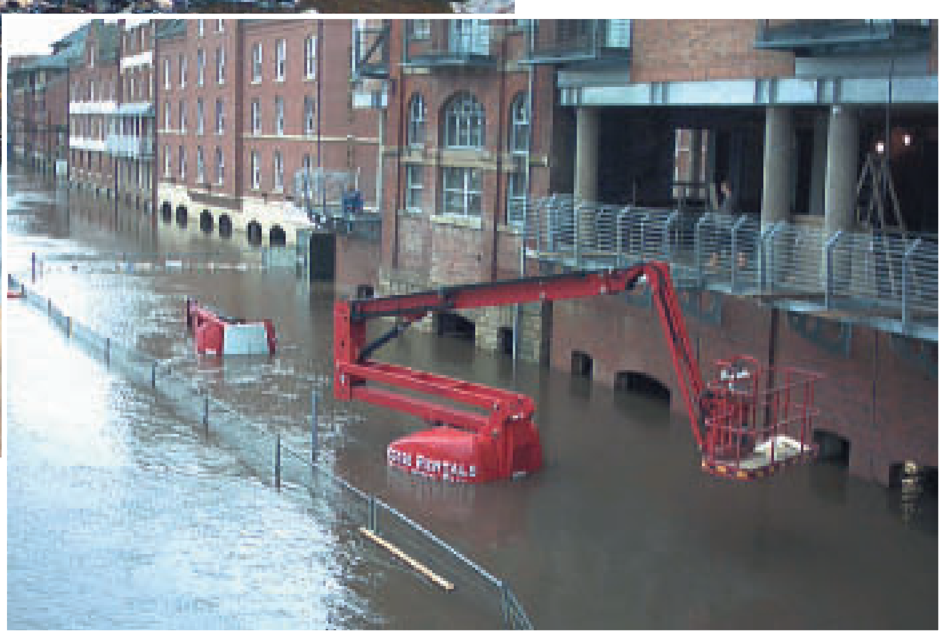
Richard Owen, director of construction and commercial property insurance at Alexander Forbes, agrees that a co-operative effort between brokers, underwriters and clients is needed.

"We're seeing our clients adopt a much more proactive approach, where they are seeking guidance from their professional team," he says.

"There's also a greater focus on the analysis of claims, their trends and the risk management measures that need to be considered."

Caroline Woolley, claims consultant in Marsh's forensic accounting and claims practice, says businesses need to ensure they have appropriate business interruption (BI) cover in place.

She says: "If businesses do suffer a loss, they want to know they will recover losses and maintain cashflow



'If businesses do suffer a loss, they want to know they will recover losses and maintain cash- flow'

Caroline Woolley, Marsh

to keep the business going. Bespoke BI cover helps them do this, and we take a proactive, pre-loss approach.

"Companies also face higher deductibles, meaning they take quite a lot of the burden themselves, so mitigation of loss is key."

Fast turnaround

Mitigation can also include dealing with the aftermath of a catastrophe. The Revival Company, a fire and theft restoration specialist, has developed a speed-drying system that it claims can save companies thousands of pounds in lost business by cutting the drying time required after flood damage to between one and four days, instead of weeks or months.

Managing director Graham Orriss says: "The increasing pressures on businesses in terms of the competitive environment as well as new regulations will mean that they will need to look very carefully at how insurance companies can best help them ensure a fast turnaround of any claim."

Aidan Rogerson, head of sales and marketing at Munters, another property damage restoration company, adds: "It's estimated that 80% of businesses never recover from a major disaster caused by fire, flood or water damage.

"Commercial property owners, insurers and brokers should not just focus on large-scale disasters. It's the apparently smaller risks such as leaking pipes, roof leaks or overloaded electrical circuits that cause entirely avoidable headaches and often larger-scale disruption." **IT**

Home from home

Looking for a second home? John Hancock warns against the risk of twice the insurance hassle

➔ It was once only the very wealthy who could afford second homes, but times change and for those who have inherited their parents' property or are simply doing well, there is also a growing desire to own their own place away from it all.

The British love of property ownership, combined with the need to put by wealth for a future retirement, has created an explosion of second home ownership, both within the UK and overseas. And, of course, whether second home or holiday let, all property needs to be covered against the usual risks plus a number of other eventualities.

Dave Jones, director of Mountguard Insurance Services in St Ives, Cornwall, probably deals with more than the average number of second and holiday home covers. On second homes he says: "The issue is not so much that they are empty for such lengthy periods but that should a claim arise, it may be weeks (even months) before anyone can discover the problem, by which time considerable damage will have occurred."

Most insurers will permit only 60 days of unoccupancy with a standard policy before theft, malicious damage and escape of water risks cease to be covered (unless they have been informed of any longer period, in which case an additional charge may be made).

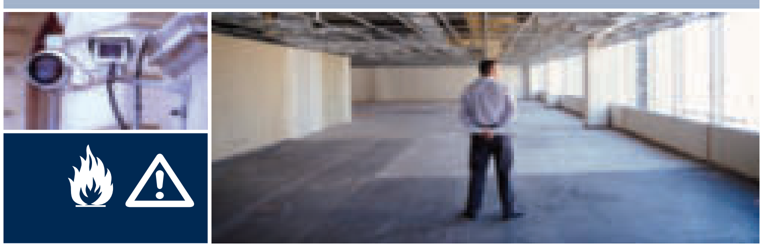
In a city, unoccupied time might matter but most holiday homes are in lower risk areas anyway. However, some remote rural settings do offer thieves an opportunity to clear a house at leisure, so costs of cover and restrictions will reflect this.

The issues for properties that are let on the holiday market for all or part of the time are a little different. Mike Henderson is managing director of Holiday Cottages Insurance, a specialist broker offering schemes and individual holiday homes insurance for UK properties.

Most insurers will permit only 60 days of unoccupancy with a standard policy before theft, malicious damage and escape of water risks cease to be covered

He explains the particular issues that such cover needs to address. "[Holiday home owners] will need to be covered for: public liability; loss of income following damage; theft without the necessity of forcible entry (a diplomatic way of saying theft by customers); accidental damage cover for the building and contents; and the widest possible cover during unoccupied periods." Plus, of course, all of the normal covers.

If the property is abroad, there will be other considerations relating to ➔



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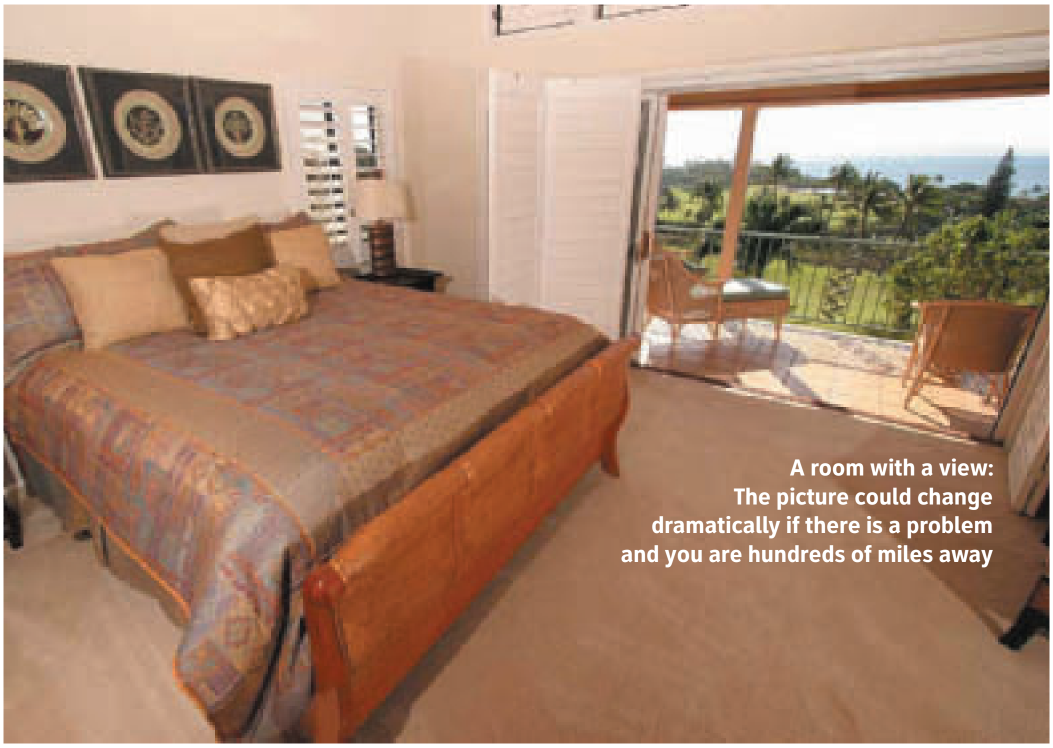

A room with a view: The picture could change dramatically if there is a problem and you are hundreds of miles away

➔ the extent to which UK-based insurers will be willing to cover overseas risks. Often developers and holiday rental agencies, whether overseas or in the UK, will have arranged schemes for their buyers and property owners.

It may be that, if such a scheme is administered locally, an owner might be better served using it so that any problems can be dealt with promptly and there is someone locally responsible for the quality of any work.

But some UK insurers such as Norwich Union (NU) will cover an overseas second home for policyholders who insure their main UK residence with the company. NU will offer similar terms for overseas properties as it will for UK ones, but with a maximum buildings cover of £250,000 and maximum contents of £50,000 in France, Portugal, mainland Spain and Ireland.

Door locks

"The main issue with overseas properties," explains Pete Cormack, household underwriter at NU, "is security, with some properties in, say, France not even having door locks, let alone the standard of door and window locks required".

"Usually, a purely second home (that is only used by family and friends and without charge) can be covered under a normal household policy," says Jones. Cover may be more expensive, restricted or carry a higher excess if the property is left empty for more than a stipulated time.

Often such homes do not contain the value of contents that a main residence might have and they are often smaller buildings on lower cost land than the main residence, so that can mitigate some of the extra costs.

And, of course, some items that might be brought temporarily during visits will often still be covered under the main residence policy.

Cormack adds that: "We will only offer cover [under a personal lines policy] where a second home is only used by the owner, their family and friends." Holiday lets fall into the commercial cover category.

Because properties rented out on the holiday homes market will be occupied for more time during the year, the occupancy restrictions applied to second homes may not arise. And there is a range of cover options to allow the owner maximum flexibility in dealing with the consequences of a claim.

Commercial status

For instance, liability wording will be geared to the commercial status of a property owner rather than the needs of a household. And where loss of rent is covered, a choice may be offered whether to take simple compensation for the loss or to cover the cost of alternative accommodation for disappointed holidaymakers. This is especially useful where an owner has a lot of repeat business from the same families each year.

And, unusually nowadays, this is not a solely price-focused market, especially where second homes are concerned. People with a second home are, almost by definition, reasonably well off and the fact that they cannot always be keeping an eye on their property may mean that they need just a little more reassurance.

People with a second home are usually well off and the fact that they cannot always be keeping an eye on their property may mean that they need just a little more reassurance

So, they will not necessarily go for the cheapest option but would rather consider the best solution. The quality and spread of cover, especially during unoccupied periods, and the service offered by the insurer will be the main considerations.

Quite a few clients will return to the broker who covers their other needs when seeking cover for a second home or holiday property.

Mountguard will cultivate relationships with letting agents and offer the kind of service that generates referrals from current clients – word will get around if you have got a good product and can help.

At the end of the day, it's just a risk but one that may have more than average emotional content and where the peace of mind factor will be more valued by those whose dream getaway home is often hundreds, or even thousands of miles away. **IT**

A guide to SME products

There are 4.3m SMEs and the number is growing, but where do they go for support? **Defaqto** gives some pointers

➔ **According to the Small** Business Service (SBS), there were an estimated 4.3m business enterprises in the UK at the start of 2005, an increase of 59,000 (1.4%) year on year, and almost all of the enterprises (99.3%) were small business (0 to 49 employees). Therefore the market for SME business is still significant.

Although Datamonitor's report into the small to medium-sized enterprise (SME) market *(Targeting SME's in UK General Insurance 2006)* notes that 40% of ➔

➔ SMEs would consider buying their commercial insurance via the internet, professional advice is still sought after through intermediaries.

Defaqto has looked at the cover provided within small combined, retailers, offices and hotel policies for buildings insurance, and found that there is actually a wide variation between the products.

Buildings

Cover for buildings is usually provided as an optional extension, however, within the small combined policies there are more insurers who will provide this cover as standard – presumably since most businesses in this area are responsible for insuring their own property.

Most insurers will offer all risks or accidental damage cover as standard, although there are a number of insurers who provide specified perils as standard with the option to increase cover. Perhaps surprisingly, and topically given the recent dry summers, subsidence cover for buildings is usually provided as an optional extra, with some insurers not providing any cover.

Removal of debris and underground services is either covered within the overall buildings or contents sum insured. Generally, nearly all insurers will apply index-linking to the buildings sum insured.

Cover

An area of cover where there are notable differences is trace and access cover under small combined policies, which can range from £2,500 up to £25,000 or be covered within the overall buildings sum insured. Another notable difference is in the hotel table where, surprisingly, cover for swimming pools under the buildings section is only provided by six of the 13 insurers listed.

The standard and underground services excesses range between £250 and £300, with an average excess of £1,000 applying to subsidence claims.

Helpline services for emergency repairs or glass claims are provided by nearly all insurers.

In choosing a property insurance policy for commercial clients there are a few other issues which may need to be taken into consideration. Some insurers allow capital additions to the insured property, typically up to 10% of the insured value, without the need to issue a new policy, although the insured may have to pay an increased premium immediately.

So if a customer is contemplating any expansion or improvement works, these policies should be borne in mind.

Index-linking of sums insured is useful, although possibly less so given the relatively low inflation climate we now experience. Even so, sums insured should be reviewed every couple of years at the very least, to ensure they are still adequate.

Most insurers will offer all risks or accidental damage cover as standard, although there are a number of insurers who provide specified perils as standard with the option to increase cover

Although the online trend is still increasing within personal lines and looks set to break into the SME area, there are still a significant number of SMEs who require advice from the intermediary market.

It may be necessary for intermediaries to change their approach to how advice is provided, but the opportunities still exist. The need for at least a website, detailing the services and advice on offer, should be the minimum that is provided for SMEs. **IT**

SMALL COMBINED

Provider	Allianz Cornhill	Ansvar	APC	AUA Insurance	AXA Insurance	Co-operative Insurance	Fortis	Groupama
Product	Complete Business	Business Insurance	Commercial Combined	Commercial Combined Insurance	Business Plan Plus	Commercial Combined	Commercial Choice	Optima Business
Buildings cover	standard	standard	optional	standard	optional	optional	optional	optional
Buildings cover basis	all risks	specified perils	specified perils	all risks	all risks	specified perils	all risks	all risks
Buildings subsidence cover	optional	optional	optional	standard	optional	no	optional	optional
Buildings index linked	yes	yes	yes	yes	yes	no	yes	yes
Removal of debris	within b/si & c/si	within c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within b/- & c/si	within b/si &c/si
Underground services	within b/si & c/si	within b/si	within b/si & c/si	£5,000	within b/si	£10,000	within buildings si	£25,000
Buildings – trace/access	£10,000	£0	£0	£0	within b/si	£0	£5,000	0
Capital additions	£250,000	10% of b/si	10% of b/si	10% of b/si	£0	£0	10% of b/si	10% of b/si
Buildings excess – standard	£250	£75	£250	£250	£300	£100	£100	£250
Buildings – subsidence excess	£1,500	£1,000	£1,000	£1,000	£1,000	na	£1,500	£1,000
Underground services excess	£250	£75	£250	£250	£300	£100	£100	£250
Helpline – repairs	no	yes	yes	no	yes	yes	yes	yes
Helpline – glass	no	yes	yes	yes	yes	yes	yes	yes

b/si = building sum insured. c/si = contents sum insured na = not applicable ns = not stated ul = unlimited

RETAILERS

Provider	Allianz Cornhill	Ansvar	AUA Insurance	AXA Insurance	Brighter Business	Co-operative Insurance	Fortis	Groupama	MMA Insurance
Product	Complete Retailer	Shop Insurance	Shop & Restaurant Insurance	Shops	Retail	Commercial Combined	Shopkeepers Insurance	Optima Shop	Shops
Buildings cover	optional	optional	optional	optional	optional	optional	optional	optional	optional
Buildings basis	all risks	specified perils	all risks	all risks	all risks	specified perils	all risks	specified perils	all risks
Buildings – subsidence	optional	optional	standard	optional	optional	no	optional	optional	optional
Buildings index linked	yes	yes	yes	yes	yes	no	yes	yes	yes
Removal of debris	£1,000	within c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	10000	within c/si
Underground services	within b/si & c/si	within b/si	within c/si	within b/si	within b/si & c/si	10000	within b/si	10000	within c/si
Capital additions	£0	£0	£0	10% of b/si	£25,000	£0	10% of b/si	£0	£0
Buildings excess – standard	£0	£75	£250	£0	£250	£100	£150	£250	£250
Buildings – subsidence excess	£1,000	£1,000	£1,000	£1,000	£1,000	na	£1,500	£2,500	£1,000
Underground services excess	£250	£75	£250	£300	£250	£100	£150	£250	£250
Helpline – repairs	no	yes	no	yes	yes	yes	yes	no	yes
Helpline - glass	yes	yes	yes	yes	yes	yes	yes	yes	yes

b/si = building sum insured. c/si = contents sum insured na = not applicable ns = not stated ul = unlimited

HSBC Insurance Brokers Limited	More Th>n	NFU Mutual	NIG	Premierline Direct	Primary Broker Services	Royal & SunAlliance	Sterling Insurance
Business Choice	Business Insurance	Business Compact	Business Cover	Business Combined	Commercial Combined	Enterprise Business	Trade Protection
optional	optional	optional	optional	optional	standard	optional	standard
all risks	all risks	all risks	all risks	all risks	specified perils	all risks	all risks
optional	standard	optional	optional	optional	optional	standard	no
yes	yes	yes	yes	yes	yes	yes	yes
within b/si & c/si	within b/si & c/si	ul	within b/si & c/si	within b/si & c/si	within b/si & c/- si	within b/si & c/si	within b/si & c/si
within b/si & c/si	within b/si	within b/si	within b/si & c/si	within b/si	within b/si & c/- si	within b/si	within b/si & c/si
0	within b/si	£5,000	£10,000	£25,000	£0	within b/si	£2,500
10% of /bsi	10% of b/si	£50,000	£250,000	£50,000	10% of b/si	10% of b/si	10% of b/si
£100	£250	£100	£250	£250	ns	£250	£250
£1,000	£1,000	ns	£1,000	£1,000	ns	£1,000	na
£100	£250	£100	£250	£250	ns	£250	£250
yes	yes	no	yes	yes	no	yes	yes
yes	yes	yes	yes	yes	yes	yes	yes

RETAILERS

More Th>n	New India Assurance	NFU Mutual	NIG	Norwich Union	Premierline Direct	RiskPlacer	Royal & SunAlliance	Sterling Insurance	Zurich Commercial
Shops Insurance	Shops & Restaurants	Retailers Combined	Retailer	Shop	Shop Insurance	Retailers Policy	Enterprise Shops	Retail Protection	Shop Policy
standard	optional	optional	optional	optional	optional	optional	standard	optional	optional
all risks	specified perils	specified perils	specified perils	specified perils	all risks	all risks	all risks	all risks	all risks
standard	optional	no	optional	optional	optional	standard	standard	optional	standard
yes	no	yes	yes	yes	yes	yes	yes	yes	yes
within c/si	within b/si & c/si	within c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within c/si	within b/si & c/si	ul
within b/si	within c/si	within b/si	within b/si & c/si	within b/si & c/si	within b/si	within b/si	within b/si	within b/si & c/si	within b/si
10% of b/si	£0	£0	10% of b/si	£0	10% of b/si	10% of b/si	10% of b/si	10% of b/si	£0
£250	£250	£100	£200	£250	£250	£250	£250	£250	£250
£1,000	£1,000	ns	£1,000	£1,000	£1,000	£2,500	£1,000	na	£1,000
£250	£250	£100	£200	£250	£250	£250	£250	£250	£250
yes	yes	no	yes	yes	yes	no	yes	yes	yes
yes	yes	yes	yes	yes	yes	yes	yes	yes	yes

HOTELS

Provider	Ansvar	AUA Insurance	AXA Insurance	More Th>n	New India Assurance	NFU Mutual
Product	Residential Combined	Hotel, Guest House & Public House Insurance	Hotels	Small Hotels	Hotels, Guest & Public Houses	Caterers Combined (guest houses only)
Buildings cover	optional	optional	optional	standard	optional	optional
Buildings basis	specified perils	all risks	all risks	all risks	optional	specified perils
Buildings – subsidence	optional	standard	optional	standard	optional	no
Removal of debris	10% of c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si
Underground services	10000	ul	within b/si	within b/si & c/si	within c/si	within b/si
Buildings index linked	yes	yes	yes	yes	no	yes
Swimming pools	yes	no	yes	no	no	no
Walls & fences	yes	yes	yes	yes	yes	yes
Car park	yes	no	yes	no	no	no
Capital additions	10% of b/si	£0	10% of b/si	10% of b/si	£0	£0
Buildings excess – standard	£100	£250	£500	£250	£250	£100
Buildings – subsidence excess	£1,000	£1,000	£1,000	£1,000	£1,000	na
Underground services excess	£100	£250	£500	£250	£250	£0
Helpline – repairs	yes	no	yes	yes	yes	no
Helpline – glass	yes	yes	yes	yes	yes	yes

b/si = building sum insured c/si = contents sum insured na = not applicable ns = not stated

OFFICES

Provider	Allianz Cornhill	Ansvar	AUA Insurance	AXA Insurance	Brighter Business	Fortis	Groupama	HSBC Insurance Brokers Limited	Markel (UK) Limited
Product	Complete Office	Office Insurance	Office Insurance	Offices	Office	Office & Surgery Insurance	Optima Office & Surgery	Office or Surgery	Office Insurance
Buildings cover	optional	optional	optional	optional	optional	optional	optional	optional	standard
Buildings basis	all risks	specified perils	all risks	all risks	all risks	all risks	all risks	all risks	all risks
Buildings subsidence	optional	optional	standard	optional	optional	optional	optional	optional	standard
Buildings index linked	yes	yes	yes	yes	yes	yes	yes	yes	no
Removal of debris	within b/si & c/si	within c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	10000	within b/si & c/si	within b/si & c/si
Underground services	within b/si & c/si	within b/si	within c/si	within b/si	within b/si & c/si	within b/si	10000	within b/si	within b/si & c/si
Capital additions	£0	£0	£0	10% of b/si	£25,000	10% of b/si	£0	10% of b/si	15% of b/si
Buildings excess – standard	£200	£75	£250	£300	£250	£100	£250	£100	£250
Buildings – subsidence excess	£1,000	£1,000	£1,000	£1,000	£1,000	£1,500	£2,500	£1,000	£1,000
Underground services excess	£200	£75	£250	£300	£250	£100	£250	£100	£250
Helpline – repairs	no	yes	no	yes	yes	yes	no	yes	no
Helpline – glass	yes	yes	yes	yes	yes	yes	yes	yes	no

b/si = building sum insured c/si = contents sum insured na = not applicable ns = not stated

NIG	Norwich Union	Premierline Direct	Primary Broker Services	RiskPlacer	Royal & SunAlliance	Towergate Underwriting Group
Hotel	Hotel and Guest House	Hotel & Guesthouses Insurance	Leisure Package	Retailers Policy	Small Hotel	Hotel & Guest House
optional	optional	optional	standard	optional	standard	optional
specified perils	specified perils	all risks	specified perils	all risks	all risks	all risks
optional	optional	optional	optional	standard	standard	optional
within c/si	within b/si & c/si	within b/si & c/si	25,000	within b/si & c/si	within b/si & c/si	within b/si & c/si
within b/si & c/si	within b/si & c/si	within b/si	25,000	within b/si	within b/si & c/si	within b/si
yes	yes	yes	yes	yes	yes	no
yes	yes	no	yes	yes	no	no
yes	no	yes	yes	yes	yes	yes
yes	yes	yes	yes	yes	no	yes
10% of b/si	£0	10% of b/si	10% of b/si	10% of b/si	10% of b/si	10% of b/si
£200	£250	£250	ns	£250	£250	£250
£1,000	£1,000	£1,000	ns	£2,500	£1,000	£1,000
£200	£250	£250	ns	£250	£250	£250
yes	yes	yes	no	no	yes	no
yes	yes	yes	yes	yes	yes	no

OFFICES

MMA Insurance	More Th>n	New India Assurance	NFU Mutual	NIG	Norwich Union	Premierline Direct	Royal & SunAlliance	Sterling Insurance	Zurich Commercial
Offices & Surgeries	Offices Insurance	Offices & Surgeries	Office Combined	Office	Office Policy	Office Insurance	Enterprise Offices	Office Protection	Office Insurance
optional	optional	optional	optional	optional	optional	optional	optional	optional	optional
all risks	all risks	all risks	all risks	all risks	all risks	all risks	all risks	all risks	all risks
optional	standard	optional	optional	optional	optional	optional	standard	optional	standard
yes	yes	no	yes	yes	yes	yes	yes	yes	yes
within b/si & c/si	within c/si	within b/si & c/si	within c/si	within b/si & c/si	within b/si & c/si	within b/si & c/si	within c/si	within b/si & c/si	within c/si
within b/si & c/si	within b/si	within c/si	within b/si	within b/si & c/si	within b/si & c/si	within b/si	within b/si	within b/si & c/si	within b/si
£0	10% of b/si	£0	10% of b/si	10% of b/si	£0	10% of b/si	10% of b/si	10% of b/si	£0
£250	£250	£250	£100	£200	£250	£250	£250	£250	£250
£1,000	£1,000	£1,000	ns	£1,000	£1,000	£1,000	£1,000	ns	£1,000
£250	£250	£250	£100	£200	£250	£250	£250	£250	£250
yes	yes	no	no	yes	yes	yes	yes	yes	yes
yes	yes	yes	yes	yes	yes	yes	yes	yes	yes

David Quick looks at how brokers have had to adapt to the challenges of the buy-to-let phenomenon

The rise of the amateur landlord

➔ **Buy-to-let property investment** has been one of the UK's highest growth industries in recent years, bringing with it a host of spin-off benefits including soaring numbers of new landlords requiring specialist insurance.

Recent figures from the Association of Residential Lettings Agents (ARLA) suggest more than a million households live in buy-to-let properties worth a total of £120bn and contributing £30bn a year to the UK economy.

Even recent worries over a slowing property market have done little to dampen investor enthusiasm, with ARLA predicting the number of tenancies will continue increasing by 20,000-30,000 a year over the next decade.

Amateur night

The idea of landlords renting out homes is nothing new, but the buy-to-let phenomenon really kicked off 10 years ago following a relaxation of strict tenancy rules and a move by banks to allow private individuals to take out mortgages on investment properties.

Low interest rates, rapidly increasing property prices and poorly performing stock markets all helped lodge the idea of buy to let as a money making proposition firmly in the public consciousness.

One of the effects of this boom is that two-thirds of private rented property is now owned by individuals, compared to less than half in the mid-1990s. The market has become dominated by the amateur landlord, likely to have only one or perhaps two properties which are not the main source of their income but a long-term investment.

This switch has important implications for the insurance industry. Professional landlords and organisations, and companies that let properties are usually very aware of their insurance needs, in terms of their legal obligations to tenants and the need to protect their business from risks.

Risking everything

Most small investors also take their insurance needs seriously; many are homeowners well aware of the need to protect their prime asset. But it is also true to say that there is not the same level of knowledge among amateurs as to how best to use insurance products and services to protect their risks and also resources for buying insurance are likely to be tighter.

Most landlord property insurance is a professional let – an assured tenancy of at least six months on the basis the home is let to an individual or family with a rental agreement directly between landlord and tenant and with rent paid to the landlord.

Most landlords understand the need for buildings insurance and, if the property is furnished, cover for contents. The key point is that landlords must make sure their insurance companies know exactly what category of tenant they have because this will affect their premiums and the conditions of cover.

Some policies are flexible and allow this to happen mid-term, provided the landlord contacts the broker or insurer.

The responsibility of insurers or brokers includes warning the landlord at point of sale of the need to notify any change in the type of tenant, or they could be held responsible for the payment of a claim. But once this warning is given, it becomes the landlord's responsibility and failure to do so could invalidate the policy.

Another key insurance for landlords is loss of rent which covers the income lost if the property becomes uninhabitable.

Other insurances it may be worth taking out include legal protection cover to guard against the costs of contractual disputes or bad debt recovery. It is also possible to cover against the need to repossess the property, perhaps from squatters or tenant default. Landlords also often consider extra options for items such as carpets in communal areas of buildings and related equipment such as lifts.

More than a million households live in buy-to-let properties worth a total of £120bn

Vacancies

The chances are that most landlords will suffer voids which are unlikely to affect their insurance provided the periods the house is left unoccupied are not too long. Those who know holiday lets will be empty for long periods out of season should certainly make their insurers aware.

Insurers view unoccupied property as a much higher risk than occupied. Many insist on special terms which may include withdrawing cover for theft, escape of water and accidental damage to glass and sanitary ware.

Customers having work done on their property such as conversions, extensions, refurbishment or modernisation should also double-check with their insurers as there may be additional terms added to the policy due to the higher risk of claims from damage and unauthorised access.

Ultimately landlords are in business to make money and buying insurance is an extra cost. But bearing in mind the size of the assets involved and the difficulty of diversifying risk across a portfolio of property that may be as small as a single flat, the alternative to adequate insurance may be catastrophe.

➔ **David Quick is managing director of CETA**

As the buy-to-let market continues to grow, property portfolios are no longer the preserve of the professional landlord. We ask **John Bibby** for his views on the key insurance issues for the one million UK landlords

Protection for landlords

Q. What particular opportunities for insurance are there within the buy-to-let sector?
JB. Non-professional landlords – those with a portfolio of less than £1m – now account for 79% of the 2.5 million private rented dwellings across England and Wales. We've identified these property owners as the most influential in the current marketplace.

Q. Why has this area grown so significantly?
JB. Demand for rented property has grown for a number of reasons. House price rises and restrictions on the government Homebuy scheme have obviously had a huge impact, with fewer people able to afford to buy.

Other factors include the shortfalls in new-build, the increasing number of young people requiring student accommodation, more people coming to the UK to work from abroad, the higher divorce rate and the increase in single-person households to name but a few.

There are also positive reasons, such as lifestyle choices about flexibility on where and how to live.

This has all led to more confidence in those looking to invest in buy-to-let property and those who fund it. Buy-to-let mortgage interest rates are now in line with owner-occupied mortgages and lenders now give more consideration to rental yield when making decisions. House price rises have allowed people to increase equity to invest in more property and given them a more secure investment than was previously thought possible.

Q. You have announced a new insurance product for the let property market. Why are you so sure that this market continues to provide strong opportunities?
JB. The buy-to-let sector will not be affected by the predicted slow-down in house price growth for the property market generally.

Rent conditions are favourable, with incomes having risen 12.9% over the last two years, and there are a relatively high number of professional investors operating whose decisions about holding onto their property are based more on income rather than capital growth. One of their biggest concerns is to protect their investment, so insurance is seen as integral to their portfolio's future.

Q. How then can insurance providers maximise the potential within this market?
JB. Many non-professional landlords are relatively new to this kind of investment and are unaware of why they should protect their property. By targeting this sector in particular, insurers can educate the market and help ensure its continued performance.

Q. How does the new Acumus residential let property product meet landlord needs?
JB. Very competitive premiums are charged for buildings and contents cover for a wide range of tenant and property types. The policy also covers loss of rent, landlords' liability, accidental damage and alternative accommodation.

The product also has one of the most comprehensive and detailed rating systems available, which provides quotations based on individual postcodes and cover for flood and subsidence areas normally excluded by other providers.

'We provide marketing support, flexible underwriting and a true partnership approach, encouraging brokers' views, questions and comments'
John Bibby

Generous discounts are given for properties with improved security, for three or more properties and for landlords over 40. An unlimited number of properties can be included on a single policy.

Q. What advantages does Acumus offer the insurance industry?
JB. The Acumus system is designed to provide a faster, more efficient way to transact let property insurance and can generate a policy in under three minutes from the broker's log on.

It also provides automated policy issue, policy adjustments, renewals and a suite of management/sales reports – all easily and quickly accessible online.

We provide marketing support, flexible underwriting and a true partnership approach, encouraging brokers' views, questions and comments. As part of the Primary Group, we benefit from the strength of a worldwide insurance distribution and risk management company that transacts annual insurance premiums of over £1bn.

Underpinned by a philosophy of quality products and services and unrivalled service, we are not surprised the new product is already being so well received by our trading partners. By combining great product and prices with a slick and efficient delivery system we have launched a strong proposition within the market. **IT**

→ John Bibby is managing director of Acumus Insurance Solutions

Brokers wishing to register as a trading partner, please do so online at www.acumus.com