

Leaseholder Consultation

Section 20 of the Landlord and Tenant Act 1985 (as amended)

Insurance information sheet

Tower Hamlets Community Housing manages in excess of 1,070 Leasehold and Shared Ownership properties, all of which must be insured.

In order to provide the most competitive premiums and widest cover possible for you, we insure your home under one major insurance programme, covering all the properties we are responsible for. This programme is broken down into separate insurance block policies; one for our homes rented by tenants, including our commercial properties and one for Leaseholders and Shared Owners.

To ensure we are getting value for money, we regularly review our insurance arrangements. In 2018 we are undertaking a full review of our insurance programme, including reviewing the insurance arrangements and provider, the level of cover and alternative quotations.

We will be following the rules dictated by the European Union for procurement and the consultations required by section 20 of the Landlord and Tenant Act 1985 (amended by S151 of the Common-hold and Leasehold Reform Act 2002).

The tender will focus principally on the quality and experience of the insurance brokers and insurers, the value and sustainability of their insurance programme, their claims handling service and how comprehensive their cover is.

Insurance is always arranged on an annual basis and your premium therefore has to be renegotiated each year. We have to provide up to date information on all our housing stock annually to our current insurers, which will also include details of any new properties or properties that have been disposed of. Our insurers will analyse this information and a fundamental part of the review will be the volume of claims received during the past 12 months for our entire housing stock. This is why there can be annual differences in premiums, especially if the cost of claims has changed.

If we feel we are no longer getting competitive premiums, we can retender the insurance programme, as we are doing in 2018. Best practice is to do this every three to five years as a matter of course.

Frequently asked questions

Q. Who is responsible for providing building insurance?

Under the terms of the lease, the building owner or 'freeholder' (in most cases this will be Tower Hamlets Community Housing) is responsible for providing building insurance, with all Leaseholders and Shared Owners contributing their fair share towards the cost of the insurance through the service charge.

If Tower Hamlets Community Housing is not the building owner and there is a 'superior landlord' who owns the building, they are likely to be the ones who will insure the building. In such instances the notices and the processes set out in the accompanying letter are not relevant to the occupiers.

Q. Why is there a need to get a new insurance policy?

The current policy has been in place since 04 April 2011 and is due to expire on 31 March 2018. Therefore, a new policy will need to be in place in order to ensure the buildings remain insured.

Q. Where can I get a copy of the buildings insurance policy or summary of cover?

A copy of the new summary of cover will be made available to Leaseholders and Shared owners on demand once the policy is in place. If you require a copy of the current summary you may get one by downloading it from our website, or by contacting:

Name: Farrukh Rouf
Title: Service Charge Accountant
Address: Tower Hamlets Community Housing,
285 Commercial Road , London, E1 2PS

Q. How is your premium calculated?

Calculation of the insurance premium for our block policy that you are required to pay your share of is undertaken by the insurance company and can be a complicated process, based on a number of factors. We provide them with information about our housing stock, including but not limited to, the type and age of the property, construction details, tenure, location, rebuilding values and probably most importantly, the cost of claims received in previous years.

Utilising this information, they will assess what they see as the risks associated with our housing portfolio and attach what they see as an appropriate insurance rate, which they then apply to the buildings sum insured to calculate the premium for all properties to be covered. The Insurer charges us one overall premium for each policy to cover all the homes we are responsible for. We then pass this cost on to you in the most efficient and fair way possible, based on the current insurance rebuild value for your home.

Q. How much will my insurance cost?

The new policy has not been tendered for as yet; therefore, we are unable to supply estimated costs. Tower Hamlets Community Housing will be tendering for the best cover and rate available from the market to ensure the Leaseholder's and Shared Owner's insurance offers best value throughout the length of the agreement.

Once the tenders have been returned and the estimated contributions have been established, a further notice will be issued to all Leaseholders & Shared Owners with more information.

Q. What does the insurance cover?

Our group Insurers provide insurance cover for only your building's structure. **You must insure your own contents.**

The buildings cover provided is extensive and includes the usual range of perils you would expect to see, such as damage by:

Fire, lightning, explosion, aircraft, riot, civil commotion, terrorism, malicious damage, accidental damage, earthquake, subterranean fire, storm, flood, escape of water, falling trees, impact, theft, leakage of oil, aerial breakage, accidental breakage of fixed glass and fixed sanitary ware, accidental damage to supply pipes and cables, subsidence, ground heave and landslip.

Other Interests clause

The policy provides a blanket interest clause. This will apply to include the financial interests in your home of building societies, banks and other mortgagees (if any exist).

Q. Do I have to pay an excess if there is a claim?

Our existing policy provides for our rented stock to have an excess under the policy of £1,000 (one thousand pounds) for all claims.

For Tower Hamlets Community Housing Leaseholders and Shared Owners the excess under the policy is currently £150 (one hundred and fifty pounds) for general claims, rising to £1,000 (one thousand pounds) for subsidence claims.

The excess levels mentioned above may be the subject of change to make sure we achieve the best value for money from insurer(s) depending on their tender(s).

Q. What is a long term agreement?

This is an agreement entered into by the Landlord with an independent organisation or contractor, for a period of more than 12 months. Insurers will usually offer us a long term agreement to provide the insurance cover for a specified number of years, normally three years, at a fixed rate with a discount. We will pass on such premium savings on leasehold and shared ownership insurance to the leaseholders. The arrangement also offers a degree of stability from year to year in the premiums to be paid.

Q. What does the consultation mean and why is it written in the way it is?

The format of the consultation is prescribed under the law and we must include certain elements, wording and adhere to strict timescales. For QLTA consultation we must issue two documents. These are designed to provide notice of our intentions and allow enough time for Leaseholders to review our proposal and make comments. The documents involved in this process are:

1. **“Notice of intention”** – this is the first letter issued which advises Leaseholders of our plan to enter into an agreement which will last more than 12 months with an outside agency to provide a service. This notice must include:
 - a. A general term description of the service to be provided.
 - b. State our reasons for considering such an agreement to be necessary.
 - c. Information to each Leaseholder (and any RTAs) that they have 30 days from the date of the notice in which to make written observations, specifying where they should be sent, and by what date.

2. **“Notice of Landlords proposal”** – this is the second letter which advises Leaseholders of our proposal following the tender process. This notice must include:
 - a. A statement of the relevant matters.
 - b. A statement of names and addresses of each party to the proposed agreement apart from the landlord.
 - c. If any – list any connection (apart from the proposed agreement) between the party and the landlord.
 - d. Where practicable the cost of the service.
 - e. Specify a reasonable place and hours where a copy of the proposal can be inspected.
 - f. The schedule provides no obligation to make all of the estimates received available for inspection, only those relating to the proposals made to the Leaseholders.

Q. I usually get S20 consultation paperwork when you are planning to do major work on my block/estate for which I receive an invoice for, is this the same thing?

The same legislation governs the need for us to consult with you when we are proposing major works, where the individual contribution is higher than £250, and when we are proposing to enter into a QLTA, where the individual contribution over a year would be higher than £100. But the consultations are not exactly the same. The QLTA consultation is concerning an ongoing service chargeable service. Examples of types of services this could include are:

- Communal cleaning services
- Buildings Insurance
- Lift Maintenance

- Utility services e.g. communal electricity

Q. Can I nominate a company to provide building insurance?

While the opinions and views of Leaseholders & Shared Owners are invited and considered, you are not invited to nominate a contractor or company for us to approach for the Buildings Insurance.

This is in line with the regulations set out in the Landlord and Tenant Act 1985 as amended by the Common-hold and Leasehold Reform Act 2002, as the invitation to tender is made by way of a public notice

Q. How will this affect a current claim that I have?

The change of insurer will have no effect. Even if Tower Hamlets Community Housing changes from the current insurer, the existing insurer will continue to deal with claims where the damage occurred during their period of cover.