

Multi-Occupancy Building Insurance — Glossary

The Financial Conduct Authority (FCA)	The Financial Conduct Authority (FCA) is responsible for regulating around 45,000 businesses in the UK to ensure that financial markets function properly and protect consumers from harm caused by misconduct in financial services.
New rules for Multi-Occupancy Buildings and the outcomes the FCA are looking for	The FCA has introduced new rules for multi-occupancy buildings to increase transparency and consistency for leaseholders. The aim is to improve outcomes for leaseholders and other stakeholders by ensuring that insurance products meet their needs, are priced fairly, and that remuneration practices do not lead to poor outcomes.
Multi-Occupancy Buildings Insurance	The rules for Multi-Occupancy Buildings Insurance apply to all leasehold dwellings in the UK, regardless of the building type or height. However, there are exceptions to these rules. Commercial properties and rented properties where tenants do not contribute to the insurance cost are not subject to these rules.
Leaseholder	They meet the following criteria: 1. They are a tenant as defined in Section 30 of the Landlord and Tenant Act 1985. 2. They paid a service charge as defined in Section 18 of the Landlord and Tenant Act 1985. Additionally, if applicable, they may also be a recognized tenants' association as defined in Section 29 of the Landlord and Tenant Act 1985.
Policy Stakeholder	A policy stakeholder is an individual who is not the policyholder but has a personal stake and/or benefit in the subject matter of the insurance. They also have an obligation to pay the premium and any other costs associated with the distribution of the insurance.
Buildings	A property that contains two or more flats, which are held on leases or other lettings. These flats are either currently occupied or will be occupied primarily for residential use.
Flat	A separate set of premises, whether on the same floor or not, is considered a flat or dwelling if it meets the following criteria: • It is part of a building. • It is constructed or adapted for use as a dwelling. • Either the whole or a sizeable portion of it is located above or below another part of the building.

Dwelling	Means any building or part of a building occupied or intended to be occupied as a separate dwelling.
Policy	An insurance policy is a legal contract between an insurance company and an individual or entity (the policyholder). It outlines the terms and conditions of the insurance coverage provided by the insurer. The policy specifies the types of risks or events that are covered, the amount of coverage, the duration of the policy, and the premiums to be paid by the policyholder. In the event of a covered loss or claim, the insurance policy provides financial protection to the policyholder, who may receive compensation or reimbursement from the insurer according to the terms of the policy.
What information will need to be disclosed to leaseholders	Brokers and/or Insurers will need to disclose key information to leaseholders, including details about the policy, premium, remuneration received, potential conflicts of interest, and alternative quotes obtained.
Policy Excess	Policy excess, also known as a deductible, is the amount of money that you have to pay out of your own pocket before your insurance coverage starts to pay for the rest of a claim. It's a predetermined amount agreed upon in your insurance policy. The purpose of a policy excess is to discourage small or unnecessary claims and to make sure that you have some financial responsibility in the event of a claim. It helps keep insurance premiums affordable and reduces the number of claims made. When you make a claim, the policy excess is subtracted from the total amount of the claim before your insurance coverage kicks in.
How will this document be shared with the leaseholder	The information will be provided by the insurer or intermediary to the contractual customer (usually the freeholder or property managing agent), who will then pass it on to leaseholders.
Direct Earnings	This income refers to the earnings we receive as a broker for providing advice and expertise in the insurance placement process. Typically, this income is generated through fees or commissions and includes the work we do in communicating with policyholders and insurers, as well as processing and arranging premium settlements. Like other brokers in our industry, we may also charge an administration fee to cover practical expenses related to placing a policy. These expenses can include licensing fees, paper and telephone costs, and other overhead expenses.
Indirect Earnings	Sometimes, insurers may pay us extra for services we provide to them. These services are not the usual tasks of a broker but are often related to managing an insurer's portfolio or doing specific jobs for them. These arrangements are governed by contracts and have their own oversight and rules.

	The services we provide can include things like administrative work, giving them information on how their business is doing, analysing data, managing their pipelines, and keeping track of their performance. We might also help with underwriting tasks, like creating documents, managing claims, and providing premium finance services.
Fees paid to third parties	Sometimes, we may share a part of our earnings with a third party involved in the transaction. This payment is a percentage of the income we receive directly from the Insurer. We make these payments as a way of acknowledging the third party for conducting certain activities that we would otherwise manage ourselves.
Insurance Premium Tax	Insurance Premium Tax (IPT) is a tax applied to general insurance premiums. The standard rate of IPT is 12%.
The role of the Insurance Broker in the placement of Insurance	Insurance brokers function as intermediaries between consumers and insurance companies, offering advice and services in the insurance process. They work independently in relation to insurers and aid clients in choosing insurance by presenting them with options.
The Insurance Market for Multi-Occupancy Buildings Insurance	The insurance market for multi-occupancy buildings is influenced by factors such as occupancy, construction, and claims experience. Market conditions impact premiums, with stability seen in well-performing commercial properties but slower progress in the residential sector due to issues like cladding and fire safety. Residential properties, especially high-rise buildings with cladding or fire safety issues, face challenges. Modern construction methods and poor-quality plumbing also affect insurers. Older converted or listed buildings in certain locations can limit insurer options. Higher policy excesses are common, with increased standard excesses in the current market conditions.
Gallagher's Broking Strategy	Gallagher, as your insurance broker, conducts a broking or marketing exercise every three years. However, we may approach alternative insurers more frequently where market conditions suggest this will be beneficial. We evaluate insurers based on factors including coverage, price, stability rating, and other relevant considerations. In certain situations, we may recommend a single insurer, where their offering appropriately meets your specific requirements.
Delegated Authority	A delegated authority relationship is established when an insurer grants permission to another party, such as Gallagher, to act on their behalf in either underwriting or claims handling. This means that Gallagher is authorised to perform these tasks on behalf of the insurer.
Fire Safety Reinsurance Facility	A Fire Safety Reinsurance Facility has been set up to improve insurance availability for buildings with combustible cladding and fire safety issues. It aims to expand capacity for insurers and encourage competition in the market, but uptake has been limited due to strict criteria and rating parameters.