



An Ghníomhaireacht  
Tithíochta  
The Housing Agency

# Multi-Unit Developments - A Guide to Insurance



# Disclaimer

The guidance provided is non-statutory and general in nature. It is subject and secondary to the provisions of the relevant legal framework applicable to owners' management companies ("OMCs"), licensed property management agents (property services providers), and insurance, including but not limited to the Multi-Unit Developments Act 2011, the Property Services (Regulation) Act 2011, the Companies Act 2014, as amended, contract law, and insurance law. In the event of a conflict between the content of this guidance and legal requirements, the latter prevails.

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# Introduction and Background

This document is intended to provide practical guidance in relation to insurance for multi-unit developments (“MUDs”) such as apartments.<sup>1</sup> The material has been written with consumers / end-users in mind, mainly owners’ management companies (“OMCs”), and directors of OMCs. Licensed property management agents, and individual property owners in MUDs also may find the material helpful.

Expenditure on insurance is one of the biggest costs incurred annually by an OMC. This guide consists principally of information for consideration by directors of an OMC when obtaining insurance for an apartment building. This type of insurance is usually referred to as block insurance.

There are different types of insurance policies that can apply to property and to owners in a MUD. It is important to understand the nature of these policies, the property and risks (or perils) covered, and the terms and conditions that apply in each case.

This guide is not intended to be comprehensive. Every MUD is unique. It comes with its own characteristics, circumstances and risks. Matters over and above those identified in this guide may require attention.

Consideration of this guidance should be informed by factors including:

- The exercise by directors of an OMC of their independent judgement,
- The specific requirements of the MUD,
- The information available to the parties involved,
- Advice from suitably qualified insurance and property professionals.

Appendix I contains a glossary of commonly used terms.

## Acknowledgements

This guidance has been prepared with the assistance of Brokers Ireland, the Institute of Professional Auctioneers and Valuers (IPAV), and the Society of Chartered Surveyors Ireland (SCSI). The Housing Agency wishes to thank them for their contributions.

The Housing Agency acknowledges the assistance of the Consumer and Competition Protection Commission (CCPC), successor to the National Consumer Agency, which in 2008 published ‘Buying and Living in a Multi-Unit Development Property in Ireland’. This guidance draws on original content from that publication.

This guidance draws on relevant information contained in the ‘Report on insurance for multi-occupancy buildings’ prepared in 2022 by the Financial Conduct Authority of the United Kingdom.

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1. The material deals with conventional ‘build to sell’ MUDs, where ownership is fractional, or shared, between multiple property owners.

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## OMCs and Insurance

In most cases an OMC is responsible for arranging insurance for the MUD it controls and manages. The individual property owners (who make up the membership of the OMC):

- Pay for the insurance through their annual service charge,
- Are the ultimate beneficiaries of any claims under the policy.

Directors of an OMC, as stewards of the company's affairs, need to be well informed before making decisions regarding the purchase of insurance cover.

Each insurance company rates insurance risks differently and directors of OMCs should seek to obtain a number of alternative insurance cost quotations or estimates. It is recommended that directors seek independent professional advice to assess what type of insurance is required, and to ensure that adequate insurance is obtained.

It is open to an OMC to contact insurance companies directly. Directors may decide to consider employing an insurance broker to seek advice and arrange cost estimates on behalf of the OMC. A broker's role is to find the most competitive insurance policies in the market, in terms of cost, extent, and suitability of cover.

If an OMC uses a broker, the directors should ensure that the broker explains the costs, risks, cover, and benefits of each of the estimates or quotations obtained. The reasons why a broker may be recommending one policy over another should be clearly explained.

To determine the kinds of risks against which the OMC and the MUD should be insured, the terms of the leases under which the homes are held should be considered.

The directors of the OMC should review insurance needs on an annual basis and in a timely manner, well in advance of policy renewal dates.



## Head Lease - Obligation to Insure

The head lease for the MUD is an agreement, or contract, made between the developer, the OMC, and the individual property owners in the estate (who are also members of the OMC). The head lease is an important legal document that shows proof of title (or ownership) of a property. The person to whom a lease is granted is the lessee. The person granting the lease is the lessor.

The head lease sets out the rights and obligations as between the parties; these are often referred to in the lease as the 'covenants'.

It is the insurance covenant in the head lease that obliges the OMC to put in place cover for the common areas. An example of an insurance covenant is provided in the Glossary.

The head lease will usually contain a definition of the risks (perils) against which the OMC must insure. These are referred to as the 'insured risks'. An example of a definition of insured risks is in the Glossary.

In most cases, the OMC's obligation to insure refers to cover for the common areas, i.e. those parts of the apartment building not owned by the individual owners. The common areas are the parts of the building shared by all owners, for example, corridors, stairwells, halls, lifts, car parks, and shared gardens. The common areas are owned and controlled by the OMC, which is the collective manifestation of the owners.



# Multi-Unit Developments Act 2011

The Multi-Unit Developments Act 2011 (“MUD Act”) places certain insurance responsibilities on OMCs.

The MUD Act requires the establishment of a scheme of annual service charges from which the OMC may discharge ongoing expenditure reasonably incurred on insurance, maintenance and repair of the common areas, and on the provision of shared services to the owners and occupiers of the development.<sup>2</sup>

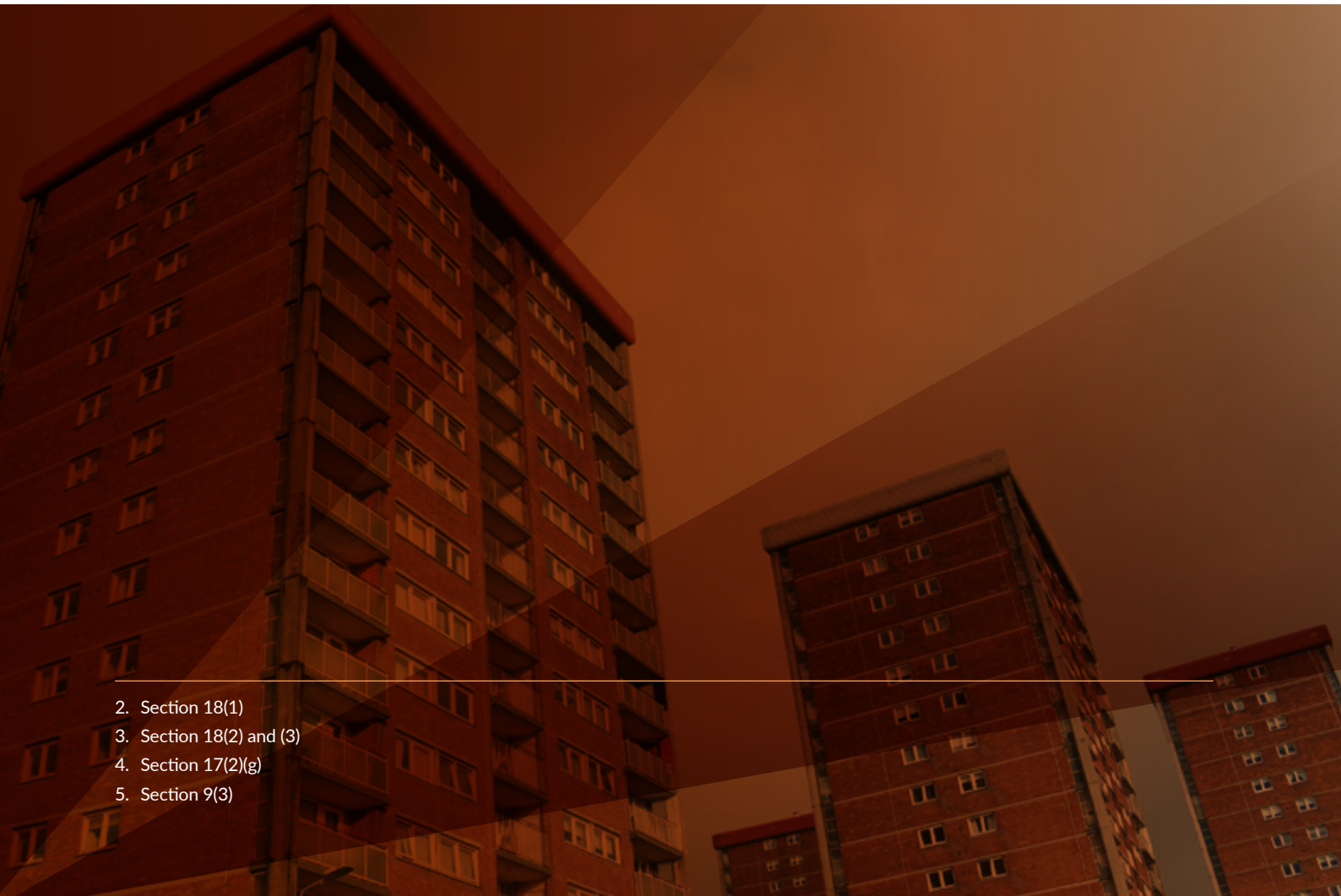
The estimated annual service charge considered by a general meeting of the members of the OMC must include as an identifiable category an estimate of the expenditure on insurance.<sup>3</sup>

The annual report that the OMC must provide to members at least 10 days before the annual general meeting must include-

*“a statement of the insured value of the multi-unit development, the amount of the premium charged, the name of the insurance company with which the policy of insurance is held and a summary of the principal risks covered;”<sup>4</sup>*

In the period when a MUD is being completed the developer must have insurance in place in respect of its use or occupation of the development.<sup>5</sup>

2. Section 18(1)  
3. Section 18(2) and (3)  
4. Section 17(2)(g)  
5. Section 9(3)





# Types of Insurance Policies

There is a range of risks and insurance cover associated with MUDs. Some of the typical insurance policies taken out in connection with MUDs are:

- Buildings (block) insurance, including alternative accommodation and loss of rent,
- Common area contents insurance,
- Public liability insurance,
- Employer's liability insurance,
- Engineering (lift) insurance,
- Directors' and Officers' liability (management liability) insurance.

There may be other specialist policies or insurance requirements arising from the unique circumstances of a particular MUD or OMC.



# Building / Block Insurance

Building (or block) insurance protects the development against damage caused by unforeseen risks such as fire, flood, burst pipes, malicious damage, theft, and subsidence. Not all building insurance policies cover all of these risks. The risks covered will depend on the terms of an individual policy.

When taking out building (or block) insurance it is important to note that the sum insured is not the market value of the property. The development should be insured for the costs of demolition, clearing the site, and a complete rebuilding of the property. This cost is known as the reinstatement value.

Apartment developments often involve complex building designs and construction types. In deciding what insurance will be required, and the extent of the insurance cover, the directors may need to liaise with property management agents, chartered surveyors, and insurance providers. If it is a new development the developer may be able to advise as to what the construction costs of the development were. For older developments it is best practice to have an independent chartered building surveyor or quantity surveyor carry out a rebuilding cost assessment on a regular basis.

This will provide an estimate of what the total rebuilding costs are likely to be. These costs represent the sum for which the building should be insured.

When taking out insurance cover it is important not to under- or over-estimate the value of the property being insured. If an OMC underinsures a building, in the event of damage the insurance company might not pay out enough to cover the cost of repairing or rebuilding.

Underinsurance can result in the application to claims of an 'average condition' in a policy. For example, if the reinstatement cost of a MUD was deemed to be under-insured by a factor of 20%, the OMC could be deemed to be self-insured for 20% of losses arising. The insurance company would cover only up to 80% of the losses.

If, on the other hand, a building is insured for too much, the premium may be higher than necessary and the OMC will not receive any extra benefit in the event of a claim.



# Common Area Contents Insurance

Common area contents insurance covers items not part of the building structure or fabric, not covered by the block insurance, and for which the OMC is legally responsible. Cover is typically provided for items such as furniture, fittings, and carpets provided by the OMC to the common areas.

It should be noted that it is inadvisable to store furniture, bicycles, toys and other such objects in circulation areas such as lobbies, hallways, or stairwells. In the event of an emergency, objects may cause an obstruction and hamper the safe evacuation of a building.

## Owner's, Landlord's or Tenant's Contents Insurance

It should be noted that insurance obtained by OMCs in relation to common areas will not cover owners, whether owner-occupiers or landlords / investors, or tenants, for risks or liabilities associated with events or property in individual homes or premises. This is analogous to the way in which owners are responsible for maintenance and upkeep within their properties. See Owner's Contents Insurance on page 11.



# Public Liability Insurance

Public liability insurance protects the OMC against the financial risk of being found legally liable to a third party for death or personal injury, loss or damage of property or pure economic loss, resulting from negligence or lack of due care on the OMC's behalf.

Where such a policy is in place anyone who is invited, trespasses, or works on the development should be covered in the event of accident.





# Employer's Liability Insurance

Most OMCs do not have employees. However, it may be that large developments employ maintenance staff such as a caretaker, grounds operative, or gardener.

Employer's liability insurance typically covers legal liability for accidental bodily injury to employees or disease contracted by them arising in the course of their employment.

## Contractor's Public and Employer's Liability Insurance

Where a contractor is employed to carry out work in a development, the contractor should have public and employer's liability insurance in place. Before being permitted to enter a development, a contractor should be asked for proof of cover. This action may reduce the likelihood of an OMC being at risk of a claim for injury or otherwise arising out of a contractor's negligence. In some cases it may be advisable or necessary for an OMC to be indemnified by a contractor, or named on a contractor's policy.



# Engineering (Lift) Insurance

Engineering insurance covers risks associated with plant, machinery, or equipment. It usually covers risks associated with their installation and operation. Passenger lifts, heating, ventilation, and air conditioning plant and machinery are the common forms of such equipment to be found in MUDs.

Engineering insurance is a policy separate from block insurance, however as a matter of efficiency it may often be quoted for in combination with block insurance.

Inspection costs charged by an insurer may form part of engineering insurance.

Information in relation to relevant health and safety law is available from the Health and Safety Authority.<sup>6</sup>

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6. [www.hsa.ie](http://www.hsa.ie)



# Directors' and Officers' Liability Insurance

Directors' and officers' liability insurance (sometimes called 'D&O insurance') insures the directors and officers against claims that could be made against them for failure to fulfil their duties as directors. The insurance policy is designed to protect the personal wealth of the directors and officers in such circumstances.

Directors and officers of a company may be held personally liable for actual or alleged failures on their behalf to comply with legal duties, for misleading statements, mismanagement, breach of warranty of authority, breach of trust, omissions, or negligence. Claims against directors in carrying out their duties as directors could arise in instances of alleged:

- Breaches of corporate, environmental, or health and safety laws or regulations,
- Defamation,
- Harassment or bullying.

The policy might also extend to cover:

- All past and present directors and officers of the OMC,
- Innocent directors and officers of the OMC should one of their colleagues prove dishonest or fail to disclose material circumstances when proposing for insurance cover,
- Members of sub-committees of the board of the OMC,
- Legal costs incurred in defending claims,
- Advancement of defence cost,
- Employment practices liability.



# Other Forms of Insurance

## Owner's Contents Insurance

A decision to insure an owner's home contents and personal items is a matter for each owner. Contents are generally deemed to be all property, personal effects, valuables, and clothing in a home.

It is important to remember that most insurance policies are effected on a replacement basis. This means belongings are valued based on what they would cost if they had to be replaced as new tomorrow. The best way of valuing contents is to carry out a regular inventory of personal items.

In general this type of policy does not cover maintenance, as it is specifically designed to cover sudden and unforeseen losses, which maintenance is not. In addition, it does not cover faulty or defective workmanship carried out by tradespersons.

As with all forms of insurance it is important that the value of the items to be insured is not underestimated or overestimated.

## Renter's Insurance

This form of insurance is largely the same as Owner's Contents Insurance, except that the policyholder is a renter / tenant, rather than an owner-occupier.

## Mixed Developments and Insurance

In developments that have a mix of houses, duplexes, apartments, and commercial or retail properties, the directors of the OMC, or the broker employed, will need to check the estate lease<sup>7</sup> to determine if the OMC is responsible for insuring all the buildings, or all parts of a building, block, or estate. It may be that owners of houses and/or commercial properties are responsible for arranging their own building insurance cover.

## Risk Minimisation

The premium cost paid for insurance is determined primarily by:

- The OMC's damage and liability claims history,
- The safety standards the OMC has in place.

Claims history is the list of damage and liability claims that have been recorded against the insurance policy for the development over a specified period.

It is important that the OMC is proactive in its approach to handling damage and liability claims and minimising risk. Some examples of this include:

- Having an up-to-date Health and Safety statement in place, reviewed at regular intervals,
- Carrying out a Health and Safety survey at regular intervals to highlight and minimise potential risks,
- If not already underway, requesting that the insurance company carry out a risk management survey, and risk assessment report, to assist in putting together a loss prevention programme,
- Preparing a preventative maintenance programme to maintain the property and keep it in good repair,
- Notifying the insurance company immediately following any potential damage or liability claim,
- Examining the common areas on a regular basis to ensure that they are as safe as possible. The OMC should ask the insurance company what standards of safety, if any, they recognise, and whether discounts are available for achieving those standards.

The insurer, or insurance broker, should be able to advise the OMC on how to reduce its risk profile.

7. Often referred to as the 'head lease', or 'main lease', it is made between the developer, the OMC and the property/unit owners in the development. See page 5 and Appendix I.



# Who Does What

## Role of Broker

An insurance broker may be employed by an OMC to search for suitable insurance cover for the MUD. A broker's role is to find the most competitive insurance policies in the market, in terms of cost, extent, and suitability of cover.

The directors of an OMC have ultimate responsibility for instructing the broker to put in place cover with an insurer.

The role of a broker can involve obtaining relevant information and providing this to insurers to seek quotes. Depending on the instructions of the directors of the OMC, a broker may approach multiple insurers, or it may seek a quote from only the incumbent insurer.

A broker may liaise between an insurer and an OMC and/or a property management agent, and may facilitate the flow of information and documentation between the parties.

Brokers have access to a variety of insurers' products. They can compare product offerings and advise their client, i.e. the OMC, on the appropriate cover from the most suitable provider.

In the event of a claim and or general queries, a broker may guide a client through the claims process, and effectively manages the claim on the client's behalf. It may be advisable for an OMC to appoint a loss assessor, who will evaluate the extent of damage, and estimate the costs involved.

Services provided by an insurance broker can include:

- Arrangement of insurance cover with insurance companies,
- Assistance with completion of proposal forms,
- Facilitation of payment of premiums,
- Ensuring policies are issued in a timely manner,
- Checking wordings of policies to ensure they follow agreed terms,

- Notification and management of claims,
- Preparation of letters of interest,
- Evaluation of third party contractors' insurances.

This list is not exhaustive. Depending on the circumstances, there may be other services available.

While a broker's duty is to its client, brokers are typically paid a commission by the insurer that underwrites the policy. Commission is usually a percentage of the gross premium. Commission is usually included in the gross premium and is therefore ultimately paid by the client, i.e. the OMC. In some cases a broker may charge a set fee, which is included in the premium.

Brokers are required to be registered with the Central Bank of Ireland. Information in relation to the disclosure requirements that apply to brokers' compensation, including fees and commissions paid by insurers and clients, is available on the website of the Central Bank of Ireland- [www.centralbank.ie](http://www.centralbank.ie).

## Selecting a Broker - Qualitative Factors

Cost may not always be the determining factor in selecting a broker or insurer. Factors including long-standing business relationships, service quality, reputation, and familiarity, can have a bearing on parties' decision-making.

## Switching Brokers or Insurers

It is recommended that OMCs should periodically consider:

- Whether the insurance in place is the most appropriate,
- The quality of service from the broker and the insurer,
- The value for money being received.

There may not be legal or regulatory barriers preventing OMCs from changing from one broker or

insurer to another. However, in considering changes, it should be noted that risks and frictions can arise in terms of both time and cost.

For example, obtaining alternative insurance estimates usually requires an OMC to supply other insurers with detailed information. This process (typically carried out through a property management agent, and a broker) can be time-consuming for the directors of the OMC, and for the agent. This can limit the frequency with which OMCs consider alternative insurance providers. The same work may arise in seeking to switch broker.

These factors are not reasons to avoid changing service providers, however they will inform the decision-making of directors of OMCs.

Depending on prevailing insurance market conditions, remaining with the same insurer can result in a favourable product offering. For example, some insurers may be more likely to continue to underwrite a poorer or more complex risk in circumstances where it has retained this risk for a number of years. An insurer may accept certain claims for which it is not clear it is liable if these claims are made by a loyal customer. It may be that underwriters are prepared to quote better terms if they can keep a risk for a longer period.<sup>8</sup>

## Role of Property Management Agent

A property management agent may have a role in arranging insurance. An agent is instructed by the directors of an OMC, and may be tasked with liaising with an insurance broker or insurers.

Services provided by a property management agent are documented in a Letter of Engagement (“LOE”) between the OMC and the agent. Part I of Schedule II (page 14) of the template LOE, available from the website of the Property Services Regulatory Authority (PSRA)<sup>9</sup>, details ‘Insurance Management’ services that may be provided by an agent. This material is reproduced in Appendix II.

Schedule III to the LOE documents the insurance records kept by a property management agent on behalf of an OMC.

As the Schedules in the LOE note, the lists are not exhaustive. They can be added to or amended, to reflect the unique nature and requirements of each property. Amendments to the LOE must be documented and signed by both the agent and the OMC.

## Professional Indemnity Insurance - legal requirement for agents

Professional indemnity insurance (“PII”) is designed to protect firms and their employees against claims that may arise as a result of their professional conduct, neglect, error, or omission.

Section 45 of the Property Services (Regulation) Act 2011 (“PSR Act”) provides that a property services provider, such as a property management agent engaged by an OMC, shall not provide a property service unless there is a policy of PII in force at the time of the provision of such service. The policy must adequately cover the provider (or ‘licensee’) in the provision of such service.

Section 43 and Schedule 2 of the PSR Act provide that a property services agreement in respect of the provision of a property service must include details of the provider’s PII.

## Action in the Event of a Claim

Depending on the type of incident, the OMC, through its agent, should take any emergency or urgent action that may be necessary to protect the unit, or multi-unit development, from further damage or loss. The insurance provider should be contacted immediately so that the agent may liaise with them accordingly. Details of the claim should be provided to the insurance company, and a claim form requested. Depending on the type of claim, the insurer or broker advises on what to do next.

8. Section 32 of the MUD Act 2011 prohibits an OMC from entering into a contract that runs for a period in excess of three years’ duration, however insurance policies are typically renewed annually.

9. [www.psr.ie](http://www.psr.ie) At the time of writing the latest version of the Letter of Engagement template was PSRA /S43 Form D dated 7 October 2022.

## Reporting Claims

An insured party is usually required without delay to notify or report to the insurer, or broker, any circumstance or claim that could give rise to a claim under the policy. Subsequent developments or correspondence received from a third party or anyone acting on their behalf, should be advised to the insurer or broker.

A standard requirement of a policy is that an insured party should not admit liability, or make an offer of payment to a third party, without the consent of the insurer.

## Property Purchasers in MUDs

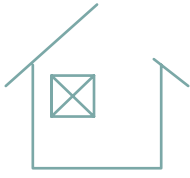
Before a purchaser buys a property in a MUD, their solicitor should contact the OMC or agent and ask them to include their details, and those of their financial institution, on the block insurance policy as per their mortgage. The OMC issues an indemnity/interested party letter. This letter is an important document in the conveyance of MUD properties acquired using mortgage finance. A mortgage lender may delay release of funds until it receives the letter.

Written confirmation should be obtained from the OMC or property management agent that the block insurance policy has been renewed. This information is contained in the Annual Report issued by the OMC under Section 17 of the MUD Act.

## Insurance Regulation

The Central Bank of Ireland is responsible for the supervision of life, non-life, and reinsurance firms operating in Ireland. Its website is [www.centralbank.ie](http://www.centralbank.ie).





# Defective Properties

On 18 January 2023, the Government approved the establishment of a scheme to support the remediation of apartments and duplexes with fire safety, structural safety and water ingress defects, constructed between 1991 and 2013.

A timeframe for implementation of the scheme will depend on legislation, the enactment of which is subject to the legislative process.

Further information is available in the announcement of 18 January 2023 issued by the Department of Housing, Local Government and Heritage. The announcement is available at- [www.gov.ie/en/press-release/b6817-government-approves-establishment-of-defects-scheme-for-apartments-and-duplexes/](http://www.gov.ie/en/press-release/b6817-government-approves-establishment-of-defects-scheme-for-apartments-and-duplexes/)

In addition, the Department of Housing, Local Government and Heritage has issued an information document 'Proposed Approach to Support Remediation of Defects in Apartments and Duplexes - Your Questions Answered', available at- [www.gov.ie/en/publication/1ad1e-proposed-approach-to-support-remediation-of-defects-in-apartments-and-duplexes-your-questions-answered/](http://www.gov.ie/en/publication/1ad1e-proposed-approach-to-support-remediation-of-defects-in-apartments-and-duplexes-your-questions-answered/)

The Code of Practice for the Remediation of Fire Safety Defects was published on 25 July 2023. The purpose of the Code is to support the development of a reasonable and practicable approach to resolving fire safety defects and ensure a consistent approach nationwide to remediation. The Code of Practice is available at- [www.gov.ie/en/publication/95159-code-of-practice-for-the-remediation-of-fire-safety-defects/](http://www.gov.ie/en/publication/95159-code-of-practice-for-the-remediation-of-fire-safety-defects/)



# Further Information

Further information on insurance is available from Brokers Ireland ([www.brokersireland.ie](http://www.brokersireland.ie)), a representative body for insurance brokers in Ireland.

Guidance on matters including obligations under the MUD Act, reinstatement valuations, and calculation of annual charges is available from professional bodies such as the Society of Chartered Surveyors Ireland (SCSI) [www.scsi.ie](http://www.scsi.ie), and the Institute of Professional Auctioneers and Valuers (IPAV) [www.ipav.ie](http://www.ipav.ie).

The Property Services Regulatory Authority (PSRA) licenses and regulates property services providers (including property management agents) under the Property Services (Regulation) Act 2011. Its website is [www.psr.ie](http://www.psr.ie).

The Housing Agency provides resources and guidance for MUDs and OMCs as part of its remit to promote the supply of housing that meets current and future needs, and as a centre of expert knowledge on housing.

Resources and guidance can be accessed at [www.housingagency.ie](http://www.housingagency.ie), including the following publications:

- Engaging a Property Management Agent: Guidance for Owners' Management Companies, available at- [www.housingagency.ie/publications/engaging-property-management-agent-guidance-owners-management-companies](http://www.housingagency.ie/publications/engaging-property-management-agent-guidance-owners-management-companies)
- Owners' Management Companies: A Concise Guide for Directors devised in collaboration with Chartered Accountants Ireland, available at- [www.housingagency.ie/publications/owners-management-companies-concise-guide-directors](http://www.housingagency.ie/publications/owners-management-companies-concise-guide-directors)

The Corporate Enforcement Authority (CEA) has responsibility for encouraging compliance with, and responding to, allegations of breaches of the requirements of company law. Its website is [www.cea.ie](http://www.cea.ie).



# Appendix I - Glossary

## Alternative Accommodation

This refers to the cost of providing somewhere else for occupants to stay in a period during which a property is uninhabitable, or is unavailable. The amount of cover involved can be a financial sum, or a percentage of the building sum insured.

## Claims History

This is a record of claims on an insurance policy. Typically, it documents the date of the claim, the financial amounts involved, and information about how the claim arose.

## Duty of Disclosure

A person, including an OMC, seeking insurance must provide to the insurer complete and accurate information, in a timely manner. The insured is under a duty to act honestly, and to make full disclosure of all material facts. This is often referred to as the principle of utmost good faith, or in Latin- *uberrima fides*.

Disclosure refers to all information that is material to the coverage requirements, or that might influence the insurer's decision to accept the business, finalise the terms to apply, or determine the cost of cover. There is a duty to respond fully and frankly to any requests for information made by insurers. Insurers are not always obliged to make enquiries of the insured. In other words, the insured party must disclose relevant information, whether requested or not.

Failure to make full disclosure of material facts may allow an insurer to avoid liability for a claim, or to void a policy. The duty of disclosure applies on taking out new insurance contracts, and at renewal of an existing policy.

## Excess

The excess amount is the financial portion of a claim that an insurance company will not pay. For example, in the case of a claim for €10,000 where the excess amount on the policy is €1,000, the insurance company will pay €9,000 towards the claim, and the insured (e.g. the OMC) will contribute the remaining excess amount of €1,000. Excess levels may vary depending on the nature of the claim, i.e. there may be different levels for claims arising from water, fire, or subsidence.

Typically, the higher the excess amount, the lower the insurance premium, and vice versa.

An excess can sometimes be referred to as a 'deductible'.

## Exclusions/Conditions

Exclusions are specific identified risks that are not covered by the insurance policy. Examples of exclusions in the context of apartment block insurance are claims for damage arising from normal wear and tear, or latent defects.

## Extensions

This refers to the widening of the scope of an insurance policy to cover certain specified or listed losses.

## Government Levies

A premium quoted may include standard charges imposed by government on insurance policies.

## Insurable Interest

An interest of the insured person in the value of the subject of the insurance policy. It includes any legal or financial relationship, and usually results from property rights. For example, an individual has an insurable interest in his car, however he does not have an insurable interest in his neighbour's car. OMCs have an insurable interest in the apartment buildings and common areas.



## Insurance Covenant in Head Lease - Example

Subject to the Owners' Management Company being able to effect insurance against all or any one or more of the Insured Risks to insure and keep insured in the name of the Owners' Management Company the Demised Premises and all structures against the Insured Risks and against such other risks as the Owners' Management Company may from time to time consider prudent and desirable and to note the interests of (inter alia) the Lessee and any mortgagee of the Lessee's interest in the Demised Premises or in these presents on such policy of insurance and on reasonable notice to produce for inspection and (at the Lessee's expense) to furnish copies of such policy or policies to the Lessee.

## Insured Risks in Head Lease - Example

"Insured Risks" means loss or damage by fire, explosion, lightning, earthquake, impact, aircraft, flood, storm, tempest, riot, civil commotion and malicious damage, bursting and overflowing of water tanks, apparatus or pipes and including demolition and site clearance expenses, architect's, quantity surveyor's, engineer's, and other fees and taxes in relation to reinstatement and public liability and property owners' liability and employer's liability and such other risks as the Owners' Management Company may from time to time consider prudent and desirable subject to the availability of insurance cover against such risks being available.

## Loss of Rent

A policy may contain cover for loss of rent by landlords / investor owners where a property is unavailable for letting.

Commercial / retail loss of rent may not be automatically included in a block insurance policy. An OMC might consider seeking confirmation from commercial / retail owners as to whether they require their rent receivable to be insured. Where commercial / retail loss of rent is automatically included it may result in the reduction of the level of cover available to residential owners.

## Perils

A potential cause of loss that may be covered by an insurance policy. Examples of major perils are: fire, smoke, lightning, storm, hail, water escape, strikes, riots or civil commotion, impact by aircraft and vehicles, and vandalism. (See also Insured Risks in Head Lease - Example)

## Premium Finance

This is a credit facility, or loan, where funds are advanced to an insured party to pay an insurance premium. The facility carries an interest cost. Premium finance may be arranged by a broker, who may be remunerated by the credit provider.

## Premium Payment by Instalment

Where the insurance premium sum payable is very large it may be possible to arrange payment by instalments. While this may have cashflow benefits, the insurer may charge interest on the instalment amounts.

## Premium Rebate

This refers to a refund to the insured of a portion of a premium previously paid by the insured. A rebate could arise in recognition of circumstances related to the policy, e.g. particularly low claims levels in a previous period of cover.

## Reinsurance

This is insurance for insurance companies. In exchange for a share of insurance premiums, a reinsurance company will take on part of the insurance risk. Reinsurance companies typically cover catastrophic losses when the total losses exceed a specified amount.



## Renewal Report

This is a document prepared by a broker. It contains a recommendation from the broker as to the policy to be taken out by the client for an upcoming period of cover.

The report will explain matters including but not limited to:

- Work carried out by the broker to obtain cover,
- Alternative quotes sought and received,
- Terms of proposed cover,
- Suitability of cover (see Suitability Statement below),
- Documentation required by the insurer,
- Details of broker's remuneration, e.g. commission.

## Suitability Statement

This is a document issued by a broker as part of the renewal process. It sets out the reasons why the insurance policy recommended by a broker is considered suitable for the needs of the party taking out the insurance.

## Unoccupancy Condition

This is a term of an insurance policy requiring the insured party to take defined measures where the property, or part of it, is not occupied, or not rented, or not actively used, for a specified period of time. Examples of measures to be taken include, but are not limited to:

- Implementation of certain maintenance or security arrangements,
- Cessation of water, gas, electricity, or other utility supplies,
- Inspection on a periodic basis.



# Appendix II - Extract from Part I of Schedule II to the PSRA Letter of Engagement

Property Management



PSRA /S43 Form D - 07 October 2022

13) To maintain records of work carried out, tender exercises and other records related to service provision.
14) To inform unit owners of the terms of the Property Services Agreement and the appropriate means of communication with the Agent.
15) Ongoing communication with unit owners and residents to include at least [x] newsletters per annum.
16) Prepare draft returns to the Revenue Commissioners for the Client.
17) Carry out the Client's instructions to comply with its legal obligations.
18) <b>Other</b> (Specify).
<b>C - INSURANCE MANAGEMENT</b>
1) Identify potential insurance providers/ brokers to provide necessary insurance cover including; building reinstatement; fire and perils; lift engineering; public liability; employer/employee liability; directors and officers; alternative accommodation cover.
2) Liaise with insurance provider/broker in procuring cover on the basis of appropriate professional advice.
3) Liaise with the insurance provider/broker on renewal of all policies, as directed by the Client.
4) Preparation of insurance claims on behalf of the Client and/or its members under the Client's relevant policy when requested by the Client.
5) Negotiation of premium payment schedule with insurance provider/ broker.
6) To record and receive insurance settlements on behalf of the Client.
7) To notify the insurers of interested parties as advised.
8) <b>Other</b> (Specify)
<b>D - ESTATE MANAGEMENT</b>
1) To identify, on an annual basis, all maintenance and possible refurbishment programmes including fire safety and other equipment, for consideration by the Client.
2) To arrange delivery of planned maintenance as decided by the Client (including contractors whose engagement did not involve the Agent).
3) Conduct [state frequency] visual inspections to identify visible reactive repairs and renewals and other items where the planned maintenance is inadequate.
4) To arrange delivery of unplanned maintenance and renewals as required.
5) Monitor contractors to ensure the contracted services are delivered to specification (including contractors whose engagement did not involve the Agent).
6) Provide access to prospective contractors to the development to enable comprehensive tenders to be completed.
7) To maintain the Client's equipment inventory/asset register.
8) To keep safe any warranties or guarantees.
9) Compile work schedule for janitor/caretaker and oversee the work.
10) <b>Other</b> (Specify).

