



# Information for Leaseholders 2024

Regulation for Multi-Occupancy Leasehold Insurance

Frequently Asked Questions

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Poplar HARCA

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## Introduction

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The Financial Conduct Authority (FCA) has been conducting a review into the way the insurance market has been dealing with and treating leaseholders.

In the commercial property sector it has long been common practice for insurance brokers placing property policies to receive high levels of commission from insurers, and to share that commission with their client, the landlord. This has led to a position where some leaseholders have been paying inflated premiums in order to enable the commission levels to be sufficient to pay the freeholder, managing agent or both a slice of the premium as well as providing the broker with a good level of remuneration.

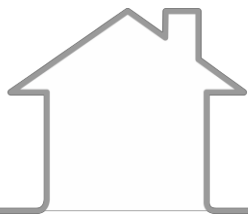
In April 2023, the FCA shared that it wanted to address the key failures it saw:

1. **Fairness for Leaseholders:**  
Leaseholders must pay for insurance but have no say in choosing the policy or its cost. They're not considered customers, so their interests aren't always considered.
2. **Transparency and Accountability:**  
Lack of clear information currently makes it difficult for leaseholders to question if costs are reasonable.
3. **Excessive Costs:**  
In some cases, commissions paid by insurers to brokers do not appear fair and justified, and simply add cost for leaseholders.

Following their investigations and consultations the FCA have now introduced new rules relating to the disclosure of information about policies which affect leaseholders. These new rules are effective from 31 December 2023.

It is very important to understand that within the social housing sector the practices which concern the FCA – high commission payments to brokers for property stock policies and sharing of that commission with landlords – do not happen. Social landlords do not make any money from the provision of insurance to leaseholders in accordance with the terms of their leases, and the brokers in the sector do not earn excessive commissions. Public procurement rules operate to ensure that there is competitive pressure on insurance costs, and social landlords do all they can to minimise them.

Nonetheless, the rules which now apply to disclosure will impact social landlords, and as a leaseholder or shared owner you may see some new documentation and have questions. This document has been prepared to help to answer the most common issues.



## Frequently Asked Questions

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### Who are Gibbs Laidler?

Gibbs Laidler Consulting LLP (Gibbs Laidler) are independent Insurance and Risk Consultants working with many Housing Associations across the UK, including Poplar HARCA.

Poplar HARCA have asked us to provide our expert opinion on the most frequently asked questions received by their Leaseholders. We are not legal advisers however, and cannot comment on legal matters or provide legal advice. The answers below may be subject to change.

### What is the new regulation?

The Financial Conduct Authority (FCA) has implemented new regulations designed to protect the interests of leaseholders and ensure they receive fair and transparent treatment from insurance providers and brokers. The new rules are focussed on the treatment of leaseholders in multi-occupancy buildings. For housing associations, the term "leaseholder" will include shared owners.

Under the new rules, leaseholders will now be considered customers. This shift emphasises the need for brokers and insurers to act in the best interests of leaseholders.

The FCA is the regulatory body for insurance providers, and the rules apply to them. One of the key elements of the new requirements is that insurers and brokers provide information about the policy to the landlord, and asks the landlord to pass it to all leaseholders so that they have clear details about what is insured and what it costs.

### When did the regulation come into force?

The regulation came into force for insurers on 31st December 2023, however change will not need to be implemented for each of their clients until the following renewal date. In the case of Poplar HARCA, this is the 14<sup>th</sup> June 2024.

### What should I expect to receive?

In most cases, you should expect to receive a summary of cover document issued by your buildings insurer via Poplar HARCA, which will detail the insurance cover provided and will state your address, the sum insured for either your individual home or, in the case of blocks of flats, the building in which you reside, and the premium applicable to you or your block. In previous years, you may have only received the summary of cover which detailed your cover and the overall sum insured of the Leaseholder/Shared Owner portfolio. There will also be information about the remuneration given to the broker and insurer.

### What effect will this have on me as a Leaseholder/Shared Owner?

As a Leaseholder, you will not need to do anything. The regulation has been implemented to ensure that Leaseholders benefit from transparency and fair value from their building insurers. Insurers and brokers must now provide more information about the insurance policy provided and details of the premium applicable to each owner.



## **Who is responsible for providing buildings insurance?**

Under the terms of the lease, the building owner or 'freeholder' (in most cases this will be Poplar HARCA) is responsible for maintaining buildings insurance, with leaseholders and shared owners contributing towards the cost of the insurance through the service charge.

## **Do I have any additional responsibilities following this change?**

No, the insurance policies will be dealt with in the same way as previously carried out by Poplar HARCA.

## **Will I now be paying more in premium?**

The change in regulation does not affect the premium rates in the insurance market. In the past, Poplar HARCA will have been charged one premium for the whole Leasehold and Shared Owner portfolio and this premium will have been charged back to owners via their service charge in the best way available to Poplar HARCA. Going forward, this premium allocation will be provided in accordance with the regulations by the insurers to the association, and the insurers will have used their rating methods to calculate the apportionment.

## **I have received my premium from the insurers, however the premium is different to what I am being charged by Poplar HARCA, why is this?**

In some cases, you may have up to several insurers providing different types of insurance cover for your building, and therefore you may receive notice of premium amounts from different insurers which have been totalled and included within your service charge calculations. No additional cost is added to this by the association.

## **I pay my rent and service charge which I understood included insurance. Am I being asked to pay an additional amount?**

You are not being asked to pay an additional amount. The insurers are now required to inform you of the premium applicable to you, which you will receive as part of your summary of cover. This amount will be included within your service charge.

## **Can I arrange my own policy to cover my flat as I might be able to obtain the cover cheaper if I buy it on my own?**

As the freeholder of the property, Poplar HARCA has a financial interest in the property. Therefore, they need to be sure that all of the properties are insured and in arranging a block policy that covers all of the leaseholders, they can be confident that the policy will respond to a loss.

If the leaseholders arranged buildings cover for their individual flats, in the event of a major claim, we could potentially be dealing with a separate insurer for each flat and if one of the leaseholders had not arranged insurance, or the policy failed to pay out, the remaining leaseholders would be responsible for the costs.

Whilst it is appreciated that insurance can sometimes be purchased cheaper elsewhere, having a block policy benefits both Poplar HARCA and leaseholders. Therefore, there is no need to take out additional buildings cover, but it is strongly recommended that cover for your own possessions is obtained by way of a contents policy.



### **Does this change mean that a new lease is required?**

No, the current lease will not change. The regulation impacts the insurers and insurance brokers and will therefore not affect any other contract or service you have with Poplar HARCA.

### **The rebuild figure stated on the summary of cover is different to the latest valuation of my property, why is this and will this affect my mortgage?**

The valuation you likely received on your property will be the Market Value, which determines how much your property could sell for in the current property market. This is different to the rebuild value, which purely looks at the costs associated with demolishing and rebuilding the building to its current state. Your mortgage provider will require you to have buildings insurance for your property to cover the rebuild costs and the mortgage provider will lend based on the Market Value of your property. Poplar HARCA ensures your property has appropriate levels of building insurance by including it within their block policy.