

Back to reality

A Europe-wide real estate insurance strategy provides more control and saves money, but expertise and local knowledge is needed to overcome the many challenges and realise the potential. By **Stuart Collins**



Insurance is important for real estate investment and management companies, helping protect assets and fulfilling legal and contractual obligations.

However, for companies with properties in multiple European countries, ensuring insurance is adequate and efficiently managed is complex and challenging. The solution is a centrally arranged and managed real estate insurance programme.

To thrive in the European property market it is crucial to get the most out of insurance, says Bill Gloyn, a Partner at JLT Specialty European Real Estate. “It pays to spend time and intellectual capital to get the best price, cover and level of service.”

Consistency and certainty

Rob Morris is European Insurance Risk Manager at Valad, a real estate investment manager with some 700 properties and 6,000 tenants in 12 countries across Europe. Consolidating Valad’s many insurance coverages under one programme with a single renewal brings many benefits, he says.

In addition to cultural and language differences in Europe, there are also

considerable variations in insurance market practices, tax regimes, legal frameworks and local requirements such as fire risk assessments, health and safety and other issues, says Morris. A centrally managed approach to insurance gives comfort that appropriate insurance is in place and that risk requirements are being met.

A pan-European real estate insurance policy provides consistency and greater certainty of insurance cover, says Gloyn. “Local insurance policies are issued to best practice standards, while the master policy issued in the UK fills in any gaps in cover. This approach gives confidence that insurance is compliant with local laws, tax rules and contract conditions. If you rely on cover arranged in the local country alone, you risk falling foul of contractual obligations, especially under finance agreements that may have more onerous requirements than those normally encountered in that country.”

For example, a contract drawn up in the UK is likely to call for flood or terrorism cover, but this is not widely available in all countries.

“A pan-European policy is controlled in the country of origin and should therefore be

compliant with a client’s obligations,” says Gloyn. “An insurance broker should understand these obligations and identify what is needed to comply with contractual and legal requirements.”

Dovetailed to realities

In theory Europe is a single market but business practices differ from country to country, says Arnold Klapwijk, a director at MontClair insurance brokers in the Netherlands, and member of the JLT International Network.

“Certain aspects of the real estate business in the UK are, for example, not known in the Netherlands or Germany. Therefore it is vital for a European programme to have on-the-ground knowledge of the real estate market as well as detailed knowledge of the insurance practices in the given territories, in order to dovetail the programme to reflect those specific situations,” he says.

Loss of rent, for example, is a critical risk for property owners, but coverage periods differ between regions, says Gloyn. “If a property is damaged the owner will need to protect its income stream. While it is



A pan-European insurance policy can overcome cross-border issues

Dealing centrally with one broker – rather than directly with multiple local intermediaries – is also clearly an advantage. However it is important to make sure the broker has the right footprint and network, cautions Morris.

Local brokers provide a level of local expertise and servicing that would not be possible to offer from London alone but these relationships should be managed, says Morris.

Pooled capabilities and expertise offers several advantages, Klapwijk says, for example integration of claims handling. Pre-assigning a third party administrator or loss adjuster on a Europe-wide basis can be a very efficient, cost-effective way of managing claims, he explains.

A centrally-administered real estate claims system will keep head office updated on the progress of claims, as well as applying a common claims standards in Europe. This should be combined with talented staff – well respected figures in real estate insurance programmes, claims handling and risk management services, says Morris.

The JLT International Network is a reliable alternative to the offerings of other global brokers, says Gloyn. “We have been working to enhance the real estate insurance and risk management expertise and capabilities of JLT, in partnership with the network of owned and partner brokers in Europe – we established the European Real Estate Group in the summer. Working as a team gives us considerable strength to deliver what clients want.”

A combination of local knowledge and a detailed understanding of real estate is key to maximising the benefits of a pan-European insurance programme. There are challenges and plenty of hard work, much of it behind the scenes, but the rewards of consistent cover, cost savings and centralised control make the effort more than worthwhile. **RS**

common in the UK to indemnify loss of rent for up to five years, periods of 12-24 months would be more typical in other parts of Europe.”

Similarly, different tax rules apply in each country. A broker with local knowledge can make sure that taxes on premiums and recovery from tenants under a European

Best of both

Pan-European insurance programmes can also generate considerable premium and cost savings, says Gloyn.

Bulk buying insurance in a single programme will result in costs savings, Klapwijk explains. A European programme will provide more competitive pricing and

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Bill Gloyn, Partner at JLT Specialty European Real Estate

programme are compliant, but also not overpaid, says Gloyn.

In Italy, premium tax of 18 per cent is paid in full on day one, but if the property is sold, the tax paid is not refunded. However, it is possible to structure an insurance vehicle to pay an initial deposit of the premium of 75 per cent and make adjustments to avoid losing pre-paid tax if properties are sold during this period of insurance.

broader conditions compared to individual solutions on a country-by-country basis.

“The combined leverage of a provider with European partners should deliver better pricing and conditions,” he says. “Either the London market or other Continental European markets can be utilised depending on the competitiveness of the individual markets in which the client is active. This way the client can have the best of both worlds.”



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