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INTELLIGENT REAL ESTATE DUE DILIGENCE LIMITED

OVERVIEW OF LEGAL INDEMNITY

SPECIALIST BROKER

Intelligent Real Estate Due Diligence Limited (“IREDD”) is an independent insurance broker regulated by the Financial Conduct Authority (FCA). IREDD specialises in placing and advising upon legal indemnity insurance matters.

As a specialist intermediary and broker, IREDD acts in the best interests of its clients (the insured) in securing appropriate legal indemnity Insurance, and does not act as an agent of any insurer. IREDD does not provide legal advice.

LEGAL INDEMNITY INSURANCE COVER

Legal indemnity insurance is used to protect and preserve the legal rights associated with the ownership use and occupation of real estate assets. Legal indemnity insurance provides a financial indemnity for the insured parties. Legal indemnity insurance can be utilised in residential and commercial property acquisitions/financings and for developments. Legal Indemnity insurance is designed to provide an insured indemnity against a specified loss or losses for the insured party named or identified in the policy (e.g. the landowner and /or a mortgagee) up to a limit of indemnity specified in the Policy. Consequential and additional losses such as delay costs, business interruption, loss of rent (payable or receivable) can also often be included.

At IREDD we believe that by placing appropriate, well rated, legal indemnity insurance an insured party (be it the Owner, a Joint venture party, a tenant, a mortgagee (whether first ranking or lower ranking)) can provide peace of mind in proceeding swiftly with a real estate transaction.

Specialist Legal Indemnity Advisers

Intelligent Real Estate Due Diligence Limited (No 0727 9810) is authorised and regulated by the Financial Conduct Authority
Registered Office: Devonshire House, 60 Goswell Road, London, England, EC1M 7AD

Nothing in this document constitutes an offer to provide insurance on any terms mentioned in this document or on other terms

1. RISKS COMMONLY ADDRESSED INCLUDE:

A list of typical risks often covered by the legal indemnity insurance arrangement discussed above is attached to this note at Appendix 1. We regularly deal with

- Existence of restrictive covenants, lack of access rights, interference with third party rights
- Potential interference with adjoining or neighbouring rights of light arising from property Development
- Existence of third party rights including the reservation of mining rights and services
- Existence of chancel repair, Insolvency Act risks
- Judicial review insurance
- Specific coverages (see examples below)

PERIOD OF INSURANCE COVER

The policies can be written for any period ranging from a **few weeks** (for example in the case of an insurance policy providing cover against the risk that a planning decision might be the subject of a Judicial Review application); to **many years** in the case of say a lessee's interest under a long lease or a policy issued to specifically protect the interest of a mortgagee under a fixed charge. The policies are also often written **in perpetuity** (for example in the case of an insurance policy providing cover to a freehold owner against the risk that a Property might be adversely affected by a third party claim relating to a breach of a restrictive covenant or there being a lack of a formal easement providing access to the Property from a public highway).

COST OF INSURANCE COVER

Legal indemnity Insurance is generally placed on cover in consideration of a single up front premium paid at the start of the policy. Standard covers generally cost in the region of 0.1% (+/- 0.5%) of the insured amount (or £500 -£1500 of premium for every £1,000,000 of cover offered) and IREDD only places business with insurers that have proven investment grade financial strength rating of "A" (or better).

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ASSIGNABILITY

Depending upon the transaction, cover generally extends to successors and assigns of the insured – and once the insurance has been incepted it can benefit purchasers, lessees, mortgagees and lenders of the insured.

EXAMPLES OF COVERAGE

(1) Site acquisition/re-financing /sale:

- **Good and Marketable Title Cover**

Legal indemnity insurance cover can be used to avoid the need to repeat existing legal due diligence by allowing parties to rely on existing due diligence no matter who it was prepared for – saving money and time

- **Lack of Search / Out of date Search Cover / Search validation** – appropriate when there is insufficient time to carry out formal searches including where appropriate Desktop Environmental Searches
- **Splinter policies** – where it is the intention to sell off parts of a Site following acquisition the insurance may be written so as to provide separate policies to incoming purchasers and lenders on any part subsequently sold

(2) Planning, Construction and Site Development – cover against the risks of:

- **Rights of Light** – action by affected third parties
- **Judicial Review** – the threat of, or commencement of Judicial Review proceedings
- **Village Green** – an application being made by an interested party
- **Unexpected Archaeological Discovery/ Unexploded Ordnance** – unexpected discovery of archeological artifacts or unexploded ordnance – protection against loss in market value and potentially consequential delay costs

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2. SUMMARY

The intelligent use of well rated legal indemnity insurance capacity can significantly streamline site acquisition funding and development while protecting the parties against the consequences of the enforcement (or threatened enforcement) by a third party of claimed rights

We would be delighted to discuss this with you in further detail, any potential areas when legal indemnity insurance might provide a solution.

3. ABOUT IREDD

Intelligent Real Estate Due Diligence Limited (“IREDD”) is an independent, regulated broker (authorised and regulated by the Financial Conduct Authority). IREDD acts on behalf of and in the best interests of its clients, as the insured. IREDD uses a limited panel of insurers for this type of insurance. Our choice of insurer is based on our knowledge and experience of the market sector and contracts previously arranged. IREDD is not tied to any particular insurer and does not act as an agent of any insurer. Our remuneration is principally by way of commission paid by the insurer with which business is placed on the client’s behalf, accordingly there is usually no cost to our client unless insurance is actually placed.

Should you have any queries please do not hesitate to contact the following

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APPENDIX 1

Commonly encountered Legal Indemnity Risks

1. That the Property over which security is to be taken does not have a demonstrable “Good and Marketable” title.
2. That a third party might enforce or attempt to enforce any known or unknown rights easements covenants provisions conditions and or stipulations which are still subsisting and capable of taking effect in respect of the Property; even if these are contained in any missing deed(s) not seen by the parties.
3. That the Property does not have the benefit of any legal right of way to and from the Property.
4. That the Property does not have the benefit any legal easement for the support or protection of the Property or for the passage of services to and drainage from the Property in connection with the use of the Property for residential purposes.
5. That any overriding interest exists to which the Property may be subject.

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6. That any of the title deeds necessary to prove title to some or all of the Property are missing or that the Property only has a Possessory Title, or boundaries to the Property are unclear.
7. That there has not been obtained any planning permission or building regulations approval for any existing works or there are missing documents relating to either approval.
8. That there does not exist or has been lost any NHBC Foundation 15 Architects Certificate issued after practical completion of the Property or similar guarantee document.
9. The lack of or absence of local authority official searches, coal/mining searches, water and drainage searches, chancel repair and/or environmental desktop searches.
10. That a third party might exercise or seek to exercise a right to extract or excavate minerals from over or under the Property.
11. That there has not been obtained from an adult occupier of the Property a waiver of any rights or interests of such person in the Property.
12. That an attempt might be made to claim that a previous transaction was at an undervalue.
13. That there has not been obtained a Deed of Postponement in relation to an outstanding discount charge in favour of a local authority where the Property has been acquired under Right to Buy legislation under the provisions of the Housing Act 1985 (as amended).
14. That where the Property is a residential leasehold there are relevant common defects in the lease for example (a) inadequacy or lack of mutual repair obligations, and (b) the

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inadequacy of or lack of insurance provisions in the lease of the Property in relation to the Property and /or any building of which it forms part.

15. That there has been a breach of a covenant on the part of any lessee contained in a superior lease or sub lease of the Property.
16. That a lessor under the lease of the Property or any other entitled person seeks to exercise a right of forfeiture of the lease
17. Any loss resulting from the lessor refusing to acknowledge notice of the Insured's interest in the Property.
18. The risk of loss arising from the seller of a leasehold Property failing to produce ground rent receipts up to the Inception Date of the policy
19. That there exists any breach of any terms contained in the lease of the Property relating to the assignment of the lease which could not be complied with either due to the landlord being absent or to the unreasonable refusal of the landlord to acknowledge notice of the said assignment.
20. That there exists any outstanding rent charge which has not been paid by virtue of not having been demanded prior to the Inception Date by the rent charge owner.

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