

FLOOD INSURANCE AT ICE WHARF - A BASIC OVERVIEW

Updated April 2016

The most expensive flood Ice Wharf has suffered in the last 10 years was from a flat in 300 Building when a plumber not registered with a trade association (such as CORGI) installed new plumbing. The water leak ran the entire length of the first floor and dripped down into the garage and the service stairs. It took 3 months to find where the leak emanated and the claim on the insurance policy was in excess of GBP 10,000.

There is currently an excess of GBP 250 on the IWCL block policy. If the leak was caused by negligence of the Owner or a Tenant or failure to employ a qualified plumber, then it is the policy of IWCL to invoice the Owner for the excess.

Owners (including buy to let Landlords) are advised:

- Contents are not included on the IWCL block policy
- Use qualified and registered plumbers
- Check dishwashers and washing machines for leaks on a regular basis

David Lowe carried out an excellent overview of the insurance position a few years ago and a resume is set out below:

From an owner's perspective there are two policies that a prudent owner will subscribe to, Buildings and Contents. In the case of Ice Wharf, building insurance is covered through our block policy and the premium recovered through the service charge. In simple terms this policy covers the structure/fabric of the building although it will also include property Owner's liability (third party injuries) and in our case Employer's liability (porters). It should also cover alternative accommodation (owner occupiers)/loss of rent (landlords) in the case of destruction by fire/damage from smoke.

Contents insurance covers soft furnishings, appliances, personal possessions etc but these policies also go beyond the home in respect of personal possessions, public liability protection etc. In the case of Ice Wharf our block policy will almost certainly cover water leaks from defective tanks, appliances, burst pipes etc. This cover will however be limited to the structure of the building so if your sofa floats out through the French windows you will have to rely on your contents insurance not the block policy. To give a practical example, if a pipe bursts in the flat above you and the water penetrates your property staining the ceiling and walls, the reinstatement cost would normally be covered by the block policy (subject to any excess). If the water also caused damage to your wooden floors most block policies may cover you but if the floor covering was carpet this would almost certainly fall under the category of soft furnishing and as such would only be covered through a contents policy.

In the above example it is important to understand that any claim you make under a contents policy will be on your own contents policy and you will not normally be able to claim on the contents policy of the neighbour in whose flat the leak originated. It is of course possible that your insurance company may decide that your neighbour's negligence contributed to the claim

but this will be an issue between the two insurance companies. Contrast this with motor insurance where the person who causes the accident is generally liable and your claim will be made directly to their insurers thus avoiding any excess on your policy or losing your no claims bonus.

It follows from the above that the only way an Ice Wharf occupier can fully protect themselves from water damage is to have a contents policy. This policy will not however cover damage to walls, ceilings and some types of floor coverings deemed to form part of the structure of the building. For these elements the claim will be against the IWCL block policy. The secondary issue here is that such flood damage claims, the Insurance Broker advises/ will significantly increase IWCL premiums going forward. These will be reflected in the service charge to all Owners.

I am advised that a policy of regular inspection of dishwashers and washing machines cannot in practice be implemented. Additionally, it would not overcome incidents relating to new or faulty appliances that will result in claims and subsequent premium increases on the block policy.

My initial conclusions are as follows:

- It seems clear that both the person who causes the leak and the neighbour who suffers damage are entitled to make a claim under our block policy.*
- Claims by these parties on the block policy will be limited to the fabric of the building. Damage to appliances/ furnishings and other possessions will only be covered if the claimant subscribes to their own contents policy.*
- The importance of carrying out regular maintenance checks needs to be communicated to owners but I think we will struggle to enforce a system of regular inspections which in any event will only solve part of the problem.*

The one clear message from this is that we all need contents insurance.

END