



# Summer Risk Guide

[clearinsurancemanagement.com](https://clearinsurancemanagement.com)

**Clear Insurance Management Limited** is authorised and regulated by the Financial Conduct Authority.  
Registered in England No. 3712209 Registered Office: 1 Great Tower Street, London EC3R 5AA

clear  
insurance management



**Our summer risk guide 2025** explores the ins and outs of balcony fire safety – an increasing concern as more residents seek outdoor space in high-rise buildings. Both landlords and tenants play a role in minimising fire hazards, making awareness and preventive measures essential.

Summer is also an ideal time for engineering inspections, ensuring essential systems like boilers and radiators are in top condition before winter. Additionally, we take a closer look at D&O Insurance, which protects directors from personal liability, allowing them to navigate their roles with confidence.

**Page 3** Balcony fire safety

**Page 5** Why engineering and inspection insurance matters

**Page 8** D&O Insurance protecting your personal assets as a company director

# Balcony fire safety – what landlords and tenants need to know

For many, balconies provide a perfect setting to enjoy long summer nights, whether for dining, drinking, or socialising with friends. However, in recent years, several serious fires have occurred on balconies in both private rental and social housing properties. While tenants need to be informed and take responsibility for their actions, landlords and managing agents also play a crucial role in minimising fire risks. Common fire hazards on balconies include discarded cigarettes, heaters, and barbecues. Property owners and registered providers can reduce these risks through thoughtful design and by educating tenants and residents about the potential hazards they may encounter.

## The dangers of barbecues on balconies

Barbecues pose a significant fire risk, with approximately 1,800 people in the UK seeking emergency treatment each year due to barbecue-related accidents, most commonly burns and scalds. To prevent disasters, barbecues should never be used on balconies, as recent incidents have shown the dangers they present:

- Falling embers ignited rubbish on a lower balcony, causing a fire.
- Proximity to flammable objects, including a gas boiler, led to an explosion.
- Unattended disposable barbecues left smouldering triggered a fire.

The risks are compounded by the fact that wind speeds are stronger at a greater height, and wind patterns can be less predictable due to the proximity of neighbouring buildings. The constrained layout of balconies can also affect ease of escape for building occupants.

While barbecues are often highlighted as a fire hazard on balconies, they are by no means the only risk. Other features such as fire pits can emit sparks or embers that may ignite nearby flammable

objects. Similarly, patio heaters may malfunction or overheat if not maintained or used correctly. Additionally, smoking on balconies can lead to accidents if cigarettes or other smoking materials are not disposed of safely.

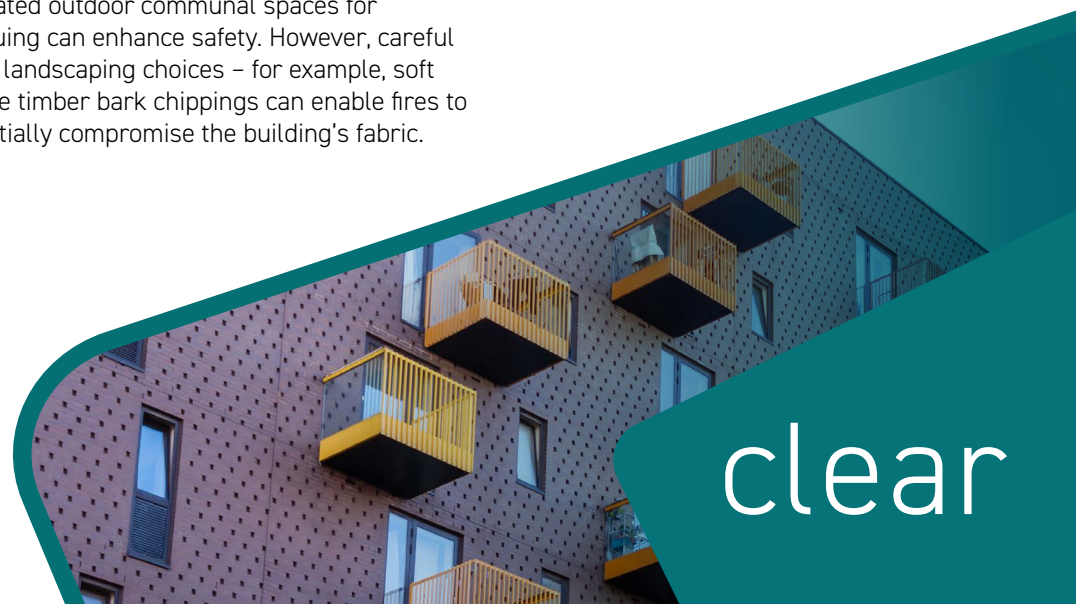
## What can property owners and registered providers do?

To reduce fire risks, there are two key strategies: safe housing design and effective education.

### Safe housing design

When planning new constructions, refurbishments, or building designs, it is crucial to choose materials wisely. For instance, using combustible insulation or external finishes like timber cladding can heighten the risk of fire. Developers should also consider that fire may spread more rapidly through voids and cavities within the structure. In this context, installing smoke detectors and testing them regularly becomes essential.

Moreover, creating dedicated outdoor communal spaces for activities such as barbecuing can enhance safety. However, careful attention must be paid to landscaping choices – for example, soft landscaping materials like timber bark chippings can enable fires to spread quickly and potentially compromise the building's fabric.



clear



## Effective education

Educating residents and tenants about fire safety precautions is a crucial part of fire prevention. When occupants understand the risks and adopt safe practices, the overall likelihood of fires can be significantly reduced.

While devices such as patio heaters and barbecues can be explicitly prohibited on balconies in tenancy agreements, a landlord's or lessee's responsibilities should not end with a carefully worded contract.

During the summer months, it is vital to inform tenants about the fire risks associated with using balconies. Communication methods may include letter drops, articles, websites, newsletters, e-bulletins, or social media.

## Top 10 barbecue safety tips

Barbecues should never be used on balconies, but they can be safely enjoyed in outdoor communal areas if the following safety procedures are observed:

1. Ensure the barbecue is strong, sturdy, and in good working order
2. Place it on level ground to prevent tipping over
3. Keep it well away from trees, shrubs, and any flammable objects
4. Make sure children and pets stay at a safe distance
5. Never use petrol or other accelerants to ignite the barbecue
6. For charcoal barbecues, use only the minimum amount of fuel necessary
7. For gas barbecues, ensure the gas tap is turned off before changing the cylinder
8. Never leave the barbecue unattended while in use
9. Keep a bucket of water or sand nearby for emergencies
10. Allow the barbecue to cool completely before attempting to move it.

## An upward trend

As cities expand to accommodate growing populations, developers, registered providers, and property owners are constructing taller buildings to address Britain's housing shortage. With high-rise developments becoming more common, many residents will rely on their balcony as their only outdoor space.

The trend suggests that high-rise construction will continue, including extensions to existing buildings to maximise available space. In London alone, reports show that 230 high-rise projects of 20 storeys or more have been granted detailed consent since 2017, with 76 approved in the past two years alone. Additionally, planning applications for developments containing at least one tall building have increased from 47 to 58 in recent years.

Furthermore, specific projects, such as the Bankside Yards scheme, include a 50-storey residential tower currently under construction. These trends suggest that high-rise developments, including potential upward extensions to existing structures, will continue shaping our cities' skylines.

With this increase in tall buildings, fire safety and structural integrity become even more critical. Those involved in property design, construction, and management must focus on education and safe design principles to reduce risks for both residents and buildings.



clear

# Why engineering and inspection insurance matters

While Property and Terrorism Insurance are often top priorities when considering essential coverage, Engineering and Inspection Insurance can sometimes be overlooked. However, thorough examinations of passenger lifts are a legal obligation that most property managers recognise. Beyond lifts, the range of required inspections varies depending on the specific property and may include:

- Steam boilers (e.g., canteen boilers)
- Refrigeration systems (air conditioning units)
- Hot water heating and supply systems
- Window cleaning equipment
- Safety equipment (eyebolts)
- Disabled access lifts
- Service lifts
- General electrical and mechanical equipment (e.g., motors and pumps)
- Electrical installations (e.g., fixed wiring).

## Health and safety regulations for residential property managers and landlords

The Health and Safety at Work Act 1974 provides a legal framework for ensuring safety in workplaces, but it also applies to residential properties, particularly in communal areas and shared facilities. Property managers and landlords have a duty to ensure that equipment and systems within residential buildings are safe for tenants, visitors, and workers.

Key regulations that apply include:

- 1. Provision and Use of Work Equipment Regulations 1998 (PUWER)** – Landlords and property managers must ensure that shared equipment (such as lifts, boilers, and electrical systems) is safe for use. This involves conducting risk assessments and scheduling regular inspections to prevent hazards.
- 2. Lifting Operations and Lifting Equipment Regulations (LOLER)** – Any lifting equipment within a residential property, such as passenger lifts, service lifts, and disabled access lifts, must undergo regular examinations to ensure operational safety. While LOLER does not specify exact machinery types, landlords must continuously review inspection requirements based on the property's needs.
- 3. Pressure System Safety Regulations (PSSR)** – These regulations govern the safe operation of pressure systems, such as boilers, hot water systems, and air conditioning units. PSSR requires routine inspections in accordance with a Written Scheme of Examination, ensuring compliance and preventing system failures.



clear

Compliance with PSSR is required for:

- Any vessel containing steam under pressure
- Any vessel where pressure (bar) multiplied by volume (litres) exceeds 250 bar litres
- Any air conditioning unit with a total installed power exceeding 25KW.

All such systems must undergo regular examinations to uphold workplace safety and regulatory standards.

An engineer surveyor is responsible for conducting statutory and non-statutory examinations to ensure the safety and compliance of equipment in commercial properties and residential buildings, such as blocks of flats.

## Types of examinations

**Statutory examinations:** these are legally required inspections governed by UK regulations. They apply to equipment such as lifts, boilers, and pressure systems, ensuring compliance with LOLER, PUWER, and PSSR.

**Non-statutory examinations:** these inspections cover equipment not specifically regulated by law but may still be subject to Health and Safety Executive (HSE) guidance. Examples include swimming pool pumps and other communal facilities. While not legally mandated, these inspections are considered best practice to maintain a safe living and working environment.

## Why non-statutory examinations matter

Even though non-statutory examinations are not legally required, failing to conduct them can lead to serious consequences. If an incident occurs due to a malfunctioning piece of equipment that was not inspected, the HSE may launch an investigation, potentially leading to legal action or liability issues for property managers or landlords.

## Inspection reports

After an examination, the engineer surveyor provides a detailed report listing:

- All inspected equipment
- Current condition of each item
- Identified defects
- Recommendations for maintenance or refurbishment.

## Engineering Insurance – what does it cover?

Engineering Insurance is essential for residential property owners and managers, particularly those overseeing blocks of flats or housing complexes with shared mechanical systems. This type of insurance provides financial protection against unexpected failures, ensuring that critical equipment remains operational and safe.



clear



## Key areas of cover

**Own Surrounding Property:** this covers boilers and pressure systems, protecting both the equipment itself and surrounding property in the event of an explosion caused by internal pressure.

**Breakdown, Explosion & Collapse:** This provides cover for mechanical failures, including breakdowns, explosions, and structural collapses of essential plant and machinery.

**Sudden & Unforeseen Damage:** This offers protection against various risks, including:

- Accidental damage
- Operator error
- Frost damage
- Leakage & cracking
- Fracturing
- Ingress of foreign bodies.

This coverage is designed to complement standard property insurance, ensuring that as many potential risks as possible are accounted for.

## Four reasons to consider inspection services and insurance coverage

1. **Financial protection against emergency repairs** – if your service charge budget can't absorb the cost of unplanned emergency repairs, this cover provides financial security when major breakdowns occur.
2. **Early detection of defects** – an inspection policy with a reputable provider helps identify potential issues early, preventing costly failures before they escalate.

3. **Tenant satisfaction and avoiding disruptions** – if a communal boiler fails in winter or a lift is out of service for an extended period, tenants may become frustrated. Having insurance coverage ensures swift repairs, reducing inconvenience.
4. **Legal liability for management directors** – if equipment failure leads to injury, directors and officers of the management company could be held personally liable. Regular inspection and maintenance help mitigate this risk, while Directors & Officers (D&O) Insurance can shield individuals from financial and legal consequences. For more on this, see ["D&O Insurance: protecting your personal assets as a company director."](#)

By arranging inspection services and engineering insurance, landlords and residential property managers can protect their assets, ensure the continued operation of essential systems, and provide a safe, reliable living environment for their tenants.

## Useful links:

[www.allianzengineering.co.uk](http://www.allianzengineering.co.uk)



clear

# D&O Insurance: protecting your personal assets as a company director

Directors of resident management companies take on significant responsibilities and must act in the best interests of the company and its stakeholders. Without Directors and Officers (D&O) Insurance, they face personal liability for any negligent actions, breaches of duty, or decisions made outside their authority. This means that, if legal action is taken against them, they could be held personally responsible for financial damages.

The costs associated with legal claims can be substantial, sometimes reaching thousands of pounds, and there is no upper limit on liability. Without insurance, directors risk their personal wealth, as they may need to pay for legal fees and compensation from their own pockets. D&O cover ensures protection against such risks by covering legal costs and potential damages, providing financial security and allowing directors to perform their roles with confidence.

## Mitigating personal liability with D&O Insurance

As noted, directors and officers hold significant responsibilities, and failing to meet their obligations can result in legal repercussions. They can be held accountable for breaches of fiduciary duty, failing to exercise proper skill and care, violating contractual agreements, statutory duties, shareholder responsibilities, and even common law principles. Additionally, if a company undergoes compulsory winding up, directors may face personal liability for dealings with creditors or other third parties.

D&O Insurance provides essential financial protection for company officials, helping them mitigate risks associated with their decision-making and leadership roles. This policy safeguards directors and officers from legal liability arising from various professional missteps, including breaches of duty, neglect, misstatements, misleading statements, and wrongful trading.

The likelihood of legal claims against directors and officers has increased due to legislative developments such as the Companies Act 1985, The Insolvency Act 1986, The Company Directors Disqualification Act 1986, and the Health & Safety at Work Act 1974. These laws impose greater responsibilities and stricter regulations, making D&O Insurance essential to protect individuals from financial and legal consequences while enabling them to perform their roles with confidence.

## D&O Insurance vs. Professional Indemnity Insurance

While Professional Indemnity Insurance protects a managing agent from claims related to their professional services, it does not safeguard individual directors and officers from personal liability. D&O Insurance is specifically designed to cover breaches of duty committed by company leaders in their decision-making roles.

A crucial distinction is that Professional Indemnity Insurance applies to the company as a whole, addressing claims related to professional negligence. However, third parties can hold individual directors personally accountable for actions taken in the course of managing and directing the company. Without D&O cover, directors could face financial consequences, including legal costs and potential damages, which could put their personal assets at risk.



clear



## Does D&O Insurance protect the company as well as individuals?

D&O Insurance is designed to protect individual directors and officers from legal liability, but it does not automatically cover the company itself. If a legal action is filed against the company rather than specific individuals, a standard D&O policy would not apply.

To address this gap, Entity/Corporate Legal Liability (CLL) Insurance provides financial protection for the company (the "entity") in situations where claims are made directly against the business. This type of cover ensures that the company's legal costs and expenses associated with defending such claims are covered.

Having D&O Insurance for individuals and CLL Insurance for the entity provides comprehensive protection, ensuring that both the directors and officers and the company are shielded from potential legal and financial risks.

## Does D&O Insurance cover criminal or fraudulent actions?

D&O Insurance is not intended to cover fraudulent, dishonest, or malicious actions. If a director or officer is found to have engaged in such misconduct, the policy will not provide compensation or financial support for any resulting liabilities. However, the policy does offer cover for defence costs incurred when successfully defending against allegations of fraud or dishonesty. This means that if a legal claim is made but the director or officer is ultimately cleared of wrongdoing, the insurance can help cover the legal expenses associated with their defence.

## When things go wrong – some examples of D&O claims

The experiences of residents associations offer valuable lessons for residential management companies. The following examples illustrate various claims made against directors and officers, highlighting the importance of D&O Insurance in protecting individuals from financial and legal consequences.

### Claims example 1:

#### **failure to appoint a competent contractor leads to director liability**

The directors of a residents association were held personally responsible for failing to ensure a competent builder was appointed to carry out a major re-roofing project. The contractor they selected performed the work so poorly that extensive repairs were needed. Shortly after completing the job, the firm went into liquidation, leaving the association unable to recover costs or demand remedial action.

Because the directors made the decision to hire this builder, they were found liable for the financial consequences of the contractor's mistakes. Their failure to properly assess the builder's qualifications and reliability resulted in substantial losses, as the defective work had to be redone.

### Claims example 2:

#### **unlawful trading leads to personal liability for a director**

A director of a residents association issued a cheque for £15,000 to pay a building contractor for services rendered. However, the cheque was returned due to insufficient funds, as the association was insolvent at the time. Investigations revealed that the director either knowingly or negligently failed to recognise the financial state of the association, meaning he should have been aware that there were no funds available to cover the payment.

As a result, the director was found to have engaged in unlawful trading, which occurs when a company continues to operate while knowingly unable to meet its financial obligations. Since the association was insolvent, the director was held personally responsible for the amount owed, along with additional costs related to the claim.

clear

**Claims example 3:**  
**failure to address resident disputes leads to legal action**

A dispute arose in a residential block when an unruly family moved into one of the flats, causing significant disruption. The owner of a neighbouring flat felt compelled to sell her property, claiming that the presence of the family had negatively impacted its value. She alleged that she had to accept a price £20,000 lower than its true market value due to the situation.

Believing that the residents association had failed to take appropriate action to address the family's behaviour, the owner decided to sue the chairman and secretary of the association. Her argument was that they had neglected their duty to maintain order within the community and had allowed the family to intimidate others, ultimately affecting property values.

**Claims example 4:**  
**insurance slip-up leads to liability for property damage**

The secretary of a small block of flats was tasked with finding alternative Building Insurance quotes to ensure adequate coverage for the property. However, the policy he selected contained a clause – often found in similar policies – that restricted cover for unoccupied or unfurnished flats. This detail was overlooked, and unfortunately, a pipe burst in one of the unoccupied flats, leading to significant water damage to the unit below.

Because the insurance policy did not fully cover incidents in unoccupied flats, the claim was denied or insufficiently compensated. As a result, the secretary was held personally responsible for failing to secure the best possible insurance cover.

**Claims example 5:**  
**misinterpretation of insurance instructions leads to personal liability**

The chairman of a block of flats was responsible for overseeing the removal of asbestos from a kitchen following damage caused by a leaking pipe. However, he misinterpreted the instructions provided by the insurer, which led to an incorrect assumption about the extent of the insurance cover.

Instead of covering the removal of asbestos from the entire kitchen, the insurance policy only covered the costs associated with the specific area affected by the leak. As a result, the remaining asbestos removal expenses were not covered, leaving the chairman personally liable for the additional costs.

**Claims example 6:**  
**poor tree maintenance leads to costly legal defence**

A squirrel managed to enter the roof space of a block of flats and caused damage to the wiring. It gained access through nearby trees, leading to a legal claim against the directors of the residents association. The claim argued that the directors had failed to maintain the trees properly, suggesting that if the trees had been trimmed or managed appropriately, the squirrel would not have been able to enter the building.

Although the directors successfully defended themselves against the claim, the legal process incurred significant costs. Fortunately, their D&O Insurance covered the legal expenses, amounting to over £4,000.

## **The importance of D&O Insurance in mitigating director liability risks**

Although directors may not often face legal action, there are specific claims that highlight situations where they can become liable. These cases demonstrate that directors can be held personally responsible for decisions concerning financial management, contractor selection, resident disputes, and insurance oversight.

D&O Insurance is designed to protect individuals in such scenarios, covering legal costs and potential financial liabilities. Even though the likelihood of claims may be low, having this insurance in place provides security and peace of mind for directors as they fulfil their responsibilities.



# Insurance terminology explained

Let's face it: insurance terminology can seem baffling and inaccessible sometimes. For example, terms such as 'endorsement' and 'warranty' have very different meanings within the context of an insurance policy than in everyday exchanges. Like other professions, insurance has evolved its terminology to ensure precision, clarity, and consistency. Unfortunately, to the unfamiliar consumer, 'insurance-ese' can come across as obscure and unnecessary jargon.

## Our glossary of common insurance terms – and what they mean

While the following glossary is in no way exhaustive, we have included insurance terms you're more likely to encounter when taking out a policy or making a claim and—hopefully—demystified them for you.



clear

## All Risks Insurance

This type of insurance covers losses resulting from any unexpected event except those explicitly excluded from cover. This differs from **Named Perils Insurance**, which only applies to losses resulting from specified causes.

## Average (Condition of Average)

In insurance, **Average** comes into play when the amount a property is insured for is less than its actual value (i.e., it is underinsured) and is typically applied when the amount of underinsurance exceeds 15%. If this happens, the insurance company will only pay a proportionate amount of any claim, which will be equal to the amount of underinsurance (i.e., if the property is 50% underinsured, then insurers will only pay for half the claim). This is called the **Condition of Average**.

## Condition

A strict requirement in an insurance policy that, if breached, allows the insurer to deny liability (see **Warranty**).

## Contract Works (or Contractors 'All Risks')

Contract Works Insurance provides cover, subject to certain exceptions, for building works during construction, as well as materials, equipment, plant, and temporary buildings. It is also known as **Contractors 'All Risks'**.

## 'Day One' Uplift

An insurance policy feature that protects against a possible shortfall in a claim payment should inflation increase the **Declared Value** between the start of cover (inception) or renewal, the incident date, and up to the date that any rectification works are completed. A percentage limit of between 10% and 50% usually applies.

To illustrate, if the building's Declared Value at inception or renewal is £1,000,000 and the inflation rate is running at 5% when the incident occurs and the claim is made, then the Declared Value at the time of loss is £1,050,000.

## Declared Value (or Reinstatement Cost)

**Declared Value** is the insured's assessment of the cost of rebuilding a property insured at policy inception or renewal. This value, otherwise known as the **Reinstatement Cost**, should also include professional fees and the costs of debris removal and compliance with public authority regulations.

## Declinature

Declinature refers to the refusal or denial of an insurance application or claim by the insurer.

## Deductible

The **Deductible** is a specified amount a loss must exceed before a claim is payable. Only the amount over the Deductible is recoverable.



## Employee

An **employee** is defined as:

- Any person under a contract of service or apprenticeship with the insured
- Any person who is hired to or borrowed by the insured
- Any person engaged in connection with a work experience or training scheme
- Any labour master or person supplied by the labour master
- Any person engaged by labour-only subcontractors
- Any self-employed person working on a labour-only basis under the control or supervision of the insured
- Any voluntary helper.

## Employers Liability Insurance

Employers Liability Insurance protects businesses from financial losses arising from workplace injuries or illnesses suffered by their employees. This insurance is compulsory in Great Britain and can only be provided by an authorised insurer, with some exceptions.

## Endorsement

An **endorsement** is an amendment or addition to an existing insurance policy that alters the terms or cover of the original policy. This can include adding, removing, or modifying cover.

## Excess

**Excess** is the first portion of a loss or claim borne by the insured. An excess can be voluntary to obtain premium benefit or imposed for underwriting reasons.

## Exclusion

An **exclusion** is a provision in a policy that excludes the insurer's liability in certain circumstances or for specified types of loss.

## Inception

**Inception** refers to the actual date when an insurance policy becomes effective. From this date, the policyholder is covered according to the terms and conditions of the policy.

## Index Linking

**Index Linking** is a mechanism insurers use to adjust the building's Declared Value on a policy to reflect changes in the economy, such as inflation or deflation. This adjustment is designed to avoid underinsurance but there is no guarantee that it will.

## Indemnity

**Indemnity** is the principle whereby the insurer seeks to place the insured in the same position after a loss as they occupied immediately before the loss (as far as possible).

## Insurable Interest

For an insurance contract to be valid, the policyholder must have a legally recognised interest in the insured item. This means that the policyholder must benefit from the safety, wellbeing or freedom from liability of the insured item and would be negatively affected by its damage or the existence of liability. This is known as the **Insurable Interest** and must exist at the time the policy is taken out and at the time of the loss.

## Insurance Policy

An **insurance policy** is a document that lays out the terms and conditions of an insurance contract and serves as legal proof of the agreement to insure. It is issued by an insurer or its representative for the initial period of risk.

## Insured

The **insured** is the person or company whose property is insured or in whose favour the policy is issued.

## Insurance Premium Tax (IPT)

The Finance Act 1994 introduced this tax on most general insurance risks located in the UK.

## Limit of Indemnity

The **Limit of Indemnity** refers to the maximum amount that an insurer will pay out for a claim under a policy.

## Loss Adjuster

A **Loss Adjuster** is an independent claims expert who acts as a consultant to insurers. Their role is to assess the extent and value of a claim. Although paid by the insurer, a member of the Chartered Institute of Loss Adjusters is required to act with the claimant's legitimate interests in mind.

## Loss Assessor

A **Loss Assessor** is a person who acts on behalf of the claimant, negotiating the settlement of a claim in return for a fee paid by the claimant.

## Lloyd's Broker

A broker approved by the Council of Lloyd's can enter the underwriting room at Lloyd's and place business directly with underwriters. Lloyd's brokers must meet stringent integrity and financial stability requirements set by the Council of Lloyd's. Additionally, they are required to submit a special accountant's report annually to the Council of Lloyd's regarding their financial position.

## Material Fact

In insurance terminology, a **Material Fact** refers to any fact that would influence the insurer in accepting or declining a risk or in fixing the premium or terms and conditions of the contract. It must be disclosed by a proposer or by the insurer to the insured.

## Named Perils

A **Named Perils Insurance** policy provides cover only for the specific risks or events explicitly listed in the policy. These events, known as 'perils', might include fire, theft, vandalism, or storms. If a peril is not named in the policy, any damage or loss resulting from that peril will not be covered.

## Policyholder

The **policyholder** is the person or company in whose name the policy is issued (see also Insured).

## Public Liability

**Public Liability** refers to the insured's legal liability to persons who are not parties to the contract of insurance and are not employees of the insured. Cover relates to injury or damage (including trespass) only. It is also known as **Property Owners Liability** and/or **Third-Party Liability Insurance**.



## Reinstatement

Where an insured property is damaged, settlement is usually made through the payment of a sum of money. However, a policy may give the insured or the insurer the option to restore or rebuild ('make good') the property instead.

## Standard Construction

**Standard construction** refers to buildings built using conventional methods and materials, such as stone, brick, slate, concrete or timber.

## Statement of Fact

A **Statement of Fact** is a document that details the information upon which the insurance contract is based. It plays a crucial role in underwriting by documenting the risk details the insurer uses to determine policy terms and conditions, cover and premium.

## Subrogation

In Contracts of Indemnity, **Subrogation** refers to the right of an insurer to stand in the place of the insured and exercise all rights and remedies available to the insured, whether already enforced or not.

## Sum Insured

The **Sum Insured** is the maximum amount payable in the event of a claim under a contract of insurance.

## Terrorism

In the Terrorism Act 2000, **Terrorism** is defined as:

(i) actions involving serious violence against a person, serious damage to property, serious disruption of the electronic system,

(ii) which is designed towards seriously influencing the government or intimidating the public and

(iii) is made for the purpose of advancing a political, religious, or ideological cause.

## Third Party

In insurance terminology, a **Third Party** refers to a person claiming against the insured. The First Party is the insurer, and the Second Party is the insured.

## Underinsurance

**Underinsurance** occurs when an insurance policy fails to provide enough cover to meet the financial loss of a claim. If a loss occurs and the risk is underinsured, the policyholder may have to pay a substantial share of the costs out of their own pocket, leading to potential financial hardship.

## Warranty

A **warranty** is a strict requirement in a policy imposed by an insurer. A breach entitles the insurer to deny liability.

## Wear and Tear

'**Wear and tear**' refers to the amount deducted from claims payments to allow for any depreciation in the insured property caused by its normal usage.

This glossary is necessarily condensed. You can find more extensive glossaries and resources below:

[Glossary | ABI](#)

[One Smart Place Glossary of Insurance Terms](#)



If you'd like to learn more about managing your risk, please visit our [residential property webpage](#) or call 020 7280 3450 to speak to one of our property broking team.

**[www.clearinsurancemanagement.com](http://www.clearinsurancemanagement.com)**

**Clear Insurance Management Limited** is authorised and regulated by the Financial Conduct Authority.  
Registered in England No. 3712209 Registered Office: 1 Great Tower Street, London EC3R 5AA

**clear**  
insurance management