

# Financial interest insurance scheme

An important duty of an insolvency practitioner is to ensure that assets are adequately protected, which includes ensuring the appropriate insurance is in place to meet their obligations.

The most common practice is to note your interest on an existing insurance policy, or to effect an insurance policy for the market or reinstatement value of the asset. Both practices create risk exposures for the appointee and the additional costs could be deemed excessive.

Marsh's financial interest insurance scheme is a comprehensive solution designed specifically for insolvency practitioners to manage and maximize the value of their clients' assets during insolvency proceedings. It enables you to insure the equity vested in a trustee in bankruptcy, trustee, liquidator, or a receiver or trustee appointed under the proceeds of crime act, drug trafficking act, criminal justice act, or a fixed charge holder.

## Key features

The policy covers the financial interest vested in the appointee for the following:

- Private dwelling houses, including contents.
- Commercial properties, excludes trading activities.
- Fixed charges.
- Proceeds of Crime Act appointments; Enforcement Receiverships.
- Property owners liability (stand-alone) for land only appointments and/or assets.
- Multiple properties declared as one entry – total combined equity = one premium.
- Premiums, and premium refunds, are pro-rated on a daily basis rate and are not subject to a minimum sum return.
- Includes an inadvertent omission to insure clause, providing surety should there be a failure to declare, or inaccurately declare an appointment due to unknown factors.
- Unique unoccupied buildings condition (UBC), which does not include the condition that a property must be inspected.
- Claims are paid at the time of the loss rather than when the sale is completed.



## LEVELS OF COVER

- The financial interest is defined by the total combined equity of all assets.
- The market value of the asset(s) is not required for calculation, or declaration purposes.
- The financial interest bands have pre-defined premium ratings, and basis of cover.
- Financial interest:
  - Combined equity up to £4 million any one appointment.
  - Equity of greater value to be referred for advice and guidance.

## Full financial interest cover

If no evidence of existing insurance is attained, cover must be maintained on a full financial cover basis until such time evidence is attained. Property owners liability cover is included.

## Contingent financial interest cover

If evidence of existing insurance is attained, cover can be converted to contingent cover as of the date of the appointment. Evidence should be retained on the appointment file.

Cover does not have to be verified at expiry, however should you be made aware that the existing cover is no longer valid, cover must be converted to full financial cover from the date of receipt of said notification.

Property owners liability cover is included.

## Property Owners Liability (POL)

Property owners liability cover to indemnify the appointee in the event of a third party claim. This is available for any realisable asset where property owners liability cover only is required and the realisable asset is in the form of land or buildings where no financial interest cover is required.

Applicable for land only asset or a property with financial interest less than £5,000 of which you have possession of:

- For land, and assets whereby you have possession thus third party liabilities.
- Included within full financial and contingent covers.
- Level of indemnity £5 million.

## Subjectives and exclusions

All appointments with, or without, equity must be declared to benefit from the additional policy clauses.

Assets not deemed appropriate to be insured on a financial interest basis are as below, advice and guidance should be sought immediately for alternative insurance solutions:



Overseas assets.



Listed premises whereby there is an obligation to rebuild.



Boats.



Aircraft.



Motor vehicles.



Trading business activities.

## How the scheme operates - declarations and accounting

Appointment and asset details are submitted via an online declaration; each user will be issued with individual access criteria to access and view. The platform offers a user-friendly interface that is intuitive and easy to navigate.

Monthly bordereaux and net invoices, are issued on the first, or the first working day, of the month and will include all new appointments, mid-term adjustments, and cancellations created within the previous calendar month.

The monthly declaration will detail the basis of cover, including the level of indemnity effected and all financial transactions for each appointment in accordance with the scheme's terms and conditions.

## Training and guidance

Our dedicated support team is available to assist you with any queries or issues you may encounter while using the scheme. Technical and system training is available on a group or individual basis. For guidance and advice with regards to insurance and declarations please speak to Marsh.

## Contact

To learn more about the financial interest insurance scheme and how it can benefit your insolvency practice, please contact us today:



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## About Marsh

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