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IREDD

SPECIALIST LEGAL INDEMNITY BROKER

OVERVIEW FOR LEGAL PROFESSIONALS

1 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 independent advocate for the insured, IREDD:

- acts in the best interests of the insured – IREDD does not represent and is not tied to any insurer and does not act as an agent of any insurer
- has established relationships with all the major insurers in this market
- specialises in tailoring legal indemnity insurance arrangements to suit the client’s needs
- uses only leading well rated insurance capacity

2 BENEFITS FOR LEGAL PROFESSIONALS OF USING IREDD AS A BROKER

2.1 Insurance mediation and SRA Financial Services (Conduct of Business) Rules 2001 (“SRA FS Rules”)

Where a solicitor engages with an insurer (or MGA/coverholder – see below) directly then the solicitor will be undertaking insurance mediation activities which are subject to Rule 9(1) of the SRA FS Rules.

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Appendix 1 to the SRA FS Rules sets out details of the requirements to be satisfied where a solicitor is undertaking insurance mediation activities including the nature of information to be provided to the client where the firm has (or has not) undertaken a fair analysis of a sufficiently large number of insurance contracts available on the market to make a recommendation

As a regulated broker and insurance intermediary, IREDD takes responsibility for assessing the demands and needs of the client (the insured) and is specifically regulated to carry out insurance mediation activity including fair analysis of the market.

2.2 Distinction between a broker and insurer/coverholder/Managing General Agent (“MGA”)

The legal indemnity insurance market can be rather confusing. Cover is often provided by Insurance companies (either directly or through tied intermediaries, such as a coverholder or an MGA) or by certain syndicates at Lloyd’s of London.

IREDD uses a small number of well-rated insurance companies operating in the legal indemnity market that we consider suitable to provide the cover sought by our clients. A policy of insurance issued by an insurer that has a less than investment grade rating is, in our view, of very limited value.

Often it is difficult for those outside the legal indemnity insurance market to distinguish between:

- (a) an insurer that is offering direct cover, or an insurance intermediary such as a cover holder or a MGA, tied to an insurer; and
- (b) an independent broker.

It is however of the utmost importance that those dealing with the placing of insurance appreciate the difference. An insurer (or an agent for an insurer) owes its responsibility and duty of care entirely “up the chain” to the insurer, whereas an independent broker, such as IREDD, owes responsibility “down the chain” to the insured only.

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IREDD has access to the leading insurers in the legal indemnities market and has responsibility for identifying the most appropriate insurer(s) to approach in relation to any given matter

3 Cost of using IREDD

IREDD is generally remunerated by way of commission paid by the insurer with which the insurance business is placed.

The insurers that IREDD deals with pay variable rates of commission to brokers depending on the type of policy effected and we are happy to disclose those rates if asked to do so.

It should always be borne in mind that price should rarely be the only or main consideration when effecting insurance cover - the principal consideration for IREDD is the protection of the insured's interest, so that the insurance arrangements, when placed, meet the particular demands and needs of the insured for financial protection.

Where, in relation to our broker service, we carry out significant work and/or provide advice preparatory to the conclusion of any contract of insurance, and it is appropriate to do so, we reserve the right to charge an additional broker fee for such service in addition to any commission earned by us from the placing of such legal indemnity insurance business with an insurer.

4 Insurance coverages available

We attach to this note an overview of legal indemnity coverages which are typically available. In addition:

- (1) IREDD has also placed in connection with property rich corporate transactions Warranty and Indemnity "lite" insurance covers in relation to real estate – specific matters which is an emerging area of insurance coverage.
- (2) IREDD regularly arranges "good and marketable title" insurance wrappers to be placed around real estate enabling the due diligence process traditionally associated with

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transacting real estate to be streamlined in a cost effective and institutionally acceptable way. This shortens transaction times and reduces overall transaction costs for clients.

(3) IREDD tailors bespoke insurance solutions in matters ranging from Rights of Light to Judicial Review of various actions by public bodies

Please visit our website <http://www.iredd.ltd/> as this provides a general overview of what we do and gives a flavour of some of the different types of transactions (see <http://www.iredd.ltd/#!recent-transactions/srcom>) where our approach to the use of legal indemnity insurance has been successfully employed.

Should you have any queries in relation to the above please do not hesitate to contact the following at any time:

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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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