Property View
Looking at the property owners’ business

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Welcome to the fourth instalment of Property View, the magazine which aims to keep property owners and brokers abreast of developments from across the property owners’ sector.

Take a walk down any high street in the UK and you’re reminded of the extent to which the recession is taking its toll. But with one in six shops now standing empty, could the Government, local authorities, landlords and property owners be doing more? We review ‘Queen of Shops’ Mary Portas’ vision for rejuvenating the high street and discuss whether a more collaborative approach could help safeguard its future.

Elsewhere, we consider whether new legislation which criminalises squatting in unoccupied residential buildings in England and Wales will prompt squatters to focus their attention on commercial properties.

In this edition, we also assess the impact of localised fire and rescue response strategies on the insurance community and discuss how brokers can ill afford to let the online revolution pass them by.

At Aviva, we believe a company’s employees are its greatest asset, so we’ve asked a key member of our Risk Consultant team to tell us more about the role and explain how their knowledge and understanding is adding value to the property insurance industry.

We hope you enjoy this edition of Property View and find it informative and useful. If there are any issues you would like to see tackled in the future, please contact us at evolve@aviva.co.uk
WORKING TOGETHER TO SAVE THE HIGH STREET

Last year, the Prime Minister tasked leading retail marketing consultant, Mary Portas, with identifying ways in which the Government, local authorities, businesses and other interested parties could work together to protect the future of the high street. So with the so-called ‘Queen of Shops’ in the vanguard of the battle, should we all take up arms?
The signs of ongoing recession are clearly visible in our town centres. Nearly one in six shops now stands empty. The rate of units falling vacant has doubled over the last two years and shows no sign of slowing. Added to this, more than 50% of consumer spend has moved online or out of town.

At Aviva, we are keenly aware this puts property owners and landlords right on the frontline, particularly in their role as long-term custodians of the high street. Apart from the immediate loss of rent on vacant properties, surrounding businesses are suffering from reduced footfall. Empty units are vulnerable to vandalism, squatting and theft, leading to lower property and rental values and higher insurance premiums right along the high street.

“People are passionate about high streets. They may have different views on what’s wrong and what’s right, but I don’t believe anyone can put their hand on their heart and say they don’t care.”

Mary Portas

The Portas Review
Of course, the fight is not a new one; long-established bodies such as Action for Market Towns, the Association of Town Centre Management, and before them, The Civic Trust, can testify to that. But the much-heralded review by Mary Portas has brought a touch of celebrity to the battlefield.

The Portas Review, delivered in March this year, contains 28 main recommendations for rejuvenating our high streets. They include:

1. Adjust business rates
Government to offer better support to small businesses and independent retailers through more flexible business rates. Local authorities to prioritise start-ups when it comes to giving business rate discounts and allow payments to be spread over 12 months to ease cash flow.

2. Make ‘Use Class’ less restrictive
Make it easier to get change of use for buildings. If the high street is to survive, buildings for shopping, social, cultural, residential and office use should all be considered. Diversity is the key.

3. Encourage responsible landlords
Inspire landlords with greater responsibility and duty of care towards the high street and their tenants by:
   - backing the Code for Leasing Business Premises, which promotes a fair and balanced contract between landlord and tenant and makes the key responsibilities of the parties transparent
   - encouraging consideration of alternative lease structures (i.e. turnover-based rent reviews that could benefit tenant and landlord)
   - suggesting monthly rather than quarterly advance rent payments to help start-ups and small businesses.

4. Local authorities should be more proactive
Local authorities to make more use of their powers, such as compulsory purchase orders, to encourage redevelopment of key high street units if they fall empty.

5. ‘Meanwhile’ use
Encourage the imaginative use of empty properties through ‘meanwhile’ use and Community Right to Buy. Government and local authorities must set an example – vacant properties could be a showcase for businesses to test new ventures on the high street before committing to long-term rental investment.

6. Allow landlords to become high street investors
Landlords and their commercial tenants should be involved in planning strategic decisions that affect their property – as critical long-term stakeholders they should be given a voice.
The Government response

The Government has broadly backed the Portas battle plan with the creation of a £10 million High Street Innovation Fund to help 100 local authorities tackle the issues of riots and empty shops. In addition, they’ve been offered advice and support by high street retailers – led by Boots – for 12 towns chosen for pilot schemes to revive their high streets.

Grant Shapps MP, Minister for Housing and Local Government, has also announced a raft of support tactics to reinvent and support our high streets:

• A doubling of small business rate relief in England for two-and-a-half years
• New powers for councils to fund local business rate discounts as they see fit
• Allowing the conversion of space above shops into two flats without need for planning permission to encourage more residential use
• A commitment to deregulation in terms of ‘Use Class’
• Support for the Code for Leasing Business Premises.

Mr Shapps indicates ministers intend to go further by funding schemes and bureaucracy-busting measures in a bid to rejuvenate the country’s rundown high streets – what he calls a ‘Portas-Plus’ response. Speaking in March this year, Mr Shapps said: “I now want to see people coming together to form their own town teams and turning their creative ideas into reality to ensure their high streets thrive long into the future.”

A call to arms

So what can be done to limit the number of empty units, mitigate the risk to property and help rejuvenate our town centres and the wider economy?

• Landlords should consider: adopting and promoting the Code for Leasing Business Premises; taking a new approach to lease reviews and quarterly rental payments; and actively encouraging new/up-and-coming businesses onto the high street

• Support alternative uses for empty units – in Wigan last year, more than £3,000 of artwork sold from one empty shop unit (visit www.meanwhile.org.uk to find out more)

• Encourage our MPs to do more. Lobby them to sign the Charter for Town and City Centres – it commits them to doing all they can to support local business and economic growth in their constituency town centres.
A fair assessment?
The offensive appears to be truly underway, but there may be gaps in the battle plan.

“To a certain degree, unoccupied high street properties and those with temporary tenants need to be reinvented rather than rejuvenated,” says Steve Bridges, a Senior Underwriter with Aviva. “This is alluded to in the Portas Review with the suggestion of introducing non-standard high street elements to attract a greater footfall. But whose responsibility is it to sort this waste of space out?

“Ultimately the solutions have to be economical and practical for the tenants and make it worthwhile for landlords to retain the properties within their portfolios. This report goes some way towards laying the footstones of that process. But it is a long-term project that requires both deeply considered planning as well as financial investment.

“Planning is a key issue. From an insurer’s observation point, planning is in the doldrums. Many properties are lying empty, reportedly due to stagnated inner city planning initiatives. That’s not good for investors, prospective and existing tenants, insurers and certainly of no benefit to the community.”

Our commitment to the high street
Aviva is committed to backing practical measures at a national and local level that will help protect customers’ businesses and encourage ongoing investment in the high street. If you’re left with an empty property, we understand it remains an investment and can help ensure it’s as safe as possible.

We also provide helpful online checklists, support risk management initiatives in line with our regular survey strategy and recommend property protection specialists which offer favourable rates to Aviva customers. And for landlords who can demonstrate they are taking the fullest measures to protect their property, Aviva is still able to provide the widest cover possible. Visit broker.aviva.co.uk/unoccupied-property

In the fight for the high street, the stakes are high for all of us, but particularly for landlords and property owners. We need to create a town centre that’s alive and functioning and good for everyone. It’s a battle we cannot afford to lose.

We need to create a town centre that’s alive and functioning and good for everyone.
In a nutshell

I carry out surveys on commercial, industrial and retail premises, and meet clients, helping them reduce the risks to their business. Visiting clients helps us to understand what the risk is, how it is managed and identify ways to reduce the risk of loss, damage or injury. I also carry out post-loss surveys to determine the cause of incidents and provide advice which will mitigate against a repeat performance. There’s no such thing as a typical job, but a survey will usually involve the Aviva client, tenants, managing or estate agents, insurance brokers and underwriters.

All in the detail

The survey starts when an underwriter notifies us of a risk that needs inspecting which is then allocated to the appropriate risk consultant. A survey may be required when a quotation is needed, when a policy is incepted, where there has been an increase in the sums insured, when a loss has been suffered or when clients are seeking specific advice (e.g. fire suppression systems, intruder alarm systems).

The request itself will include details of what we’re insuring, the covers we’re providing and an outline of other information needed by the underwriter (e.g. what type of manufacturing processes are being carried out at the premises). We’ll then contact the client so we can arrange an appointment to carry out the survey.

Aviva Risk Management Solutions plays an integral role in helping commercial properties across the UK manage their risks in an effective way. Property View caught up with Michelle Morgans, Risk Consultant for South West England and South Wales, to find out more.
Walk and talk
At the start of the visit, I establish basic information such as what the building is used for, whether there is any handling or storage of flammable substances or gases and what procedures are in place to minimise the risk of fire. A site inspection of the premises with the owner or tenant helps me build up a picture so I can concentrate on key areas during the tour and discuss any obvious hazards and practical measures that can be taken to reduce the potential risk of any loss or damage. This might include advice on keeping plant and boiler rooms clear of any combustible material, ensuring areas around forklift truck battery chargers are clear and how security can be improved to hinder access into an unoccupied building. The visit concludes with a wrap-up session to discuss any observations and agree risk improvements.

Service agreements
We work to agreed timescales depending on the survey category and any timescales underwriters have agreed with brokers. These range from seven days for a new business survey to 60 days for a renewal. We encourage brokers to attend surveys – it deepens their knowledge of their client’s business and improves their understanding of our role and the benefits our visits can bring. We also learn a lot from brokers, especially if they’re specialists in a particular field (e.g. the motor trade) or have knowledge of common causes of claims and losses in their local area (such as problems with arson or vandalism). This helps support and highlight the need to carry out risk improvements. Their presence can also help put clients at ease.

Next steps
The completed report (together with any photographs and plans) is sent to the underwriter within five working days. This information enables underwriters to review what is (and what isn’t) currently insured, determine whether any activities carried out affect the rating of the policy or if any features qualify for a reduction (e.g. an automatic fire alarm which is monitored). The report also includes any agreed risk improvements, which are forwarded to the broker along with any additional guidance. Any mandatory risk improvements will have a timescale for completion agreed during the survey visit.

Speed of delivery
To improve the speed and efficiency of our service, we’re currently trialling the BlackBerry PlayBook tablet. It runs tailor-made apps which allow us to populate reports digitally during a survey, rather than writing them up manually. Being able to input information ‘on the go’ is having a hugely positive impact on our roles, and the increase in speed and efficiency with which reports are submitted has gone down extremely well with clients and brokers alike.

Friend, not foe
We’re not the ‘health and safety police’. We’re here to help clients improve their premises to reduce the risk of loss or damage and prevent accidents or injuries. We also help with the implementation of risk improvements, including quotations from preferred suppliers, consultancy and training modules. Suffering a financial loss can be a sensitive time for a business and putting clients at ease is essential. Using live examples helps convey the importance of carrying out risk improvements. During a recent survey, a tenant highlighted how local schoolchildren were gaining access to the roof of a retail outlet via an unguarded staircase. The property owner acted on our recommendation by installing a fire door and railing. This reduced the likelihood of serious injury and therefore a significant insurance claim.

Keeping busy
In my role, I carry out up to 350 survey visits a year. Time spent onsite can vary considerably: a return visit to an unoccupied building could take half an hour, while surveying a large industrial estate with several individual units could take most of the day. But visits are always designed to accommodate the client. Most risk consultants are home-based, which helps (Aviva has the largest team of home-based risk consultants of all insurance companies). I live in Swansea, eight miles from Aviva’s office, but my patch covers an 80-mile radius. Being home-based is more economical and offers greater flexibility.

Keeping up
Risk consultants discuss topical industry issues, share experiences and talk about large or unusual losses at monthly team meetings. ARMS’ security and property specialists also provide us with regular updates about developments in technology and the extent to which changes in legislation could impact our clients. I also keep up to date with changes within the industry via e-bulletins from both the Health and Safety Executive and the Fire Protection Association.

Comparing notes
We encourage underwriters to spend a day with us to develop their understanding of trade-specific and topical issues. Recently we have been able to share information on a range of issues, including the growing problem of metal theft from unoccupied buildings. I aim to visit the underwriting team once a month. I was a commercial underwriter for more than 20 years in the region – I have good relationships with the local underwriters and brokers and know exactly what information they require.

For cost-effective tips on managing risk and liability, business continuity planning, advice on fire and environmental management and details on face-to-face and e-training courses, please call ARMS on 0500 55 99 77 or visit www.aviva.co.uk/risksolutions
Business customers are growing ever more internet savvy, technology literate and impatient.

Chris Gissing, Aviva’s Commercial Online Sales Manager, discusses the ongoing online revolution and explains how Aviva’s unique e-solutions and personal support are helping create opportunities for brokers.
Immediate response
“We don’t do waiting anymore – not even here, in the land of the well-ordered queue. We’ve got the latest headlines on our smartphone. We transfer our money online rather than in branch. We download the latest music, film, novel or app the moment we hear about it. And when we want to insure our home, our car or our pet, the internet is where we turn.

“When consumers hear about a product today, their first reaction is to search for it online. Today, you are not behind your competition. You are not behind the technology. You are behind your consumer.”

Rishad Tobaccowala, Chief Strategy and Innovation Officer, VivaKi

Aviva understands the extent to which the insurance business is heading online and we want to make sure our brokers and customers are ready too. In a recent presentation to Aviva’s commercial online team, Jo Hind, Industry Head at Google, shared the latest data about doing business online. It was thought-provoking:

• UK household smartphone ownership rose from 36% to 45% in February 20121
• The value of the UK’s internet economy already stands at £1 billion2
• There is 84% internet penetration in the UK (more than 70% of which is broadband).3

Jo added: “We continue to see growth in people searching for financial products online. This increase is partly fuelled by the use of smartphones and tablets which allow people to access the internet 24/7. They’re researching all types of insurance, from gadget to business and commercial. Having a good digital presence gives brokers the opportunity to connect with customers at the very start of their purchase cycle.”

With personal insurance already dominated by the online market place, commercial lines insurance is following fast behind. Companies such as Direct Line are already targeting small and medium-sized enterprises (SMEs) with package insurance, as are some high street banks. Recent projections from Datamonitor suggest brokers’ slice of the commercial insurance cake is set to reduce from 97% to 75% within the next three years, a staggering figure when translated into revenue.

The digital future
So what does a digital future hold for the insurance broker? Will insurance lose the face-to-face quality that has characterised it since brokers first set up trade in 16th century London? We don’t think so. A broker’s business is still built on relationships with clients and their insurers. But it will change, and brokers will need to change with it. To compete with the growing direct market, they’ll need to be able to provide instant quotes and get customers on risk immediately. But they’ll also need to be able to offer something more.

Today’s most successful brokers are individuals or teams who are keeping ahead of the game by making the most of online. Some are processing more business of one type and creating a niche for themselves. Others are offering their customers something more by demonstrating an in-depth knowledge of their customers’ business. This means they are offering advice and business input, rather than just protection — something that customers value and can’t get when buying direct online.

1: Our Mobile Planet IPSOS: February 2012
2: Connected Kingdom Boston Consultancy Group: October 2010
Brokers using an e-trade solution, such as Aviva’s Fast Trade, tell us they’re now processing business up to eight times faster.

The benefits of trading online

Brokers dealing in small package business, with its low premiums and low commission, can often trade at a loss via traditional open market dealing. But by using an e-trade solution, such as Aviva’s Fast Trade, brokers tell us they are now processing business up to eight times faster. And if processing a quote for the local pub now takes an hour rather than all day, it gives you time, in theory, to take on eight times more business than before (and perhaps even have a pint there). E-trading can help you save time, money and create more opportunities. By e-trading with your smaller SME clients, you’ll free yourself up to pursue more complex risks and more lucrative business.

“Fast Trade has become part of our daily working lives,” says Anthony Gregg of Caerphilly-based Thomas Carroll Brokers Ltd. “Using the system helps us place business quickly, safely and with ease, particularly when dealing with our small and medium-sized enterprise customers.”

Leading the way

Aviva is committed to offering e-solutions that add value for brokers and customers. Fast Trade was one of the first e-trade platforms in the business and today offers the widest range of insurance packages including Commercial and Residential Property, Office and Surgery, and even Freight Liability. You can quote and buy the right package for your client in less than five minutes and make mid-term changes and renew online, so that you’re in complete control of your business.

We also offer an online service especially created for property owners – Property Owners e-Trading (POeT) (broker.aviva.co.uk/quotes-trading/property-owners-e-trading.html). POeT’s innovative solution gives brokers and property managers real time access to insurance documentation – from property schedules to tenant billing reports – to allow for instant amendments and renewals. And because it’s all accessed through the internet via our secure servers, you don’t need to install software and can log in from wherever you have internet access.

Making the most of online

As the commercial insurance business continues to develop to meet the needs and demands of an increasingly well-informed and technology-savvy customer base, we want to help our brokers make the most of the openings out there. Our Business Development Managers (BDMs) support brokers to do more business online and create new opportunities, and we’ve recently expanded our online team to enable us to give you more time and support. Please call your BDM today to arrange a meeting.

Successful brokers are offering advice and business input, rather than just protection – something that customers value and can’t get when buying direct online.”

Sam Hudson, Aviva’s Broker Operations Director, says: “We absolutely see e-trading as a ‘must-have’ capability for both insurers and brokers. Not only does it help brokers deal quickly and efficiently with their clients, the transfer of information and speed of trading with insurers is also significantly faster, allowing them to take advantage of time savings and more competitive prices.”

Let’s see just how far the digital revolution can take us.

E-trading: your options at a glance

If you’re not processing business online already, here are some options:

1. E-trade with insurers direct: for instance, by signing up to Aviva’s Fast Trade platform, you’ll have access to the widest online range of insurance packages designed for the SME market.

2. E-trade and operate your back office with an independent software house and you’ll have access to Polaris standard cover packages from a number of insurers including Aviva, giving you an integrated office/e-trading solution.

3. Do both: e-trade directly with insurers and through an independent software house to maximise your options and offer a wide range of price and covers.
PROTECTING COMMERCIAL PROPERTIES FROM UNWELCOME GUESTS

Recent amendments to legislation will see squatting in unoccupied residential buildings in England and Wales become a criminal offence. But the changes do not extend to commercial properties, leaving owners to wonder whether they are next on squatters’ hit lists. Steve Freight, Senior Underwriter in Aviva’s Property Owners Segment, looks at the implications for commercial landlords, the impact on litigation levels and how risks posed by squatters can be mitigated.
Earlier this year, the draft text of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 was changed, meaning from September squatting in unoccupied residential buildings in England and Wales will be a criminal offence. Perhaps unsurprisingly, these changes – and their implications – have divided opinion.

During what many consider to be the worst housing crisis in modern memory, groups including SQUASH (Squatters’ Action For Secure Homes) say they are unable to reconcile the Government’s decision to impose a £5,000 fine or a one-year custodial sentence on those who enter a residential property without permission against its claims that austerity measures should not hurt vulnerable members of society. They argue the decision to prevent people from using homes abandoned by their owners is also likely to place a greater strain on housing authorities, homeless organisations and ultimately the taxpayer, with costs estimated as high as £790 million in the next five years.

Unwanted visitors

Conversely, there are those with less sympathy for squatters, including the Residential Landlords Association and the British Property Federation, which have registered their support for new police powers that encourage squatters to leave a building.

Squatters taking up residency in the homes of Colonel Gaddafi’s son Saif, Chelsea owner Roman Abramovich’s ex-wife Irina and Queens Park Rangers midfielder, Joey Barton, has pushed their plight up the news agenda. Ironically, however, it may have also reinforced the belief of the many who feel few, if any, rights should be extended to those who choose to enter a property without the express permission of the owner.

The Government intends to strengthen the law to provide greater protection against squatters in commercial properties.

Industry experts have warned that squatters are becoming more organised by working in groups and using social media to share details of potential targets. The removal of residential properties from the scenario suggests unoccupied offices and commercial properties could become a target for many of the UK’s 20,000 squatters.

Next on the list?

The new legislation does not include commercial properties, with the Government stating it would be ‘disproportionate to criminalise people who are using dilapidated buildings that are not in use’. This means costly and time consuming civil procedures remain the only course of action available to landlords trying to evict squatters.

The Government has also made assurances that it intends to strengthen the law to provide greater protection against squatters in commercial properties, acknowledging that 50% of the harm caused by squatters last year was to commercial premises. But the decision to exclude commercial properties from the new legislation has led many landlords to believe that squatters will simply turn their attention to empty offices.

Research by Aviva suggests £2 billion of damage is done to property in the UK through vandalism and arson, a quarter of which relates to empty properties. And while this is not solely down to squatters, owners of unoccupied commercial properties are fully aware of the threat posed by squatters in search of shelter, opportunities to ‘strip out’ properties or simply vandalise them.

By definition, commercial properties are not designed to be lived in. Yet while the decision to set up camp in rooms where desks or machinery once stood is made by squatters, there remains a duty on the part of the landlord to protect the squatter, regardless of the fact they are carrying out illegal activity. Landlords may have taken precautions to prevent injury – for example covering a gap in the floor where machinery once stood – but that duty remains, meaning the necessary levels of protection must be in place.

Some owners argue the liability to the trespasser makes a property less secure, while others are exercised by the thought that a trespasser could actually benefit financially if they sustain an injury while being inside a vacant property. Many believe an owner’s liability to trespassers needs to be reviewed.
Keeping squatters at bay

- Shut down all utilities. If the building is being refurbished, remove the fuse board. Also drain down the water systems to avoid flooding.
- Alarm the building with a temporary wireless alarm with integral video transmission that is monitored. The video will filter out false alarms and provide hard evidence in court.
- Fit steel security fittings to windows and doors to prevent vandalism and access. Ensure there is no roof access – squatters claim legal rights by entering open or previously vandalised entry points without forcing entry.
- Secure the perimeter of the property by installing fencing to protect driveways, car parks and gardens.
- Clear the property, ensuring all combustibles (e.g. mattresses, chairs and upholstery) are removed.
- Install a letter box seal to prevent uninvited guests setting fire to the property. Also remove mail on a regular basis.
- Use mobile or static dog patrols to stop determined squatters.
- Instigate a minimum weekly inspection of the property.
Adequate protection

As many owners have discovered, obtaining an interim possession order (IPO) from courts to remove squatters can be both time-consuming and expensive, while squatters often vacate a property by the time an IPO is issued. Landlords must therefore take necessary and immediate steps to ensure their buildings are adequately protected, have the right insurance and the correct level of legal expenses cover in place to protect themselves against crime, malicious damage and injury.

It is essential that measures are put in place which deter or prevent squatters from entering and taking ownership of a property and reduce the risk of loss or damage. We have seen cases where squatters have stripped a commercial property, causing around £150,000 of damage. Landlords cannot set traps or dissuade minors from viewing an empty building as a makeshift playground, but there are a number of things they can do to better secure the premises.

Encouragingly, many owners of commercial properties are heeding this advice by implementing effective security systems and shutting down power and gas supplies. But many property owners may not be aware of what is and what isn’t covered by their insurance policy. For example, costs incurred as a result of illegal entry and cleaning up a property after squatters have departed would not normally be covered, resulting in potentially sizeable bills for the landlord.

Landlords continue to have an obligation to inform their insurance company when their premises becomes empty. They should also consider introducing risk management measures at the time the building is vacated and ensure continued compliance with their insurance policy conditions.

Peace of mind

Many property owners are also turning to vacant property protection packages such as SitexOrbis, a 24/7 property and people protection service, to safeguard their empty properties and vacant estates. Aviva works closely with SitexOrbis, enabling property owners to fully comply with all insurance unoccupancy conditions.

Property owners receive peace of mind on account of regular internal and external property inspections being carried out, combustible materials being removed, security screens and temporary intruder alarms being installed, utility services being isolated and reactive maintenance being provided. Furthermore, where SitexOrbis is used, Aviva can consider mitigating the effects of reduction in cover.

A rise in the number of unoccupied properties increases the risk of uninvited guests taking up residency. But implementing adequate security measures and having the appropriate insurance can help limit the headaches associated with squatting and enable sleeping buildings to do so in peace.
Fire and Rescue Response Strategies

THE NEW AGE OF PROVIDING FIRE COVER

Fire authorities have been able to determine their own response strategies to incidents in their region since 2004. But the challenging economic environment means service provisions and costs are now being monitored even more closely. We look at what non-standardised fire response strategies mean for commercial property owners, landlords, risk managers and fire risk assessors.
On 22 July 2004 the Fire and Rescue Services Act was introduced, replacing the Fire Services Act 1947. According to the Government, the new legislative framework would ‘ensure the Fire and Rescue Service (F&RS) was better able to meet the particular challenges of the 21st century’. And since its introduction, there have been wholesale and far-reaching changes to the structure and operation of the F&RS across the UK.

**Inconsistency of approach**

John Whittaker, Senior Underwriter in Aviva’s Property Class Team, explains: “Under the terms of the new legislation, all fire authorities across the UK were granted the freedom to determine their own regional strategies and standards for responding to emergency calls as part of their individual Integrated Risk Management Plans. This meant they were effectively able to decide their speed of response and how many firefighters to deploy.

“A further consequence of preparing these plans was how each brigade responds to fire signals generated by fire alarms. The levels of response vary widely and some brigades have decided they will not respond to an incident until they receive a confirmed call, from a legitimate source, to attend a fire.

“Since the introduction of the new legislation, the Chief Fire Officers Association (CFOA) has attempted to introduce a recommended model for adoption by every F&RS region, but uptake has been low on account of the model being non-mandatory. This has resulted in a non-uniform approach and inconsistency of practice to fire-related incident response.

“We’re also now seeing a greater number of authorities look more closely at their service provision and response to calls emanating from automatic fire detection and alarm systems (AFA) with a view to local determination of risk and reducing costs. The rise in the number of alternative responses to AFAs means property owners can not necessarily rely on the brigade responding immediately should the AFA activate. As a result, the probability of a total loss occurring should a fire start has increased significantly.”

**Unwanted distractions**

A major and growing issue for all fire and rescue services is that of Unwanted Fire Signals (UwFS), which can result in business interruption and financial loss. The F&RS has been working to reduce the number of UwFS generated from premises protected by AFAs.

According to the RISCAuthority – which represents and advises its members on risk mitigation measures from fire and security risks – the number of AFAs in operation has risen dramatically. In 2000, it was estimated that 250,000 systems were installed; today that figure is thought to be two or three times higher. Many have been installed by reputable and certified operators, but a significant number have been installed by firms with no third-party accreditation, potentially a major factor in causing false and unwanted alarm signals.

The RISCAuthority has also estimated that of the 272,000 calls received by the F&RS to attend fire-related incidents at commercial properties last year, just 21,000 were primary fires. The costs involved in deploying F&RS crews are typically very high, emphasising how false alarms are not only a source of great frustration but a significant financial burden to both the F&RS and the UK taxpayer.

**Common causes of false alarms**

- Smoke from cooking, smoking, candles, industrial or construction processes
- Dust, insects, aerosol sprays
- High humidity, steam or ingress of moisture into a building
- Fumes from vehicles, cutting/welding or manufacturing processes
- Temperature fluctuations, accidental damage and malicious pranks

**Impact on commercial property owners**

Commercial organisations – including property-owning and management companies – have responsibilities for managing fire safety, partly due to their obligations to comply with the Regulatory Reform Fire Safety Order 2005. This will include ensuring fire risk assessments are carried out covering evacuation procedures, fire training and the planning, control, monitoring and reviewing of fire safety arrangements. But according to research by Aviva, 40% of businesses in the UK are failing to conform to fire legislation.

To manage these obligations, a ‘responsible person’ must be appointed by the business; one key aspect which needs to be understood and communicated to all staff in order to mitigate the fire risk is the response strategy of the local F&RS for that location. However, this is not a simple matter and the wide range of differing response strategies will have a significant impact for both commercial and industrial property owners and landlords.
Impact on commercial property insurers and brokers

The variations in F&RS response strategies, potential delays in responding to incidents and reduced fire crews also place an onus on underwriters and risk consultants to familiarise themselves with the changes taking place. Lower standards of intervention for the business sector could result in the greater extent – and, therefore, cost – of fire damage, which, in turn, will inevitably result in increased premiums for property owners and businesses. Aviva is working closely with insurance industry bodies and interested stakeholders to address this issue.

The impact of varying response strategies on property owners and insurers also has repercussions for brokers. As part of their role in building and maintaining relationships with their clients, brokers need to draw their clients’ attention to this issue, offer advice on the F&RS response strategy pertaining to them, and ensure no assumptions are made about the extent and nature of the active strategy in place.

John concludes: “The Fire and Rescue Services Act 2004 effectively withdrew the national standards of fire cover that had existed since the Second World War, handing F&RS authorities a degree of autonomy in their response to fire-related incidents. But the Act, which sets out to ensure communities become safer places to live and work, not only impacts on fire brigades.

“The varying strategies also have ramifications for property insurers and their customers. Economic conditions have prompted F&RS to monitor their costs more closely, and property owners, risk managers, insurance risk managers, underwriters and brokers all need to fully appreciate and understand the new and changing landscape of F&RS response strategies and take appropriate action to manage the fire risk.”

Impact of differing response strategies on commercial property owners and landlords

<table>
<thead>
<tr>
<th>F&amp;RS response strategy</th>
<th>Potential impact for property loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full pre-determined attendance (PDA) response in all cases – no restrictions</td>
<td>No impact</td>
</tr>
<tr>
<td>PDA in response to AFA signals but with reduced vehicle or crew numbers</td>
<td>Minimal impact but some delays possible if additional crews/tenders are required</td>
</tr>
<tr>
<td>Adoption of Chief Fire Officers Association (CFOA) policy – a varied response depending on the premises and circumstances of the fire</td>
<td>Significant impact probable as call challenges will result in some delays particularly outside business hours/night time</td>
</tr>
<tr>
<td>Respond but possibly with non-front line vehicle with no fire fighting capability</td>
<td>Significant impact expected with delayed effective response</td>
</tr>
<tr>
<td>Adoption of modified CFOA policy – extremely varied response</td>
<td>Significant impact probable as call challenges will result in some delays</td>
</tr>
<tr>
<td>Extended call challenge – no response by F&amp;RS unless a confirmed call is made</td>
<td>Severe impact likely as call challenges will result in significant delays particularly outside business hours/night time</td>
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</tbody>
</table>

In the event of a fire, much can be done to ensure risks associated with the response of the F&RS are mitigated as far as possible:

- Ensure a fire risk assessment is carried out based on the local F&RS policy and that it is incorporated into the wider assessment for the premises
- Nominate a ‘responsible person’ to give a warning in case of a fire and oversee process of calling the F&RS by 999
- Ensure any Alarm Receiving Centres (ARCs) understand the F&RS policy and how ‘out of hours’ signals will be addressed
- Obtain a copy of the UwFS from the F&RS and its operational plan with regard to the premises
- Ensure AFAs are maintained and reviewed; if they need to be replaced, ensure installer is accredited by LPCB, BAFE, NSI or SSAIB
- More detailed information and guidance is available from RISC Authority members such as Aviva in the form of the RISC Authority publication - RC47, entitled ‘The Management of Fire Detection and Alarm Systems in the Workplace’
- For any help or advice with fire risk assessments, call Aviva Risk Management Solutions on 0500 55 99 77.

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CANNABIS FARMING: COMING TO A HOUSE NEAR YOU

With 20 new cannabis farms discovered by UK police every day — most of them in unassuming residential properties — the illegal trade in marijuana is thriving. We take a look at the latest trends in this lucrative but unlawful business and assess what they mean for landlords and property owners.

A growing concern
As UK farmers struggle to produce a harvest following two dry winters and one of the wettest summers on record, cannabis is ironically the one plant that appears to be bucking the trend. Grown indoors under controlled, weather-immune conditions, and with a rapidly growing market value, it's the ultimate cash crop.

When it’s fetching a minimum price of around £170 per ounce on the street, even ‘grow-your-own’ users are being tempted to grow more, deal and make a quick profit.

But it’s a crop that carries a growing threat. In the first issue of Property View, we dealt with the risk to rental property, offering advice on what to look out for and the type of tenants to avoid. Now a recent report from the Association of Chief Police Officers warns of an increase in theft and violence linked to cannabis farms.1

We spoke to D.C. Greig Baxter of Strathclyde Police's STOP unit about three new developments that are not only making cannabis a more attractive crop to the criminal community, but also putting residential property at even greater risk.

1. Satellite farming
   “There has been a noticeable shift from large farms in commercial buildings to ‘multiple site’ models with a number of small-scale factories in residential properties,” explains D.C. Baxter. “This spreads the risk and lessens the chance of detection and loss of profit; if one farm is found and shut down, there will be several others left in operation.”

   Matthew Gordon, Aviva’s underwriting manager for property owners, agrees: “Despite the upgrading of cannabis to a Class B drug two years ago, the industry continues to grow. We saw a 30% year-on-year increase in cannabis damage claims last year as criminals turned to rented houses to cultivate plants.”

   Satellite farming also gives a grower (who may be one of many gardeners in an organised gang) the chance to avoid a custodial sentence by pleading personal use or just a small-scale operation.

2. Auto-flowering cannabis
   The majority of cannabis takes 12 weeks to grow indoors under carefully controlled light levels, but new strains are making it easier for the grower. With auto-flowering varieties, the grower does not need to be so stringent with the amount of light the plant receives, meaning a crop can grow in as little as nine weeks.

   “Although yields from these varieties may be lower, shorter production times make them easier to conceal,” D.C. Baxter warns. “Letting agents making regular three-monthly checks on properties can now miss the cultivation process and find their property in a state of disrepair.”

3. The price on the street
   Cannabis has risen in value over the past few years. When it’s fetching a minimum price of around £170 per ounce on the street, even ‘grow-your-own’ users are being tempted to grow more, deal and make a quick profit.

   What this means for property owners
   While all this may sound like bad news for landlords and property owners, there are sensible precautions they can take, as Pauline White, Aviva’s Regional Property Owners Consultant for Scotland and North East England, explains.

   “Firstly, landlords need to make sure they have adequate cover in place. At Aviva, we cover cannabis farming damage in our standard insurance package for commercial property owners as long as landlords meet certain conditions, such as obtaining tenant references and bank account details and keeping a log of property inspections.

   “But while we’re very open about this, other insurers can be less so. It’s important brokers let insurers know that a property is let out and encourage the use of the five best practice points we have written in to our policy as a template for letting property. The worst scenario is a client having a loss, only to find out the costs to repair the property may not be met.

   “Secondly, property owners should ensure they are protecting their property and that they can spot the signs of a cannabis factory. For instance, if they typically make quarterly checks on their property, they may want to consider making these more frequent to allow for faster growing cannabis crops.

   “And thirdly, Aviva’s teams of Property Owners Underwriters and Business Development Managers are available to help and advise property owners. We recently ran a series of Broker Breakfasts in Glasgow, where D.C. Baxter gave a presentation on the types of cannabis farms and associated hazards and I answered questions from brokers on policy cover. The response was extremely positive and we’re aiming to put on more events like this for brokers and property owners across the country.”

   For more information on how to protect your property against the threat of cannabis farming, or to attend one of our cannabis workshops, please call your Business Development Manager or Property Owners Underwriter.

Cannabis: a growing concern

- 7,865 cannabis farms were detected in 2011/12 compared to 3,032 in 2007/8
- 1.1 million plants have been seized in the last two years with an estimated value of more than £207 million
- An increasing number of organised crime groups are diverting into this area, seeing cannabis as low risk and high return
- The highest concentration of farms are currently found in South and West Yorkshire, Greater London, the West Midlands and Avon and Somerset
- The fastest rise in farms is currently found in Devon and Cornwall

Source: Association of Chief Police Officers
Did you find this edition of Property View useful?

Are there any topics you would like us to cover next time? If so or you have any feedback, please email: evolve@aviva.co.uk