

# RIOTS IN UK PROPERTY INSURANCE COVERAGE CONSIDERATIONS

**This note considers some of the property insurance coverage implications in the UK as a result of the current wave of “rioting”. It is by necessity of a general nature. The actual position will depend upon your policy wording and the nature of any damage suffered.**

**For more specific advice please contact your Willis Account Team.**

### 1. NOTIFICATION REQUIREMENTS UNDER PROPERTY POLICIES

U.K. property policies usually require Policyholders to give immediate notice to a Police Authority of any theft or malicious damage and to give Insurers full written details (as may be reasonably practicable) of any loss arising from riot within seven days of its occurrence. The latter requirement is primarily so that the Insurer can in turn then subrogate against the Police, if the cause is deemed to be a riot under the Riot (Damages) Act 1886 (see item 5 below).

We have attached the relevant notification form to this bulletin. Note that where there is a significant deductible that falls entirely to the account of the insured, it is advisable for the insured to notify the police direct as well as their insurer for the insured damage.

David Cameron has announced to the House of Commons that the Government will ultimately pay compensation for any legitimate claim from the recent riots, in accordance with the provisions of the Riot (Damages) Act, by providing the affected Police Authorities with the funding they need to meet the cost of claims. Mr Cameron has also stated that the deadline for these claims to be received by the relevant Police Authority is to be extended to 42 days.

Notwithstanding this:

- we maintain our advice that all Policyholders must comply with policy conditions by:
  - giving immediate notice to a Police Authority of any theft or malicious damage loss
  - notifying Insurers immediately of any loss or potential loss under the Insurers Policy
  - providing Insurers with full written details of any loss arising from riot within **7 days** of its occurrence
- the Prime Minister’s announcement does not mean that every disturbance will be classified as a “riot” by the relevant Police Authority as each event may be judged on its own merits

There are many factors which may affect what is ultimately recovered by property owners and/or Insurers from Police Authorities, whether insured or not, so we cannot give specific advice here as to how clients will fare in recovering uninsured losses under the Act. It is possible though that you may not recover all of your uninsured losses from the Police Authority.

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We must ask you to:

- compile a schedule of property lost or damaged and cost of repair or replacement, in accordance with the Riot (Damages) Act claim form attached with our bulletin of 10th August, even if such costs are estimated at this time but taking into account the basis of claims settlement as provided by any relevant insurance policy
- prepare an estimate of consequential losses, e.g. loss of profit/revenue and/or increased working costs, as provided by any relevant insurance policy
- submit these estimates to Insurers within the aforementioned timescale of seven days from the occurrence
- where there is any uninsured element to your loss (e.g. policy deductible or excess), seek advice or instruction from Willis or Insurers about how any claim to the relevant Police Authority is to be made, and if Insurers propose submitting this claim for both your benefits, you should also ask for their confirmation that this has been done within the statutory timescale (of now 42 days from the date of the event)
- speak with Willis where you have in place more than one policy, covering different aspects of your property damage loss, to establish the protocol which the Insurers require you to follow

Where you have suffered property damage that is not insured at all, claims to the Police should be submitted to:

#### **METROPOLITAN POLICE AREA**

Director of Legal Services  
Riot Claims  
1st Floor (V)  
New Scotland Yard  
8-10 Broadway  
London  
SW1H 0BG

#### **ALL OTHER AREAS**

You should contact your local Police Authority's Headquarters

## **2. COVERAGE UNDER PROPERTY POLICIES**

The majority of policies today are "all risks" and therefore damage caused by rioters should be covered subject to the policy deductible. Where perils are named, the relevant perils are:

- fire
- riot, civil commotion and malicious persons
- theft

As long as the policy covers all of the above then complications will only arise where different deductibles apply to these named perils. The head of cover will depend upon the policy language used and the proximate cause of the loss.

Other than for Northern Ireland, where different considerations apply (see below), generally it should not matter whether the damage is deemed to be riot, civil commotion or malicious persons, as these three perils are normally provided together.

### **WHAT IF THE POLICY DOES NOT COVER THEFT, BUT DOES COVER RIOT, CIVIL COMMOTION AND MALICIOUS PERSONS?**

Cover will depend upon the policy language used and also what is the deemed proximate cause of the loss. Arguably if a Police Authority or the Home Office decree that recent events are riots, this may be sufficient to confirm the proximate cause as the policy peril "riot", so that all resulting loss of property, whether involving fire, destruction or theft, will be treated as "riot" damage. However if theft is excluded and there is no write-back for riot then the theft exclusion might stand.

In respect of Northern Ireland the ABI standard is to exclude Damage and/or Consequential Loss arising from "riot civil commotion and (except in respect of Damage or Consequential Loss by fire or explosion) strikers locked out workers or persons taking part in labour disturbances or malicious persons". Some policies only exclude "civil commotion" in Northern Ireland.

## **3. HOW MANY OCCURRENCES ARE THERE?**

This is not an easy question to answer as it depends upon how the policy defines "occurrence" or "loss" and not all do.

An example of the sort of definition that may appear in the policy might be "*all losses arising from one event or a series of events arising from the same original cause shall be considered as one occurrence*".

This perhaps increases the chances of minimising the number of occurrences, which is good when it comes to any multiplication of excesses/deductibles, bad when it comes to any multiplication of policy limits that might apply.

As a general rule the more the damage is separated in terms of time and distance the more difficult it may be to argue that it is all one occurrence, especially where there is no definition in the policy.

72 hours clauses that typically apply to perils such as earthquake and storm do not generally apply to riot.

#### 4. RIOT DAMAGES ACT 1886

If you are insured then the main relevance of this Act is to notify your claim within 7 days of the Damage.

Your Insurers will consider subrogating against the local Police Authority under the Riot (Damages) Act, as they see fit.

If you are not insured then you should consider bringing a claim against the Police Authority yourselves (using the appropriate claims form, attached to this bulletin). You may wish to take legal advice before taking any action.

Under this Act, time is of the essence as all parties (including Insurers) have 14 days from the date of the incident to lodge details of their claim with the relevant Police Authority, who may grant a time extension.

Compensation payable under the Act is generally limited to damage (including theft) to buildings and their contents, although the basis of compensation will not necessarily be the same as that provided by a typical Property Insurance policy, but not consequential losses (e.g. loss of profits, increased cost of working expenses etc).

The Police Authorities' liability is strict if the damage falls within the ambit of the stipulations of the Act.

The Act does not apply to motor vehicles on the public highway.

#### 5. OTHER PROPERTY INSURANCE EXTENSIONS THAT MIGHT BE RELEVANT

##### 5.1 DENIAL OF ACCESS DUE TO DAMAGE

Most Business Interruption sections include a Denial of Access extension

- Where Damage (if it is insured as per 2 above) in the vicinity (or within a set distance e.g. 1 mile) hinders access to the premises
- Cover may include loss of attraction (as in reduction in number of customers attracted to premises)
- A time franchise or deductible may be applicable

##### 5.2 DENIAL OF ACCESS NON DAMAGE

Some Business Interruption sections include a Denial of Access (Non Damage) extension (limits tend to be lower than for Damage)

- These tend to cover restrictions imposed by police or other competent authority due to dangers in the vicinity (or within a set distance e.g. one mile) which hinder access to the premises
- Cover may include loss of attraction.
- There is likely to be a time franchise or deductible applicable

##### 5.3 SUE AND LABOUR OR LOSS REDUCTION EXPENSES

Some Property Damage sections include a sue and labour or loss reduction expenses extension which cover costs incurred to avoid actual or impending damage – such as costs of boarding up.

#### 6. MOTOR POLICIES

The above comments relate to property policies.

Motor policies that cover own damage do not exclude riot in England Wales & Scotland, but may exclude riot in Northern Ireland.

If own damage cover is limited only to fire and theft then the cover will only apply to these perils and not to other damage.

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