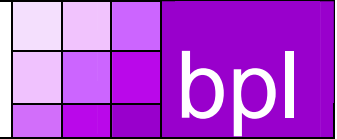


Indemnity policies

General Notes from **bpl**solicitors**limited**



What they cover

Indemnity policies are used in conveyancing to provide insurance cover in cases where there may be a defect in the legal title, breach of statutory regulations or lack of information. In such cases, you may be required to either provide an indemnity policy to someone else, or obtain one for your own benefit.

How does it work

In return for a one-off premium, which varies according to the value of the property and the nature of the risk insured, the insurance company will provide a policy against the loss arising from a claim. The exact terms of each policy differ, but there are some general points which arise in each case. These are:-

- You must immediately notify the insurer (and your mortgage lender if you have one) of any circumstances likely to give rise to a claim
- You must not notify any third-party (except for a bona-fide purchaser) of the existence of the policy
- You must not make any admission of liability, offer promise or payment without the insurer's consent

Points to note

- If there a mortgage, lenders will require that the policy should be for their benefit, and if possible for the owner of the property as well.
- If you have a mortgage, some lenders will require that it should be for the amount of the loan whilst others require that it is for the full purchase price of the property. If you increase the amount you borrow in the future, you may need to increase the amount of cover.
- There is no guarantee that an insurance company will agree to extend the amount of cover in the future, and when they do, we cannot know what the cost of that cover will be. The cost will depend on various matters including the pricing structure at the time, whether cover is for the loan only or the full purchase price.

Future Owners

Where appropriate, most policies provide cover for subsequent owners and mortgage lenders automatically. However, the amount of cover may need to be extended and the same considerations outlined above apply.