

## SPECIFIC RISKS FAQs

When commercial real estate is bought, sold or mortgaged, legal issues affecting ownership or use of the subject land often arise. These issues can be disclosed by the seller, or they may be identified by the buyer or their advisers during due diligence. Sometimes, these issues are significant enough to cause delays or even derail transactions altogether.

**Here at DUAL,** we call these identified issues 'Specific Risks', and we specialise in providing title insurance solutions that help protect against financial losses that may be incurred if the covered risk materialises.

Set out below are some questions we regularly receive about our Specific Risk appetite and coverage.



### 1. When is Specific Risk Cover purchased and why?

Our Specific Risk Cover is typically purchased when commercial real estate is being bought, sold, developed or mortgaged/re-mortgaged. Reasons for insuring Specific Risks are many and varied. Some common reasons include:

- **Transfers Risk Away:** key risks and associated losses are transferred to the insurer, providing peace of mind.
- **Assists with Negotiations:** the policy can help to replace the need for detailed contractual indemnities or unnecessary conditions, helping to preserve commercial relationships between the parties.
- **Provides a Practical Solution:** remedying an identified risk can be a complex and time-consuming process or may not be an option at all. In some instances, this may cause the transaction to breakdown entirely. Specific Risk insurance offers a practical solution, helping to facilitate transactions.
- **Faster and More Cost-Effective:** it offers an effective solution that can be implemented faster than negotiating detailed contractual terms, saving time and costs for buyers, sellers and lenders.
- **Removes the Need for Escrow:** it can remove the need to hold money in escrow, simplifying transactions.
- **Facilitates Financing:** lenders with a conservative risk appetite may be appeased by having a Specific Risk policy in place, aiding in the facilitation of financial close.

## 2. What types of Specific Risks can be covered?

Our policies protect against identified issues that impact ownership and/or use of the land. The list of risks we cover is not set in stone, but examples of risks we regularly insure include planning permit issues/potential breaches, certain illegal building works, land access issues, breaches of easements or covenants, known boundary encroachments, actual or potential defects in title to property interests and missing planning, building or title documentation or approvals.

## 3. Who should be interested in this product?

This policy is relevant primarily to commercial property owners, developers, investors, vendors and/or lenders. More broadly though, this product will be of interest to those that act on behalf of such people or companies, including, property advisors, commercial real estate lawyers, real estate agents and valuers, to name a few.

## 4. How does it protect my client and what losses are covered?

The Specific Risk policy is a non-renewable insurance policy which is subject to a one-off premium, paid up front. The period of cover runs for as long as the insured owns the property.

The type of losses covered include legal costs in defending or prosecuting a claim, third-party liability arising from an insured event, reduction in asset value, demolition, alteration and/or reinstatement costs, wasted development costs and some financing costs.

## 5. Can you please provide some specific examples of the policy in action?

Please click [here](#) for some claims examples, along with a few examples of various risks that we have insured.

## 6. What information is required to get started?

The underwriting process begins with receiving the following information:

- Prospective insured's details
- Property address
- Property value (transaction value)
- Current or proposed use of the property (i.e. continued use or development)
- Details of the identified issue requiring insurance
- If available, a copy of the legal advice or due diligence report

Based on this information, we can quickly provide an indication of insurability and price.

## 7. Can you provide examples of some risks that are not within appetite?

Some common risks that do not fall within appetite include:

- Actual or potential pollution, contamination or hazardous materials.
- Physical defects or deficiencies in the design and/or construction of a property.
- Damage to buildings, contents and/or the property.
- Where enforcement action is already under way (for example, where Council has already issued an enforcement order regarding the relevant issue).

## FIND OUT MORE

For further details on our Title Insurance product, please contact your local DUAL Underwriter or visit our [website](#).