



Howden – RICS CPD Foundation Risk Management in Valuation



We will cover...

- Where have we come from – [A Decade On](#)
- Where are we now – [PI Market Update](#)
- Risk Liability & Insurance Guidance Note
- How do claims arise
- What can you do to minimise risk
- Handling claims notices
- Efficient PI Insurance Buying

Events of the downturn 2008


- Property crash
- Interest rates at all time high
- Repossessions
- Confetti Letters
- Commercial settlements
- Insurer losses = rising premiums
- Where are we now

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Where are we now – PI Market update

- It's still all about valuations for lending
- Insurer appetite increase, though remains limited in comparison
- Sole practitioners and smaller firms hardest hit
- Rise in allegations relating to missed defects
- The Lloyds review

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Risk, Liability & Insurance Guidance Note

1st Edition

Published in January 2013

Developed by RICS Regulation


Aims to make valuers aware of, and be better informed about, the main risks and liabilities associated with negotiating valuation contracts and by understanding key legal concepts and risk areas, valuers will be in a stronger position to negotiate with clients and ultimately, avoid risk.

2nd Edition

Published in January 2018

Little changes made to the residential section, most updates relate to the inclusion of guidance around commercial valuation.

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Risk, Liability & Insurance Guidance Note

Some of the key sections

- The Court's approach to valuers liabilities
- Liability caps
- Third party reliance on valuations
- Contractual terms
- Professional indemnity insurance (PII)

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How Do Claims Arise


Poor Audit Trail
Failure to create and maintain adequate records and site notes

Lack of Expertise or Resource
Clouded judgement
Work that doesn't fit with your business strategy
Accept or Reject?
Capacity

Lack of Communication
Understanding what the client wants
Survey or Valuation?
If there's a problem – shout!

No understanding (*or even reading*) the contractual terms
Duty of Care and to whom
Hold the client harmless
PII conditions
Assignment

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What can you do to minimise risk

So other than.....
Create and effectively maintain site notes and audit trail
BID or not to BID
Speaking up
Assessments of the contractual terms

Stay informed
Speak to your colleagues, your competitors and your clients
Remain up to date with any foreseeable changes in both the insurance market and your own
The internet of things

Terms of Engagement
Don't be scared to negotiate

Know your client
Take the time to undertake due diligence

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Handling claims notices

May VS Likely - Circumstances 'Likely' or 'That May Give Rise To' A Claim

*"Must give written notice to INSURERS as soon as reasonably practicable / **immediately**. All CLAIMS must in any event be notified within 10 working days after the expiry of the POLICY PERIOD".*

Avoid being reluctant

"Its spurious and will go away"

Do not:

Admit liability

Take any action which could prejudice your Insurers position or their ability to investigate the claim

Enter into claims correspondence without your insurers permission

Settle or offer to settle

Disclose your Insurers involvement or details of your professional indemnity policy

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Efficient PI Insurance Buying

- Start the process early
- Your proposal form represents your business; does it represent it well and is it accurate?
- Ensure the person in charge of buying insurance understands how to run the process
- Report your claims history accurately and steps taken to prevent reoccurrences
- Does your broker understand what you do and how you do it?
- It's not just about premium
- Ensure you understand what your policy covers

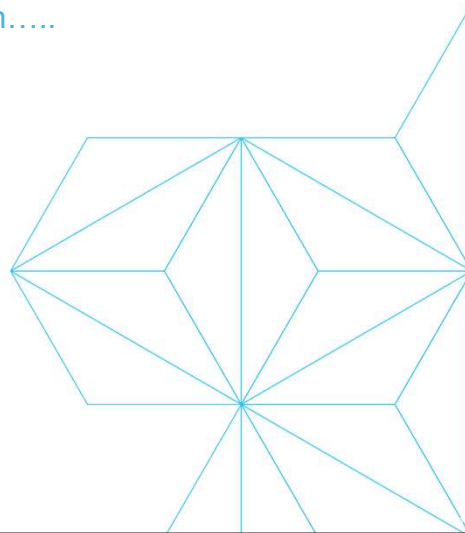
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Doing a good job is not enough.....

Neither an overvaluation nor missing a defect is negligent in itself. The aim is to show that even if an overvaluation has been made or a defect has been missed, that nevertheless the survey was carried out with the reasonable skill and care of the ordinary, skilled professional

The site notes should provide the muscles to the defence of a claim



Q&A

Greg Harrison
Senior Account Executive
Howden UK Group
T: 020 7133 1505
E: greg.harrison@howdengroup.com



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