

Legal Indemnity Insurance



What is legal indemnity insurance?

Legal indemnity insurance is obtained in order to offer protection to a buyer (and a lender) where there is a defect in the title to the property which cannot be resolved. Indemnity Insurance provides a quick and low cost alternative to the work required to correct a defect (varying a lease for example will usually cost several hundred pounds in legal fees and will take several weeks). Unlike a conventional insurance policy the premium for a legal indemnity insurance policy is paid only once, and in most cases is automatically transferred to successors in title and lasts for the life of the property.

The limit of the cover will be the purchase price of the property and since the indemnity policy will not be index linked, a premium will usually need to be paid by the insured when they come to sell to increase the limit of cover.

Legal indemnity insurance does not remedy the insured defect, but merely offers financial compensation. Please check the policy summary enclosed to see what actions might invalidate the cover.

How much will an indemnity insurance policy cost?

The premiums for indemnity insurance policies are charged on a sliding scale, depending on the value of the property, and they also vary depending on the risk insured. The cost will range from as little as £20 to as much as £300, or occasionally more for a non-standard policy. Where a policy is required the seller usually pays for this as the defect is in their property title.

What will an indemnity insurance policy cover?

The answer to this question depends on the particular risk you are intending to insure, but basically indemnity insurance covers loss of value to the property and legal costs.

How is an indemnity insurance policy arranged?

Indemnity policies are arranged online or via the post, by either parties solicitor.

What risks can be covered by Legal Indemnity Insurance?

Most title defects, along with some other issues, can be covered by indemnity insurance. The most common types of policy are for the lack of building regulations and/or planning permission; breach of a restrictive covenant and search validation.