C&C

INSURANCE BROKERS

A GUIDE TO:
LANDLORD INSURANCE

Property Insurance

What it covers, Why it is needed & Where mistakes are made

HOW IS LANDLORD INSURANCE DIFFERENT FROM PERSONAL HOUSEHOLD INSURANCE?

When you are a landlord of a property, the exposures you have are different from the traditional homeowner, therefore you will require a more bespoke insurance policy than standard homeowner insurance.

As a Landlord, you have the responsibility not only to protect the bricks and mortar, but can also protect your investment as a whole.

Buildings and Contents

The main feature of Landlord Insurance is the building cover. This is based on the reinstatement value, i.e. the cost to rebuild your property from scratch, including materials, labour, demolition, site clearance and professional fees.

In addition to this, you may want to consider whether contents cover is required. Whilst you may not furnish your property, contents would include items such as carpets, curtains, and white goods.

Buildings:

- Bricks, mortar and its fixtures & fittings
- Central heating fuel tanks and meters
- Driveways, fences, gates, hedges, lampposts, paths, patios, railings, terraces and walls
- Fitted carpets, laminate, vinyl, etc
- Greenhouses and sheds
- Hard tennis courts, fountains, ornamental ponds and sunken swimming pools
- Wind turbines and solar panels permanently fixed to the property

Contents:

- Appliances – whitegoods, etc
- Furniture and furnishings – beds, sofa, curtains, carpets
- Household goods – pots, pans, crockery, etc

Alternative Accommodation v Loss of Rent

This is an optional cover, often insurers will include this as standard within their policy and is something that can be considered essential when it comes to protecting your cash flow.

Alternative accommodation - take a good look at your tenancy agreement. In some cases, it may stipulate that you must provide your tenants with alternative accommodation, if your property is no longer suitable to live in. If this happens because of an insured event alternative accommodation insurance may cover the cost.

Loss of rent protection - covers the rent receivable you would lose, as a landlord, if your property becomes uninhabitable due to an insured event. Payment will be paid until the property is fit for habitation up to 36 months.

These covers are not to be confused with rent guarantee, loss of rent on your landlord insurance, is to cover you should anything significant happen to the property, such as floods or fire, which results in the tenants not being able to live in the property and as such rent would not be receivable during this period.

Rent Guarantee Insurance

Also known as tenant default insurance, is a common landlord insurance add-on which can protect you from the serious financial implications of defaulting tenants

Property Owners Liability

In a similar way to Public Liability, Property Owners Liability protects you should be negligant resulting in your property cause a third party damage or bodily injury.

A simple example may be; your tenant injuring themselves on a faulty staircase. This liability protection would cover defence costs and compensation awards, should legal action be pursued against you.

Legal Fees

As with a lot of insurance policies, legal fees can be added to a Landlord policy. Primary cover within this section will include costs incurred in property repossession, the pursuit of rent arrears, contract disputes, and legal defence.

WHY IS LANDLORD INSURANCE NEEDED?

Insurance is often a forgotten stage when purchasing a property, however your insurance policy is an important step in property investment...

Secure Funding

If you are seeking support from a lender to purchase the property then most lenders will request to see a copy of the insurance policy before they will release the funds.

Quotations are valid for 30 days so you can get the quote prior to exchange so that you have it ready to produce it at the lenders request. They may then request their interest to be noted on a policy, this is simple to do.

Moral Duty

As a Landlord, you have a moral duty to protect your tenants and also any neighbouring properties. If something was to happen to your property that should affect any nearby or neighbouring properties, then it is your duty to cover the costs to rectify any problems, your insurance policy will cover this (subject to an acceptable claim being made).

Protect your investment

If anything was to happen to your property and you were not insured, or were insured incorrectly, this could have serious financial implications. Not only would you stand to lose any money you had invested, but you could also have to pay out extra funds to rectify any damages. In addition to this, your monthly cash flow may stop.

WHAT DOES PROPERTY INSURANCE COVER?

Below is the standard cover for buildings on a property insurance policy. These are the basic perils you should expect your policy to insure you against (based on a standard occupied property)

Please be aware some of the above perils may be excluded on standard policies if a property is unoccupied or had historic issues or claims in respect of a specific peril – i.e. Flood / Subsidence.

GETTING IT RIGHT...

The key to ensuring your property insurance is 'fit for purpose' is disclosing the correct information at the outset and understanding that there is more to insurance than a cheap premium!
If you consider the following factors when applying for your insurance you are more likely to get it right...

Building Sum Insured

The building sum insured is where we see a lot of problems with Landlords incorrectly insuring their property. The building sum insured (also known as the reinstatement value) reflects the maximum amount an insurer would pay to rebuild your property from scratch, including materials, labour and debris disposal.

As this is the main premium rating factor on property insurance policies, unfortunately this is where we see the most errors, often deliberately, made.

The consequences of under declaring your building sum insured can have significant repercussions on any money you could receive from the insurance company, in the event of a claim.

BUILDING SUM INSURED IS NOT THE SAME AS MARKET VALUE

Here is a handy tool of how the payout figure is calculated -

Building Sum Insured / Reinstatement Value
Condition of Average

$$\frac{\text{Sum Insured}}{\text{Actual building sum insured}} \times \text{Claim amount} = \text{Payout}$$

$$\frac{\text{E.g. £200,000}}{\text{£400,000}} \times \text{£200,000} = \text{£100,000}$$

Where this figure can be found

We would always recommend a professional RICS survey be carried out to establish this figure, e.g. Home Survey or Valuation Survey.

Alternatively, there are various online calculators that can give you an estimate sums insured - https://abi.bcis.co.uk/calculator/calculator.aspx

(please note these are indicative only and are only a guideline, we would not solely recommend them as a basis for your insurance purposes)

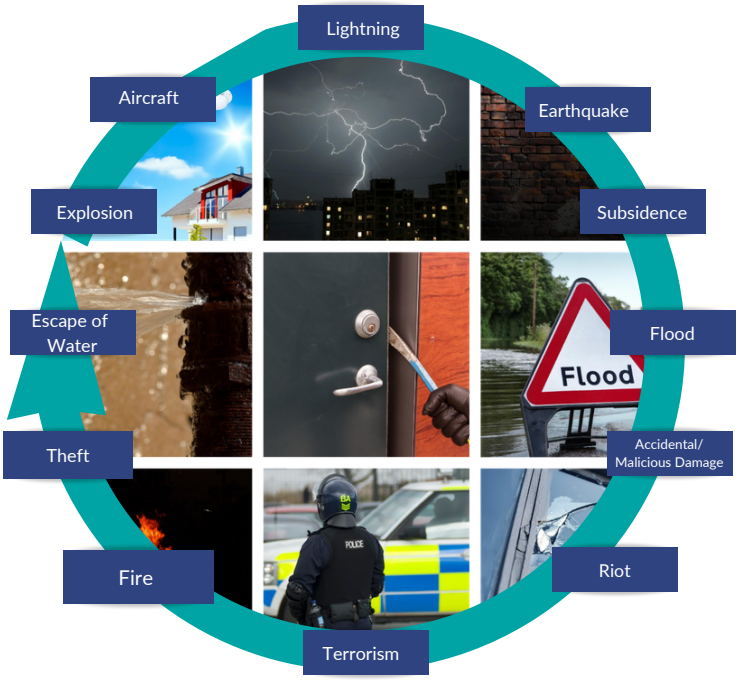
Unoccupied properties

When you insure an unoccupied property the standard insurance policy will only cover you for the following; Fire, Lightning, Explosion and Aircraft (FLEA Cover).

It is important when you are insuring an unoccupied property to think about other areas that you may want to insure.

For example if the property were to flood while unoccupied and your policy was based on FLEA only cover, you would not be able to make a claim to cover the cost of rectifying any damage caused.

Speak to your insurer/broker to make sure you are covered for all eventualities in an unoccupied property.



Full Perils

FLEA Cover

FULL DISCLOSURE

Another major key to ensuring your property insurance is 'fit for purpose', is HONESTY!
It doesn't matter if your property is unoccupied, has had previous structural issues or is undergoing renovation, there is nearly always a solution.

However for the insurance policy to be active in the event of a claim, we rely on full disclosure at all times. Failure to disclose key information about the property's history, construction, occupancy, or any other material fact, can result in claims being costly to yourself, or not being paid at all.

To ensure full cover is maintained, here is a list of the types of things your insurance company will expect you to disclose:

- Unoccupied
- Residential
- Commercial
- Property under going works
- HMO's
- Non Standard Construction

If you do not disclose something to your insurance company and a claim occurs, insurers may reduce the claim value or may not pay out at all!

Personal and property history

Another important factor of full disclosure is that you must always make sure you disclose any details about your financial history, for example, CCJ's or bankruptcy, as well as any historical problems in the property such as subsidence or floods.

If this information is not disclosed and comes to light in the process of a claim, you will not receive the money owed!

IN SUMMARY WHAT YOU ALWAYS NEED TO REMEMBER FOR LANDLORD INSURANCE

- **ALWAYS** ensure your Building Sum Insured is accurate
  FAILURE TO DO SO MAY RESULT IN THE FULL VALUE OF THE CLAIM NOT BEING PAID

- **ALWAYS** declare the true occupancy of the property
  FAILURE TO DO SO MAY RESULT IN CLAIMS NOT BEING PAID

- **ALWAYS** fully disclose ALL material facts of the property and yourself
  FAILURE TO DO SO MAY RESULT IN CLAIMS NOT BEING PAID

- **ALWAYS** check cover levels for unoccupied properties – FLEA Vs. Full Perils

If you would like further advice on Landlord insurance or are looking for a competitive quote please contact C&C Insurance Brokers Property Specialist Jayne Wilson on jayne.wilson@cc-insure.com or 07792 439 953.