


# HOME INSURANCE – WHAT YOU NEED TO KNOW



A row of three colorful terraced houses. The leftmost house is bright yellow with a white door and windows. The middle house is light blue with a blue door and windows. The rightmost house is light pink with a red door and windows. All houses have white window sills and black downpipes. A chimney is visible on the roof of the yellow house.

**Every day, home insurers pay out over £8 million to customers. Unwelcome events, such as flooding or fire, highlight how essential having insurance is to survive unexpected financial setbacks that could take you years to recover from.**

Yet home insurance is often misunderstood - ABI research shows that one in five home insurance claims are unsuccessful, mostly because people are not fully aware of what they are covered for. Most problems could be avoided by better understanding of what is and what is not covered. Here are the key things you need to know to ensure that you buy the best policy for you and get the most from your home insurance.

Following this advice will help ensure that any claim you may need to make will be paid.

# Know your cover – read your policy

**It may not be the most gripping reading, but it really pays to read your policy so that you understand what you are covered for, what is excluded and what your rights and responsibilities are. It is much better to check anything you are unsure of or do not understand at the outset, rather than risk problems if you need to claim.**

When considering the right policy for your needs, you can check most insurers' policies - including a summary of the main cover - online, before you buy.



# What you are covered against

## Home insurance is split between buildings and contents insurance.

What you are covered for and the limits of cover will be set out in your policy document. Typically, buildings and contents insurance will cover you against damage or loss caused by: fire, explosion, lightning, earthquake, storm, flood, subsidence, heave or landslide, theft or attempted theft, malicious damage, falling trees or branches, falling TV or satellite devices, riot and impact by aircraft, vehicle or animal.

Buildings and contents policies also usually cover some of your personal legal liabilities - for example if a visitor injures themselves and you are found to be legally liable for their injury. Your contents policy may also provide personal liability cover for you and members of your household when away from the home.

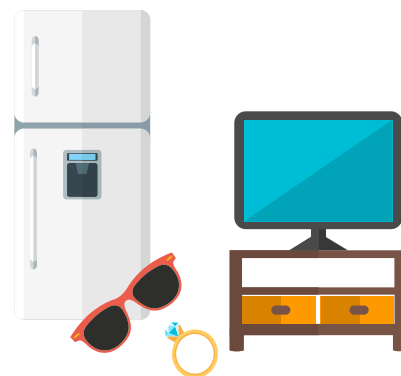
Your policy may cover items away from the home as standard or as an add-on. You can buy buildings and contents insurance separately or as a combined policy.



## BUILDINGS INSURANCE

Buildings insurance covers the structure of your home such as walls, wallpaper, ceilings and permanent fixtures and fittings like baths, toilets, and fitted kitchens. Your insurance will usually cover you for the cost of any emergency temporary alternative accommodation, should your home be uninhabitable while it is being repaired, such as after a flood.

Policies may cover garages, greenhouses and garden sheds, although they can vary so check that the policy meets your needs.



## CONTENTS INSURANCE

Contents insurance will cover your possessions - typically everything that you would take with you when you move. This will include furniture, electrical equipment and your personal possessions, such as jewellery and other valuables. There will usually be a limit on certain items above a particular value, so check. If any items are above that value, you may need to pay an extra premium to cover them.

# Additional cover that is available

**Home insurance covers a wide range of risks as standard. For an extra premium you may be able to extend your policy to provide wider cover, such as below. Some policies may include these as standard, so always check your policy so you understand what you are insured for.**

## ACCIDENTAL DAMAGE TO YOUR STRUCTURE AND CONTENTS

For example, putting your foot through the ceiling, spillages around the home, and damage to items while away from the home.

## COVER AWAY FROM YOUR HOME

Sometimes known as 'all-risks', you can cover loss of or damage to your possessions while away from your home, up to a set limit. You may need to list separately specified items such as jewellery, laptop computers and bikes that may be more likely to be damaged or stolen.

## LEGAL EXPENSES COVER

This usually gives you access to legal advice, and cover the legal costs of claiming compensation following an accident that was not your fault, as well as the cost of taking or defending other specified legal action, such as employment or neighbour disputes.

## HOME EMERGENCY ASSISTANCE

This covers the cost of calling a tradesman out to deal with an emergency, such as being locked out of your home or a broken boiler. It will cover the repairs and labour, and may include overnight accommodation if you cannot stay in your home as a result.

## HOME INSURANCE IS NOT A MAINTENANCE CONTRACT

Your home insurance will not cover the routine costs of maintaining your property, or the costs of any damage caused by lack of maintenance. So, for example, if you know you have some loose roof tiles or damaged guttering get them repaired.

## KNOW YOUR EXCESS

The excess is the first part of every claim that you must pay yourself, before your insurer steps in. Different sections of your policy may well have different excess levels. For example, the theft excess may be £100, with a typical subsidence excess of £1,000.

Some insurers may reduce your premium if you accept a voluntary or higher excess; it is important to consider whether this will be beneficial to you if you need to claim.



## MAKE SURE YOUR SUM INSURED IS RIGHT

It is important that you get your buildings and contents sum insured right, as this is the maximum your insurer will pay out if you claim. Your buildings should be insured for their re-building cost (not what you paid for the property or the current market value). Your contents should be insured for the cost of replacing them as new, not their current value. Some policies may have a maximum specified rebuilding cost limit, such as up to £1 million.

It is important to re-evaluate your contents sum insured on a regular basis, particularly after purchasing expensive items, or following a birthday or Christmas. Often contents policies will have a limit. You should check that this should be sufficient to cover the value of all of your contents.

Your insurer or an insurance broker should be able to help. The Building Costs Information Service<sup>1</sup> can help you calculate your buildings sum insured. If however your home is not standard construction, such as a thatched property, or is listed, then you may need to ask a surveyor to work out the rebuilding cost. The Royal Institute of Chartered Surveyors<sup>2</sup> can help you find a suitable surveyor to assess your property.

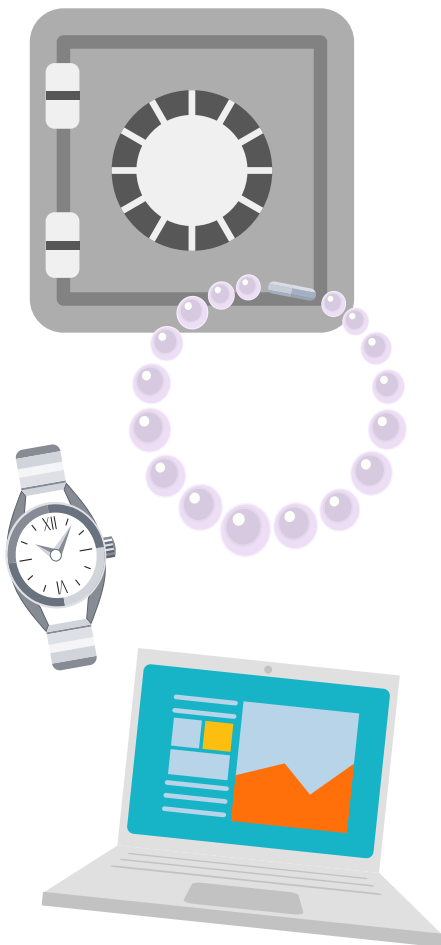


<sup>1</sup> <http://calculator.bcis.co.uk/>

<sup>2</sup> <http://www.rics.org/uk/>

## YOUR VALUABLES AND HIGHER-VALUE ITEMS

An overall limit will usually apply for valuables such as jewellery, works of art and sometimes high theft risk goods such as electronic equipment. There will also usually be a single item limit, such as £1,500 for example. You should tell your insurer if one of your valuables is worth more than these limits as you may still be able to cover them by paying an extra premium.



## IF YOUR HOME IS AT FLOOD RISK

Flood Re is a scheme, developed by the insurance industry, that helps people living in flood risk areas get affordable flood insurance. Launched in April 2016, it is not a home insurer itself, but works behind the scenes with insurance companies, helping insurers to offer more affordable flood insurance to those homeowners at higher flood risk. It means that people can shop around more easily to find more affordable flood premiums and excesses.

If you think you are at greater risk of flooding, talk to your insurer to see if Flood Re could help you.

## COVER FOR FLATS AND MAISONNETTES

It is usually best to insure your flat or maisonette together with other owners in your block under a single buildings policy. If you rent, then your buildings insurance should be covered by your landlord. If you are a leaseholder of a flat, then it is likely that the freeholder will be responsible for purchasing buildings insurance for the block. Often if there is a managing agent looking after the block they will arrange the buildings insurance and each flat will contribute to its part of the service charge.

Individual leaseholders or tenants are however responsible for taking out their own contents insurance.

## PEER TO PEER

If you are thinking of using peer to peer arrangements, such as Airbnb or similar, you should talk to your insurer first. In general home insurance policies will provide cover for this in a similar way to guests or lodgers, but a conversation with your insurer will help you understand about any specific conditions or changes to what is covered, for example theft or malicious damage may be excluded.



## RUNNING A BUSINESS FROM HOME

If you run a business from home, either full or part-time, you should tell your home insurer, especially if you have business equipment that needs to be covered or business visitors that come to the property. Depending on your activity, your insurer may automatically extend your cover to include your business activity, or you may need to take out separate business cover.





# What is usually excluded



**Home insurance covers a wide range of risks. But it does not cover everything. It is important to read your policy so that you know what is not covered.**

**While general exclusions may vary between policies, you will not usually be covered against:**

- general wear and tear, such as a worn out carpet
- damage caused due to lack of maintenance
- mechanical or electrical breakdown, such as a fridge breaking down due to it coming to the end of its useful life
- restricted cover when your home is empty for a long period (specified in the policy) or is let to tenants
- any amount over the limits specified in the policy

# How the price of your home insurance is calculated

## **Insurers will take account of a wide range of factors in determining the cost of your home insurance. These will include:**

- The rebuilding cost. This takes into account the size of your home, if it is terraced, semi-detached or detached and its method of construction.  
Some insurers may not require you to specify the sum insured, as they may provide automatic cover up to a set limit of say £500,000. However, you are still responsible for ensuring that the sum insured is correct, so if you think you need it above any set limits then discuss this with the insurer or an insurance broker.
- The insurer will need to assess the likelihood of a claim. For example, if your home is at increased risk, is in an area with a higher crime rate or is susceptible to subsidence.
- Your insurer will also take account any previous claims, although this does not automatically mean you will pay more for your cover.

## **The price you pay for contents insurance will reflect:**

- The value of your contents, taking into account higher risk items such as jewellery.
- Where you live, as some areas will have higher crime rates or be more prone to flooding for example.
- Your previous claims history.
- Security measures. Some insurers may have minimum security requirements, or offer premium discounts for certain security measures.



## THE IMPACT OF MAKING A CLAIM ON THE FUTURE COST OF YOUR COVER

While an insurer will take into account your previous claims, this does not always mean that your premium will increase. Insurers will consider not only your claims record but also other factors, such as whether there has been any change in your risk (for example if you have extended your home). And remember that it is a very competitive market, so you can shop around to get the right policy for your needs at the best price.

# How your claim will be paid

If your home is damaged and needs repair, your building insurer will arrange the repairs and settle the claim direct with the repairer. If your home is uninhabitable during repairs (such as drying out after a flood) your insurer will arrange for, and pay the cost of, any emergency temporary accommodation for you and your family.

Insurers often have a panel of tradespeople that they use – this saves you the time and trouble of finding someone and getting alternative quotes for repair. However, if you have a preferred repairer, such as local builder who you trust, discuss this with your insurer. Your insurer should, in most cases, agree to the work being done by your preferred tradesperson. However, make sure that any costs are agreed beforehand with your insurer.

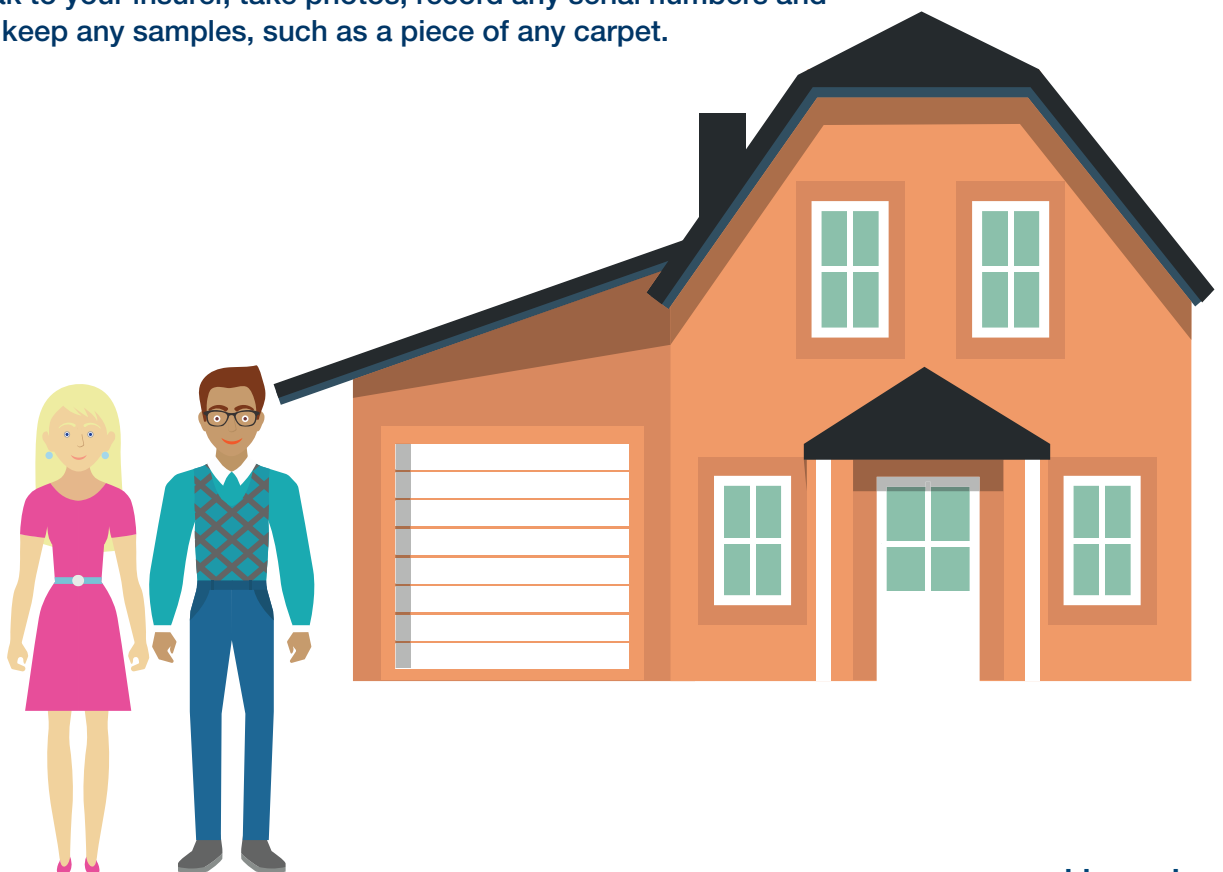
For damage to your contents, your insurer will either pay the full cost (less any excess) of replacement, or pay for repair where this is possible. In some cases they may ask you to go to a specified supplier to select a replacement item.



# Hassle-free claiming

**Your insurer wants to pay your claim. They know that a claim can result from an upsetting and stressful event, such as a flood or burglary, so they will do all they can to deal with your claim as quickly and as efficiently as possible. You can help by:**

- Knowing claims contact details, including 24 hour emergency helpline phone numbers.
- Notifying your insurer as soon as possible after any loss which you want to claim for
- Giving your insurer as much information as possible about the loss. For example, supplying photos of any damage, receipts and valuations and a police report reference number for any burglary claim. There may be some items, such as those damaged by flood or fire that may need to be thrown away before any inspection by your insurer or the loss adjuster appointed by the insurer to deal with your claim. Before you dispose of them, speak to your insurer, take photos, record any serial numbers and if possible keep any samples, such as a piece of any carpet.





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