

WHAT TO ENSURE WHEN YOU INSURE

By **Graham Kinnear**

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This month's focus is on buildings insurance and why you should review your existing cover.

A critical issue is to ensure that the insurer is aware of all the details of your property, including build date, type, any areas of flat roof, construction method and the terms of occupation. I am concerned that with the increase in people obtaining quotes from internet platforms, full disclosure of facts is possibly less detailed than was historically the case. A lack of correct detail could mean an insurer refusing a claim.

Assuming correct cover is in place, there are several issues to take into account when considering buildings insurance. The first of these is when you are renewing an existing policy.

It is always worth enquiring whether the building sum is index-linked. That means the rebuild sum that your property is insured for is increased each year, normally in line with inflation.

On the face of it this is a great idea, as it covers you for increased material and labour costs in the event your property needed to be rebuilt. However, in our current climate of low inflation, it may be that the index-linking is at a greater rate than inflation. Or (as was the case in 2008-2011) that building costs, principally labour costs, actually fall.

Left unchecked for a few years, you may find that you are paying an insurance premium for a sum far greater than is required. If this were the case and you claimed, you would still only receive the rebuild cost.

It may therefore be that you are paying a higher premium than is necessary. Alternatively, if your policy is not index-linked and you have not had a reinstatement valuation undertaken recently, you may find you are not adequately covered.

Another issue to consider is what conditions or endorsements are buried in the insurer's policy documents, that you may have to comply with to ensure cover. There are a myriad of things. However, some of the more common ones I have seen over the years include:

- **a need to drain down water systems if the property is to be vacant for more than 14 days**
- **landlord legal cover which only applies if the tenants have been served notice by recorded delivery**
- **the prohibition of letting to tenants referred to you by a local authority or housing association**
- **an exclusion from granting anyone a tenancy for more than 12 months**
- **an obligation to provide gas and electricity safety certificates to the insurer**

As well as complying with the requirements of your insurance, it is important that you ensure your policy meets your needs. For example, a standard buildings policy is likely to be worthless if your strategy is serviced accommodation. There are insurers who will provide cover for such activity, so ensure the one you buy is relevant for your use of the property.

Many standard insurance policies reduce cover for vacant property to what they call FLEA cover, where you are covered only for claims relating to Fire, Lightening, Explosion or impact by Aircraft. If you want additional cover for say the escape of water, break-ins and the like, then you will have to ask whether the insurer will cover these. Regardless, you will probably find that if your property is vacant you will need to arrange for it to be inspected at set intervals and to ensure that the letterbox is securely sealed to reduce the risk of arson.

There will also be a clause in your policy that requires you to comply with any statutory obligations. These will include gas and electricity inspections, fire risk assessments, legionella risk assessments, party wall legislation as well as any planning and building control requirements. For this reason alone, it is imperative that you ensure your files are complete and your property compliant.

Those of you who have portfolios of property with one insurer will be aware that it is not uncommon for them to undertake visits to the property to ensure compliance. Any recommendations made during these visits should be complied with in a timely fashion to ensure continuance of cover.

For the duration of any mortgage you will be required to have appropriate insurance as a condition of your loan. So falling short on your insurance cover could also place you in breach of your mortgage conditions.

If there are any issues that you do not understand within your insurance policy, ask your broker or contact the insurer directly. Furthermore if you are planning any changes to the property, its occupiers or use, talk these through with the insurer at the outset. As with all these things it is far better to get your house in order before you need to claim rather than **when** you need to claim.

Only this month, one of my clients with 40 years' experience as a landlord confessed that she'd never read the policy documents. I suspect there are many like her, but having read this article I hope that number will now not include you!

As always, I am happy to assist YPN readers on any property matter and can be contacted on 01843 583000 or graham@grahamkinnear.com



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