

# INSURANCE FOR LANDLORDS

## Buildings Insurance

**Re-Build costs** – not market valuation. It is essential that your property is adequately insured. The sum insured should represent the full RE-BUILDING cost of your property not its market value. In some instances the re-building value will be considerably lower or higher than its market value. Older properties in the lower priced areas in the UK will cost much more to re-build than their market value.

Almost 40% of UK properties are under insured, which means in the event of a claim, insurers will not pay the full amount of the claim. Ideally, to ensure you are not under-insured you need to have a professional re-build cost calculated by a qualified surveyor although some insurance companies will provide quotes direct based on information provided; E.g. style, type, size, condition, age, improvements, area etc. All buildings policies will be index linked to reflect building costs increases annually. This is only effective if the original valuation was correct to start with.

**Consent.** It is essential that you advise and obtain consent to let your property from your mortgage lender, existing insurer and head lessee (for leasehold properties). Failure to obtain written consent from these parties may render your insurance void in the event of a claim. Sadly there have been many instances where buildings claims have been totally rejected because the insurer and or mortgage lender was not advised the property was let.

**High Risk Tenants.** Many mortgage lenders and general insurers will not grant cover if you intend to place certain categories of tenants in your property i.e. Student, Multiple single sharers and tenants in receipt of State Benefits.

**Employers Liability.** Usually buildings policies will provide an element of Employers Liability cover. This covers claims for death or injury to anyone you employ at your property i.e. a gardener, painter etc. If you are letting to students or to tenants in receipt of state benefit the university / local authority will normally require a minimum of £5m cover.

**Property Owners Liability.** It is also essential that your policy includes Property Owners liability cover to a similar limit to cover injury, death or damage to individuals on or adjacent to your property i.e. Postman, meter reader, council employee etc. Some basic low cost policies do not include any cover.

**Insured Events.** The main insured perils which should be included in the building policy should be:

- Fire
- Lightning
- Aircraft
- Explosion
- Smoke
- Impact
- Burst pipes or leakage of oil
- Storm or flood
- Malicious damage
- Subsidence
- Theft

Some policies will give the option of malicious damage caused by the tenants - a valuable option for let properties.

**Loss of Rent.** Most policies will compensate you for loss of rent following damage from one of the above perils if the property is uninhabitable usually 20% of the sum insured but some policies are up to 30%. (Not to be confused with Rent Guarantee policies).

### **Contents Insurance**

Most specialist insurers will offer the option of a full contents policy or a limited contents policy.

**Limited Contents Cover.** Most UK properties are currently let unfurnished / part furnished. A limited contents policy would typically give a fixed limit of around £5,000 of cover items such as: \*Carpets \*Curtains \*Sun Blinds \*Light fixtures and fittings \*Kitchen white goods on a new for old basis.

In addition to the normal insured perils most such policies will provide the landlord with Employers Liability and Landlords Liability in relation to the contents. Again, these limits need to be adequate and at least £5m.

Examples of injuries to tenants or their guests caused by defective cookers, light fittings and loose carpets have resulted in substantial compensation claims. It is strongly recommended even for sparsely furnished properties that landlords have at least this basic contents and liability cover.

Premiums for limited contents cover are quite modest at around £50-£70 per year. The liability cover alone is worth the peace of mind. Personal injury claims have increased by 85% since 1990 and awards of £100,000+ for modest injuries is not uncommon.

**Full Contents Cover.** If your property is fully furnished or the limited contents would cost more than £5,000 to replace, you should have a full contents policy. You would normally select the sum you wish to insure for; again this should be adequate to replace all of the contents on a new for old basis.

Over 50% of UK owner occupied properties are under-insured for the contents. Generally individuals place a value of what the contents are worth not what it would cost to replace them with new items.

### **Legal Expenses Insurance**

Even when using the services of a professional letting agent, problems with tenants can occur. In many cases the tenants personal circumstances have changed during the term of the tenancy.

Situations like loss of their job, failure of their business, a relationship break-up, accident or illness will effect the tenants ability to pay the rent or their inclination to move out at the end of the tenancy.

All these situations can be resolved but will usually involve a Court hearing and solicitors costs. Legal expenses insurance will usually cover all of your legal costs, solicitors/barristers fees, Court and bailiffs' costs. Most such policies will cost around £100 per tenant per year, which represents about an hour of a specialist solicitors time on a normal fee paying basis. The "average" legal cost of a possession hearing in 2001 was £785, many cost well over £1,000