



Association of British Insurers

# Common Questions About Home Insurance

April 2012





## Buildings Insurance

### Should I insure my building's structure for the market value or rebuilding cost?

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You should always insure your home for the cost of rebuilding it. The rebuilding cost will be different to the market value. The rebuilding cost does not allow for the value of the site the property is built on, because this is not insured. However, it does need to allow for rebuilding your home in its current form, including the cost of clearing the site and professional fees. The rebuilding cost could be higher than the market value (for example, if the property is built from stone which is no longer available locally or if it includes period or special architectural features). The rebuilding cost could also be lower than the market value.

Some policies now offer cover based on an overall limit for the rebuilding cost (for example, for a property with no more than five bedrooms, they may set a limit for a maximum rebuild cost of £400,000 or £500,000). As long as you are confident that this is enough to rebuild your home and cover the costs of clearing the site and professional fees, there is no need to work out a more accurate rebuilding cost. However, policies like this are unlikely to be suitable for flats or homes that are not of a standard build (for example, listed buildings or properties built from unusual building materials).

### How can I work out the rebuilding cost of my home?

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You can ask a qualified surveyor to work out the cost of rebuilding your home. There is also a calculator on our website (<http://abi.bcis.co.uk>) which may help you decide how much you should insure your home for. This may not be suitable if your home has special design features or is not of standard build. Do not forget to regularly check that your sum insured is high enough as rebuilding costs are likely to go up over time.

### Do I need to tell my insurer if I have major building work done, such as an extension?

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Yes. It is important that you change the amount of your cover to reflect any increase in the rebuilding cost of your home before any work is carried out. It is also important that you tell your insurer about any work that is being carried out that could increase the risk of damage to your home or its contents – for example if you are having an extension built, your home is being significantly refurbished or your home will be empty for any long period of time.

In some cases you may need to take out extra insurance, jointly in your name and the name of your contractor, to cover the building work while it is being carried out. It isn't necessary to tell your insurer about work inside the property such as decorating or replacing fitted units (for example, if you have a new bathroom or kitchen fitted). However, if this will affect the rebuilding cost of your home, you need to give them the new figure.

## **How do insurers define 'storm' and how do they decide if a storm has caused the damage to my home?**

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A storm is not just a period of bad weather, it is a period of violent weather, involving rain, hail, wind, snow, lightning or any combination of these. It can last for a short or a long time, and can affect a large or a small area, but in all cases it refers to a period of violent weather that is likely to cause damage to property. A period of bad weather which would not be expected to cause damage to a well-maintained property is not a storm.

Insurers will take account of a number of factors when considering whether or not damage has been caused by a storm (for example, whether or not the wind speed in that particular area at the time was strong enough to cause damage to property).

## **Will insurance cover damage that is caused when things wear out?**

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Home insurance policies will not cover wear and tear. They are meant to cover damage caused by sudden and unexpected events, not things wearing out, breaking down or failing because they have not been maintained properly. It is important that you look after your home and possessions and maintain the property well as home insurance is not a substitute for proper maintenance.

## **If I have suffered flood damage, will insurers repair or replace my home on a 'like for like' basis or will they agree to pay for repairs to my home in a way that will make my home less likely to flood in the future or to reduce the effects of future flooding?**

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Insurance is designed to put you back in the same position you were in before the damage happened. Your insurer will repair your property using materials that are similar to the ones that were damaged. If you would like your home to be repaired in a particular way, most insurers will try to do this, as long as you pay any difference in cost. They may even suggest using specific materials and methods which will help protect your property from future damage from flooding as long as this will not cost any more than standard repairs. However, repairs that will protect your home from flooding are often more expensive than standard repairs, so if you want your home repaired in this way you may have to pay the extra cost yourself.

Adapting your home to repel floodwater usually involves extra work and cost, such as fitting barriers over openings where the water could get in, and wouldn't automatically be part of work to repair your home. However, it may be possible to carry out this work at the same time as the repairs covered by the insurance as long as you are willing to cover the extra costs involved. For more information, please visit our website at [www.abi.org.uk/Publications/ABI\\_Publications\\_A\\_guide\\_to\\_resistant\\_and\\_resilient\\_repair\\_after\\_a\\_flood\\_670.aspx](http://www.abi.org.uk/Publications/ABI_Publications_A_guide_to_resistant_and_resilient_repair_after_a_flood_670.aspx).

## **Why does it take so long to repair flooded properties?**

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It can take several months to repair a property that has been severely damaged by flooding. The home may have to be decontaminated and cleaned, dried, repaired and redecorated, and this all takes time. Drying out the property can take many weeks. Trying to repair a property before it is properly dry is likely to lead to problems with damp and mould. We have prepared a guide on what to expect from your insurer if your home has been damaged by flooding. The guide is available on our website at [www.abi.org.uk/Publications/ABI\\_Publications\\_Responding\\_to\\_major\\_floods\\_What\\_to\\_expect\\_from\\_your\\_home\\_insurer\\_92a.aspx](http://www.abi.org.uk/Publications/ABI_Publications_Responding_to_major_floods_What_to_expect_from_your_home_insurer_92a.aspx).

## **If I have a builder I trust, can I insist that my insurer uses them?**

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Speak to your insurer. Most insurers are flexible when it comes to repairing your property and are likely to allow you to use your own builder as long as their quote is reasonable. However, you will also be responsible for making sure that the quality of the work is acceptable, and if there are any problems arising from poor workmanship these will be between you and the builder.

## **I have heard of an 'act of God' exclusion – what is this?**

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An 'act of God' refers to an event that was outside your reasonable control, such as a natural disaster. The term 'act of God' is not used in insurance policies, although many people think that it is. Insurers do not exclude any losses or damage caused by natural disasters and things outside your control, and your insurance will cover things such as fire, flood and theft.

## **Will my premiums be lower if I have improved security (such as good-quality locks) or smoke detectors fitted?**

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Many insurers and price-comparison websites will ask you about security measures before they offer you a quote for insurance. They will ask you questions, such as whether you have a good-quality burglar alarm, and will use your answers when they work out the premium they quote you. Homes with good security will generally be offered lower insurance quotes than the equivalent homes with poor security. In fact, some insurers may not offer quotes at all for homes with poor security.

# **Contents Insurance**

## **Is money automatically covered?**

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Most insurance policies will cover a limited amount of money (say up to £500) as part of your contents cover, but this will not include cash that belongs to your business. However, loss of cash will only be covered for the risks insured under the policy, including theft from the home. Policies may not cover money that is lost or stolen while you are carrying it on you as part of the standard cover (although some do). Usually this is provided as an extension to a standard policy and you would have to pay extra for it.

## What if my belongings are lost, stolen or damaged while they are with me away from home?

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Cover for your belongings while you are away from your home is not usually part of a standard contents policy, but your insurer will offer this as an optional extension which you would need to pay extra for. Usually, this extra insurance will cover items up to a limit that you choose, without the need to list your belongings individually on the policy. However, there will normally be a limit to the amount of cover for any one item.

Particularly valuable items may only be covered if they are individually listed on your policy. This might apply to bikes, laptops, mobile phones or MP3 players, and special conditions might apply (for example, cover for bikes away from your home is normally only provided when they are in your possession or are securely locked to an object that cannot be moved, such as a fence).

## I lost some valuables on holiday. Should I claim on my travel insurance or home insurance?

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You may claim under either or both policies, but you must not claim the overall value twice. To help you decide which policy to claim under, look at the different limits and exclusions that may apply on each policy, and check whether the policies have a no-claims discount that you don't want to lose. Whichever policy you decide to claim under, you must tell the insurer about the other policy and they may each pay a share of the claim.

## How much should I insure my contents for?

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It is extremely important to get this right as not having enough insurance can mean that all claims payments you receive may be reduced to reflect wear and tear, and in extreme cases your policy may not be valid. You should insure your contents for the amount it would cost to completely replace them with new items. As long as the amount you have selected is roughly correct, insurers will not unreasonably reduce any claims payments. Some policies now provide cover based on an overall limit (for example, £40,000 or £50,000) for the value of contents insured.

As long as you are happy that figure is higher than the amount needed to replace all of your contents as new, there is no need to accurately work out the replacement cost of your contents on this type of policy. In all cases the contents amount insured or limit that applies is the maximum amount that the insurer will pay if all of your contents are lost, for example in a fire which totally destroys your home.

If you follow the steps below, you should be able to work out the amount you need to insure for.

1. Go from room to room (don't forget the loft, garage and shed) writing down everything you have in each room. Make sure you include the following.

**Floor coverings:** carpets, rugs and so on.

**Furniture:** tables, chairs, settees, cabinets, bookcases and so on.

**Soft furnishings:** curtains and their fittings, cushions and so on.

**Electronics:** TVs, PCs, DVD players, satellite receivers, phones, music systems and so on.

**Appliances:** cooker, fridge, washing machine, microwave, vacuum cleaners, heaters and so on.

**Eating and drinking:** utensils, cutlery, china, glass, food, drink and so on.

**Valuables:** gold and silver, jewellery, furs, pictures, clocks, watches, cameras, ornaments, collections and so on.

**Sport and leisure:** sports equipment, books, bikes, DVDs, toys, musical instruments and so on.

**Garden and DIY:** garden furniture, mowers, ladders, tools, paint, fuel and so on.

**Linens:** tablecloths, towels, bedding and so on.

**Clothes:** shoes, coats, bags, suits and so on.

2. Then find out how much it would cost to replace every item with a new one of similar quality, at today's prices. The internet can be a very quick and useful way of working out how much things cost, but catalogues can be just as helpful. For things that are valuable and difficult to replace, such as antiques, you should get an expert valuation.

3. Check to see if any policy limits apply and tell your insurer about individual items that are worth more than the limits to make sure that they are fully covered.

4. Whenever you buy something expensive, such as a new lounge suite or a widescreen TV, remember to check the amount you are insured for and any limits that may apply and, if necessary, ask your insurer to amend your policy.

Update the list each year before renewing your insurance to keep the sum insured up to date. Making the list for the first time can take a while, but after that it takes less time to update it each year.

## If I leave my home empty for more than two weeks, will I still be covered?

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Check your policy wording. Most insurance policies will have conditions in them that relate to unoccupied properties. This is because you are more likely to need to claim on your insurance if your home is empty. Most insurers will want you to tell them if your property is unoccupied for a long time, say for more than 30 days in a row. In most cases, your insurance cover will be restricted automatically if your home is unoccupied for a longer period, for example loss or damage from theft, malicious damage and water damage is likely to be excluded. If you are planning to leave your home unoccupied for 30 days or more (or 60 days or more for some insurers) you must tell your insurer. Usually they will agree to continue to insure you, but they may insist that you take further precautions to protect your property (for example, they may insist that you ask a neighbour or relative to visit the property regularly to check that everything is OK). They may also be willing to consider not restricting cover if you pay an extra premium, as long as you take certain precautions.

## **Will valuable items and collections be automatically covered?**

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It depends. You should tell your insurer about any particularly valuable items you have as they may affect the premium you pay and the terms and conditions of the policy. If you do not tell your insurer about these items you may find it difficult to make a successful claim. Similarly if you have any valuable collections you should ask your insurer to name them in the policy. You may have to pay an extra premium in these circumstances.

## **Can I insist on a cash settlement?**

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Most insurance policies allow the insurer to settle a claim by repairing, replacing or paying for the items that are lost or damaged. Most insurers will choose to repair or replace items using their own network of suppliers. This helps to keep their costs down and means lower premiums for customers. However, if you don't want your insurer to replace an item, for example because it had a sentimental value that can never be replaced, the insurer will normally agree to make a cash payment. However, this payment will be limited to the amount it would cost the insurer to replace the item. Some insurers will settle a claim by giving you vouchers rather than cash so that you can replace the item with one of your own choice.

## **Can my insurer insist that I replace any stolen or damaged items using the supplier they choose?**

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Most insurance policies allow the insurer to settle a claim by repairing, replacing or paying for the items that are lost or damaged. Usually they will replace items as economically as possible and this is likely to mean using specific firms in their network of suppliers, who they have negotiated a discount with. If you want a different supplier to replace the goods, your insurer will normally agree to this as long as it doesn't significantly increase the cost.

## **I share my home with some housemates, why do some insurers not want to quote for my insurance?**

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Some insurers may not be willing to insure people who live as housemates because they don't operate in this section of the market. However, other insurers specialise in providing insurance for people who live as housemates so you may need to shop around to find the right cover for you.

## **Do I need to tell the police that I have lost my valuables before I can make a claim?**

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You should report the loss or theft of any valuable property to the police as soon as possible. It may be a condition of your insurance that you do this before making a claim.



## What does 'new for old' mean?

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'New for old' means that your insurer will replace your lost or damaged belongings with new items of the same type and quality as the originals, or they will pay you the amount it would cost them to replace the items.

## Buildings and Contents Insurance

### Will I automatically be covered for accidental damage?

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Check your policy as cover varies considerably. Many policies provide limited accidental damage as standard (for example, accidental breakage of fixed glass in buildings or furniture, accidental damage to toilets, cisterns and other fittings, and accidental damage to underground pipes and cables). Most insurers will offer extra accidental damage cover as an optional extension to a standard home insurance policy, although some policies may include it as standard. This extra accidental damage cover provides cover against all other 'accidental' damage, except for events that are specifically excluded, for example normal wear and tear.

### I pay my premium in monthly instalments – do I pay more by paying like this than if I paid the premium in one go?

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This will vary from one insurer to another, but these arrangements are often credit agreements which do mean that you pay a charge. However, the only way to compare the difference in cost is to get two quotes from the same insurer – one for paying in instalments and one for paying the full premium at once.

### What is the difference between buildings insurance and contents insurance?

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Buildings insurance covers damage to the structure of your home (walls, roof and so on) and outbuildings (garage, shed and so on) and its permanent fixtures and fittings. Contents insurance covers your belongings that you keep in your home. Usually, a buildings insurance policy will cover the things that you would leave behind if you sold your home, whereas a contents insurance policy will cover the things that you would take with you, but there are exceptions. Carpets and curtains are normally insured under a contents policy, whereas laminate flooring and fitted appliances are normally insured under a buildings policy. If you insure your buildings and contents with different insurers, check the policy definitions to make sure that they don't both exclude certain items such as television aerials or fitted appliances.

Also, if you are only responsible for arranging contents insurance for your home, for example because you live in a rented property, it is usually possible to insure any items that are normally covered under buildings insurance (for example, a garden shed or an expensive fitted kitchen or bathroom, which wouldn't be fully insured under the buildings insurance policy your landlord has arranged) by adding a special extension to your contents insurance policy.

## **My neighbour in the upstairs flat has had a leak. Will their insurance cover the damage to my flat or will I have to claim on my own insurance?**

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Your neighbour only has to pay for the damage if they are legally responsible for it, for example if they caused the damage by failing to take appropriate care. In most cases this is difficult to prove, so you are likely to have to claim on your own insurance. If you can prove that your neighbour failed to take appropriate care, your own insurer may try to recover the costs of settling the claim from them.

## **What is an excess and how does it work?**

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An excess is the amount of the claim which you have to pay. For example, if your claim is for £500 and you have a £50 excess, your insurer will pay you £450.

## **I have made a claim. Does this mean my premium will go up?**

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Not necessarily, but making a claim may mean you lose your no-claims discount. If you often need to claim under your insurance your insurer may set extra conditions and your premiums may go up.

## **I am having trouble getting household insurance, what can I do?**

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We have prepared separate advice for people who are having difficulty getting insurance. This is available on our website at [www.abi.org.uk/Information/Consumers/Household\\_Insurance.aspx](http://www.abi.org.uk/Information/Consumers/Household_Insurance.aspx).



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