



Association of British Insurers

Guide to Home Buildings and Contents Insurance

April 2012



What this guide is for – and how it works

We, the Association of British Insurers (ABI), have written this independent guide to help you find out whether you are properly insured and to explain what you need to know when you are choosing a buildings or contents insurance policy for your home.

Home insurance is changing. Most people now buy their home insurance online, either through a price-comparison website or direct from an insurer. The market is very competitive and insurers are working hard to provide their customers with the products that they want and need at the best possible price. They have also developed some optional extra products, cover and services to provide alongside the 'basic' or 'standard' home insurance product. This leaflet explains both what you can expect in your standard cover and the extra cover you might have to pay more for. When choosing home insurance you should think about the cover you are getting. It's not only the price that can vary from insurer to insurer and policy to policy – quality of cover can vary too. You may also want to think about the claims service insurers provide, and ask friends and family whether they have had a good experience with their insurer, especially when making a claim.

Before you go any further...

This guide should give you a good general idea of the different kinds of policy and what they cover. However, the best way to find out what your own policy covers is to read the policy documents. As well as the policy booklet, you should pay particular attention to the covering letter and the schedule. The schedule will set out any particular terms and conditions that apply to your policy, such as the excess (this is the amount you must pay towards the cost of any claim) or any particular home-security requirements you must meet.

These documents should be easy to read and understand, with no obscure small print – in fact, many insurers have won awards for their writing. The documents should also include a summary of what your policy covers. The summary will include the name of the insurer, the type of insurance (some of the differences are explained in this guide) and the features and benefits of the policy.

Talk to your insurance adviser, broker or insurance company (the policy booklet will tell you how to contact them) if you have any questions about what your insurance covers or how and when you can claim.

As we mentioned above, home insurance (sometimes called household insurance) is usually made up of two separate policies, one for the buildings and one for the contents. You can buy both policies together from the same insurance company, or you can choose to get the policies separately from two different insurers. You can buy policies in a number of ways.

- Direct from an insurance company – by phone or online
- Through a bank, building society or insurance broker
- Through a price-comparison website – although not all insurers list their policies on these.

What is contents insurance?

Contents insurance covers just about everything you would take with you if you moved house – furniture, carpets, curtains, kitchen equipment (freestanding, not fitted), clothes, televisions, computers and other home electronics and so on. Every policy has limits on how much you can claim, so you need to make sure that you are covered for the full cost of replacing the things you own.

What is buildings insurance?

As well as the structure of the property, a buildings policy covers permanent fixtures and fittings such as baths and toilets, fitted kitchens and bedroom cupboards and the decorations inside your home, including wallpaper. Buildings policies usually also include garages, greenhouses and garden sheds at your home. However, cover can differ between different insurers (for example, some policies may not cover things like boundary walls, fences, gates, paths, drives or swimming pools), so it is important to check whether policies meet your needs.

A legal contract

An insurance policy is a legal contract between you and the insurance company. It places legal obligations on both you and your insurance company. The insurance company's obligation is to cover you against loss, damage or legal liability as explained in the policy. Your obligation is to answer all the application questions honestly, to give the insurance company all relevant information, to pay the policy premium, keep to the policy conditions and do everything you reasonably can to prevent injury, loss or damage.

What risks are not covered by a home insurance policy?

A home insurance policy does not cover the upkeep of your property and is not a substitute for keeping your home well maintained and in a good state of repair. Simple tasks (such as checking and clearing gutters and making sure water pipes and tanks are insulated) can reduce the chances of you needing to make a claim.

What risks are covered as standard?

Policies do vary, but most of them cover loss or damage from the following.

- Fire, explosion, lightning or earthquake
- Subsidence, heave or landslip
- Storm and flood
- Malicious damage
- Theft or attempted theft
- Water leaking from tanks or pipes
- Falling trees or branches
- Television, radio-signal or satellite apparatus breaking or collapsing
- Riot
- Impact by aircraft, other flying devices, or any vehicle or animal
- Oil leaking from heating systems.

Some policies also cover the cost of you finding somewhere else to stay if you have to move out of your home while repairs covered by your insurance policy are carried out. This cover is normally limited to a fixed amount or to a percentage of the sum insured.

Other examples of cover which may be included as standard

Your policy may also cover the following:

- Loss of or damage to food in a freezer
- Replacing the locks if you lose your keys or they are stolen
- Loss of metered oil and water.

Things that you are likely to have to pay extra for

For an extra premium, you can also extend your policy to provide wider cover. On some policies the level of cover set out below may be included as standard, so please check your own policy or speak to your insurer, broker or insurance adviser if you are in any doubt.

Here are the most common types of extra cover for accidental damage.

- Accidental damage to underground pipes or cables serving the building and accidental breakage of fixed glass in windows (this is often, but not always, included in the standard cover).
- Other accidental damage cover for buildings covering problems that you could not have predicted, such as putting your foot through the ceiling when you are in the loft.
- Cover for accidental damage to televisions and other audio and video equipment (often referred to as home-entertainment equipment) while it is in your home and accidental breakage of fixed glass in furniture.
- Accidental damage cover for all other contents while they are in your home.
- Accidental loss or damage cover for personal possessions that you take out of your home with you (for example, items such as clothes, jewellery, cameras and sports equipment). This type of cover for personal possessions will cover items up to a set limit, but you may need to specify expensive items (such as jewellery) that are particularly likely to be stolen, lost or damaged when outside your home.

Many household insurance policies will also offer legal expenses cover as an optional extra (although some may offer it as part of the standard cover). Legal expenses insurance usually provides access to legal advice, and cover for the legal costs of claiming compensation after an accident that was not your fault or for taking or defending certain legal actions. This is normally restricted to incidents such as those related to your personal injury, loss or damage to your property, disputes you are involved in as a consumer, and disputes about your home or employment.

Insurers may also provide identity theft cover as an optional extra. This provides financial compensation to you for the cost of reclaiming your identity and amending your credit records if someone steals your identity.

You may also be able to take out home emergency cover for an extra premium. This covers the cost of calling someone out to deal with the emergency, for example if your boiler has broken down, the repairs and labour, and may include cover for the cost of overnight accommodation if you cannot stay in your home because of the emergency. There will be a limit to the amount of cover for each emergency.

Legal liability cover

Buildings and contents insurance also covers some of your personal liabilities, for example if someone injures themselves while visiting your home and you are found to be legally responsible for the cause of the injury. Your contents policy will also normally provide personal liability cover for you and members of your household when away from your home.

Working out how much to insure your buildings and contents for

The sum insured is the maximum amount the insurance company will pay out if your home and its contents are destroyed by an insured risk. You need to make sure that this is enough to replace everything you lose. It needs to be enough to cover the cost of rebuilding your home (this is different from the market value of the property) and the cost of replacing all your contents and personal belongings by buying new items (see 'New for old cover' below).

Some insurers no longer ask you to specify sums insured as they provide automatic cover up to a set limit, say £500,000 for buildings and £50,000 for contents. However, it is still your responsibility to make sure that this is enough to cover the full cost of rebuilding your home and replacing the contents. If you need a sum insured above the set sum insured limits, ask your insurance adviser, broker or insurance company to arrange more appropriate cover for you.

We have worked with the Building Costs Information Service (BCIS) to provide more advice on rebuilding costs and a rebuilding costs calculator, which you can find at <http://abi.bcis.co.uk>. This calculator is suitable for most standard properties. However, if you believe your home is not of standard build, for example, if your home is made from unusual material or is a listed building, you may need to ask a surveyor to work out your rebuilding costs.

Your valuables and higher-risk items

There is usually an overall limit that applies for valuables such as works of art, ornaments, jewellery and sometimes high-risk goods such as electronic equipment. There is also likely to be a limit for each item. It is important to check that these limits are enough to cover your valuables. Your insurer could agree to raise the overall limit and to insure items above the limit for each item if the items are individually listed on your policy, though you might have to provide an up-to-date valuation for expensive valuable items if a price can't easily be found from a price list. Other limits may also apply to things like cash in the property or which you carry outside your home.

What is excluded?

Some items or risks are specifically excluded (not included). These exclusions will be explained in your policy booklet, but here are some examples of the general exclusions that apply to most household policies.

- General wear and tear
- Maintenance
- Faulty workmanship
- Mechanical or electrical breakdown
- Any amount over the limits shown on your policy schedule or in your policy
- Restricted cover when the home is empty or is let to tenants

There will also be specific exclusions that apply to your policy. Here are some examples.

- Loss or damage caused by malicious acts, and water leaks or theft if you have left your home unoccupied for a long time, for example, 30 days in a row. (This is a common exclusion).
- Theft, if you have let out your home (unless the theft involves violent or forced entry). This is often excluded because giving other people access to your home makes it less secure.
- Storm damage to fences or gates.

Check your policy booklet to see what is covered and what is excluded, so that you can be sure that your policy will pay out if you need it to.

Excess – the part you pay

The part of the claim that you pay before the insurance company steps in is called the excess. If, for example, a burglary costs you £500, and your excess is set at £50, your insurance company will pay £450 of your claim. Insurers may set different excesses for different sorts of claims, so check your policy.

Some insurers may offer a reduction in premium if you accept a voluntary or extra excess on all claims – the bigger the excess, the bigger the discount. The voluntary or extra excess will apply as well as any standard or compulsory policy excess.

Insuring flats and maisonettes

If you live in a flat or maisonette, we recommend that you insure it together with the other owners in your block under a single buildings insurance policy. This avoids complications and makes sure you have the most appropriate cover, for example, cover for shared areas (stairs and entrances and so on).

Don't forget to take out separate contents insurance, based on your own needs.

It can be complicated to work out your own insurance needs, and you may need to speak to your insurer or broker.

New-for-old cover

Most policies are written on a 'new for old' basis which means that if something is stolen, damaged beyond repair or destroyed, the insurer will pay the full cost of replacing the item with an equivalent new item (they may pay you a cash lump sum if they cannot replace the item). Some insurers may reduce the amount they pay for some items to cover loss in value due to wear and tear, for example when dealing with claims involving clothes and household linen.

Advice

If you need advice about anything to do with your insurance policy, talk to your insurance broker, adviser or insurance company.

How to protect your home

An insurance payment won't compensate you for the distress and inconvenience of the loss following a claim – and some things can never be replaced by money because they were unique and had a special sentimental value for you. That's why prevention is better than cure when it comes to insurance. The advice below may help you to avoid a claim.

Security

Fit strong locks on doors and windows, and use them. The ABI and Home Office's Insurance Advice on Home Security is helpful and can be found at www.abi.org.uk/homesecurityadvice.

Some insurance companies may insist that you take certain minimum security precautions, such as fitting and using good-quality locks on all doors and windows.

Water

Insulate pipes and tanks to stop them from freezing in cold weather. Make sure your mains water stopcock works easily in case you need to turn off the water to stop a leak. Tell everyone in your household where it is and when to use it. Consider fitting a device that will automatically cut off the water if there is a leak.

Floods

If you live in an area that is at risk of flooding, follow the advice on the Environment Agency's website at www.environment-agency.gov.uk/flood and sign up to their flood-warning scheme by calling 0845 988 1188. You can also get advice on protecting your home from flooding from our leaflet 'Repairing your home or business after a flood – how to limit damage and disruption in future'. Also consider arranging to have an individual flood-risk assessment carried out by a professional, and carry out the recommendations they make to reduce the future risk of flood damage to your property.

Fire

Install smoke alarms and test these regularly.

Trees

On some types of soils, particularly clay, the soil can shrink if it does not get enough water and this can cause damage to your own or a neighbour's property. Trees can significantly influence this, especially if they are planted too close to buildings, so we recommend you get professional advice before planting or cutting down trees.

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