

Household and Property Insurance

The house you live in is one of your most important assets or investments, the householder must have a household and property policy to protect your asset against loss or damages caused by accidents and legal responsibility. For sample if a broken tile from your roof fell and hurt a third party – the damages liability can be very substantial. This is a common condition that your Bank/Lender demand a valid and effective household policy in place before the mortgage loan can be completed. You do not have to buy the household policy from your lender. The terms and condition for household policy are complicated and competitive, it is best to acquire the service of an insurance broker who has the technical knowledge and expertise. A trusted broker can source the most suitable policy for you. Don't purchase insurance based on the cheapest premium. It may not fit your needs and you may lose out completely!

There are two main types of household insurance policies:

Building Insurance

This policy protect against damage to the structure of your home together with its fixtures and fittings, such as flooring and built-in cabinets. This also includes outbuildings such as garage.

The property should be insured for the full rebuilding cost (including the professional fees and cost of site clearance) and not for the market value. The valuation report should give you the rebuilding cost or ask your insurance broker. The insurer may index the property insured sum each year to reflect the increase in rebuilding cost due to inflation. Some insurer will cover the building up to a notional insured sum; say £300,000 or £500,000.

The postcode is the base upon which insurers calculate premiums. A number of other factors are taken into account when calculating the full premium such as the sum insured, extent of cover, the policyholder's previous claim history. Areas affected by flooding and subsidence will attract a higher premium.

Contents Insurance

Content insurance protects against damage or loss of the possessions that you would normally take with you if you moved. This includes furniture, carpet, household equipment, decoration items, collections and personal items.

The sum insured is by estimating the total value of the possessions. Some insurer may set a maximum insured amount according to the number of bedrooms. All contents are covered within the maximum limit. In most case, individual items exceed £1,500 or £2,000 should be listed out for future reference.

The insurer may index the property insured sum to reflect the increase in rebuilding cost due to inflation.

The sum insured is the base upon which insurers calculate premiums. A number of other factors are taken into account when calculating the full premium such as the postcode, extent of cover, the policyholder's previous claim history. Areas with high theft/burglar rate will attract a higher premium.

Other Additional Insurance

The risks for which you are covered are listed in your policy. However, for an additional premium, you can widen your policy to cover:

Subsidence – cover against damage to building due to subsidence, landslide, and heave

Personal Possessions – protect against loss and damage of items which you regularly take out of house, such as watches, cameras, binoculars, laptops etc.

Accidental damage – protect against damage of own accident, for example if you spilt a tin of paint on the carpet.

Aspects of Cover

Both Building and Content Insurance cover against a stated list of perils, for example: fire, storm, flood, lightning, explosion, riot, malicious damage, theft, earthquake, impact by aircraft, road and rail vehicles, and escape of water. Building Insurance also provides cover for your legal liabilities as a homeowner and occupier.

Wear and tear, electrical or mechanical breakdown and gradual deterioration will not be cover as specifically stated in the policy document.

Important Notes

1. All insurance policies set out clearly the risks they do and do not cover. Read your policy and make sure that the cover provided meets with your requirement.
2. The sum insured must represent the total value of the property and/or content. If underinsured, the insurer may only pay out the claim at pro rata basis but not the full insured amount.
3. Content policy usually states that the total high value content does not exceed 1/3 of total sum insured. For example: the content sum insured is £30,000, then the total value for high value items (such as jewellery, watches, fur, collections) cannot be greater than £10,000; whilst the maximum limit for each item not greater than £1,000 or £2,000
Of course you can increase the sum insured to your needs by paying an extra premium.
4. Insurer usually wants to see evidence of ownership and value of property which has been lost or damaged. It is important to keep, if possible, receipts and professional valuations. Keep the damaged items in case the insurer wants to see them.
5. The excess amount can range from £50 to £200 for general claim, from £1,000 for subsidence claim and from £2,000 for flood claim.
6. Insurance policy does not cover wear and tear, gradual deterioration and depreciation. Homeowners have a duty to exercise reasonable care and maintain the property in reasonably good condition to prevent avoidable damage.
7. If the property being unoccupied for more than 30 days, insurer will not cover damages of theft, escape of water or malicious damages which happened during the unoccupied period.
8. Some insurers require the installation of approved security and/or minimum security fittings before providing cover. The premium can be discounted if additional security measures, such as alarms linked with policy and neighbourhood watch, are in place.
9. Must inform the insurer as soon as possible if the purpose/use of the property has changed, e.g. unoccupied, let out, for commercial use. The policy may become void if the insurer does not agree with the change. Change to Let Property or Commercial Insurance whenever suitable.