



## New Landlords

A guide through the Insurance maze

# Hi,

While recent legislation has resulted in a more challenging marketplace for property investors, for many of us, the idea of investing in bricks and mortar remains far more appealing than the stock market and other investment vehicles.

Others may well become what is often termed an ‘accidental landlord’ as personal circumstances change and choose to, or have to, let a property.

Regardless of the circumstances behind the decision to become a landlord, you need to do your research before jumping into the private rental market. There is a long list of things to think about including whether a buy-to-let mortgage will be needed to help fund the investment, where to buy if you’re not letting out a property that you already own, whether to use a letting agent to act on your behalf or manage everything yourself – and of course you will need to get up to speed on the tax rules that apply to landlords.

This ebook is brought to you by:



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There is a huge array of advice available from a range of sources including the ‘Money Advice Service’, personal finance writers in the national press and the likes of ‘Which?’. It’s also worthwhile considering joining one of the professional bodies in the private rental market, for example the Residential Landlords Association, who can provide specific expertise in the sector to help you do the right thing not just for yourself but also your tenants.

However, this investment is likely to be a significant step for you so it is vitally important to make sure that you have the right protection in place to protect it. And it’s not just the bricks and mortar you need to protect. How would you manage if the property was empty for a few months or your tenant simply didn’t pay their rent?

The insurance maze is perhaps trickier to navigate for a new landlord than it is a new homeowner. To help guide you through the twists and turns, we’ve put together a brief – and hopefully easy to understand – walk through of the essentials.



## Protecting the Bricks and Mortar



If you have a buy-to-let mortgage, your lender will insist that you have adequate buildings insurance to cover the cost of rebuilding the property should the worst happen. If you're fortunate enough to own the property outright, you should still think seriously about how you would pay for repairs in the case of flood, fire or damage.

# Landlord's Buildings Insurance

However it's unlikely that a standard home insurance policy would be sufficient. Some insurers may refuse to extend normal household cover for a rental property. Some mortgage providers may insist on specific buy-to-let buildings insurance. It is important to make sure you have the right level of cover required.

Just like traditional buildings insurance, landlord's or buy-to-let insurance covers the actual structure of the property – so the walls, the roof, the windows the flooring, service pipes and outbuildings like a shed or garage. It also includes the permanent fixtures such as the kitchen cupboards and bathroom suite.

Buildings insurance is all about covering the cost of repairing or rebuilding your home if it is damaged by events such as fire, flooding, storms, frozen or burst pipes, subsidence, theft and vandalism.

It is important to insure the property for the right amount that it would take to completely rebuild it should it be razed to the ground by fire for example. This isn't the same as what you paid for it or the current market value. Rebuild costs are typically less. As few of us are qualified building surveyors, the Association of British Insurers (ABI) has an online calculator on its website. It's important to work out an accurate cost as if you insure your home for too much, you could end up paying over the odds. Likewise, if you go too low, you could find yourself facing a big bill to top up any rebuild should the worst happen.

Some insurers offer unlimited cover so you don't have to worry about this and others work out the value themselves based on the huge amount of data they have built up over the years. Either way, it's useful to know to help you shop around and find the right cover for

## Protecting the contents



If you are going to rent out a property furnished – which could simply include carpets, curtains, light fittings and things like fridges or washing machines – then you should also consider taking out landlord contents insurance.

# Landlord Contents Insurance

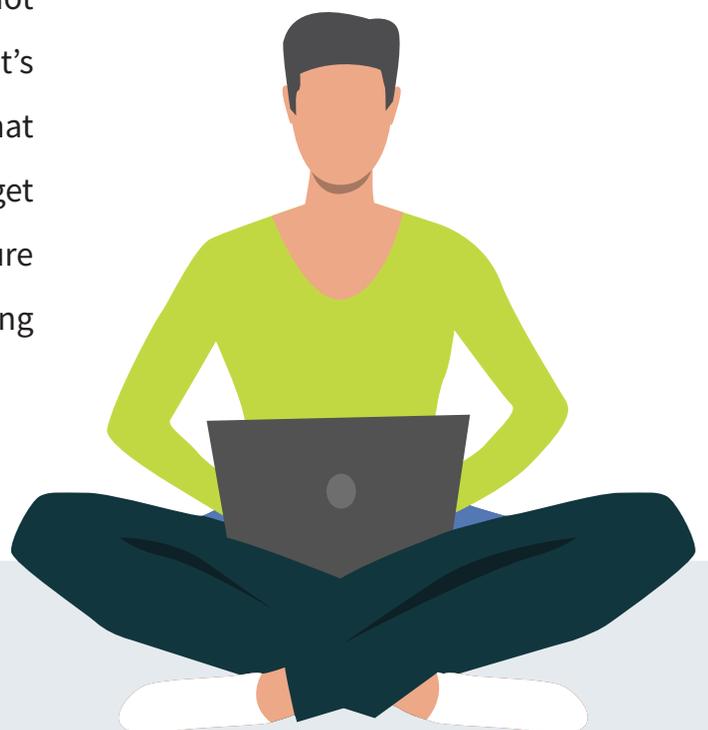
This will not only cover the cost of replacing or repairing the possessions you leave in the property, but it will also extend to covering damage caused by the tenant. Accidents will happen and not all tenants are as careful as you might like to think!

Unfortunately, no matter how rigorous the vetting process may be, there is the chance that you'll find yourself with a problem tenant who may intentionally damage your property. Not all policies will include cover for malicious damage so it is worthwhile checking the small print otherwise you could end up having to fork out for any repairs and replacements yourself.

Just like buildings insurance, it's important to get the total sum of contents insured right. The most effective way to do it is to go round, room by room, and make an inventory of the possessions you have in each one, and in any outbuildings if applicable, and tot up the total value.

## What about Tenants' possessions ?

The good news is that landlords are not responsible for insuring their tenant's belongings – but we would recommend that you let them know that they will need to get their own cover to avoid any potential future argument should something go wrong during the course of the tenancy period.



# The additional benefits of Landlord insurance

As a landlord, you have to think about protecting more than just the structure and content of the property that you are renting out.

## Property owner's liability

It's your responsibility to make sure that the property is well maintained and complies with the various regulations that are in place covering rental homes. If a third party or their property is subject to loss, damage or injury following an accident either in or on the premises that you are renting out, or if the cause is linked to your premises, then you may be legally required to pay compensation. Most specialist landlord policies will include cover to meet these expenses.

## Loss of rent

It's a good idea to choose a landlord policy that includes cover for the loss of rent or buy a separate add-on. This will cover your lost rental income if your tenants have to move out if a flood makes the property uninhabitable.





## Employers' liability cover

You probably won't have a dedicated team of people working on your property all the time unless you have an extensive investment portfolio – however you may employ people on a casual basis such as a handyman for the odd repair or gardener to keep the outside in good order. If they injured themselves on your property due to it being poorly maintained, then they could seek compensation. Employers' liability cover will provide you with cover for any legal expenses and compensation claims and can be included in specialist landlord insurance policies.

# The Added Extra's

There are a few additional covers that are worthwhile either adding on to your landlord's insurance policy or buying separately.

Rent guarantee is often confused with but is, in fact, very different to loss of rent insurance cover. Rent guarantee will cover loss of income if the tenant defaults on their rent payments. Even the most reliable tenant can find themselves short of cash if they fall ill unexpectedly or have an accident, so this insurance can provide a valuable lifeline to a landlord and ensure they're not out of pocket – particularly important if there is a buy-to-let mortgage to pay each month yourself.

## Unoccupied property

All landlords run the risk of their property being empty between rental periods or perhaps while any renovations take place. Most insurers view a property as being unoccupied if no-one has lived there for 30 consecutive days. An empty property is more at risk of burglary or vandalism or weather related damage, so it's important to be able to extend cover with specific unoccupied property insurance, to make sure you have protection during any periods where the flat or house isn't rented out.





## Legal expenses

While some policies such as employers' liability include cover for legal expenses, as a landlord you could find yourself facing all sorts of different disputes from the ownership of a fence to overhanging tree branches or dense hedges to defective workmanship by trades people. Legal expenses insurance can help cover the costs of hiring a solicitor.

If you are renting out a property, you're ultimately looking to make a return on your investment and so it is important to protect that investment with the right level of insurance cover to meet your needs.

There is a lot of choice out there from the different insurers to the different types and levels of cover, and it's important that your decision isn't driven by the premium paid alone. The saying that you get what you pay for is particularly true when it comes to insurance. So whether you're a first time landlord or a seasoned property investor, we always recommend discussing your insurance requirements with your financial adviser as they are well-placed to help you find the right level of protection.

# Got a question for us?

## Broker contact details



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