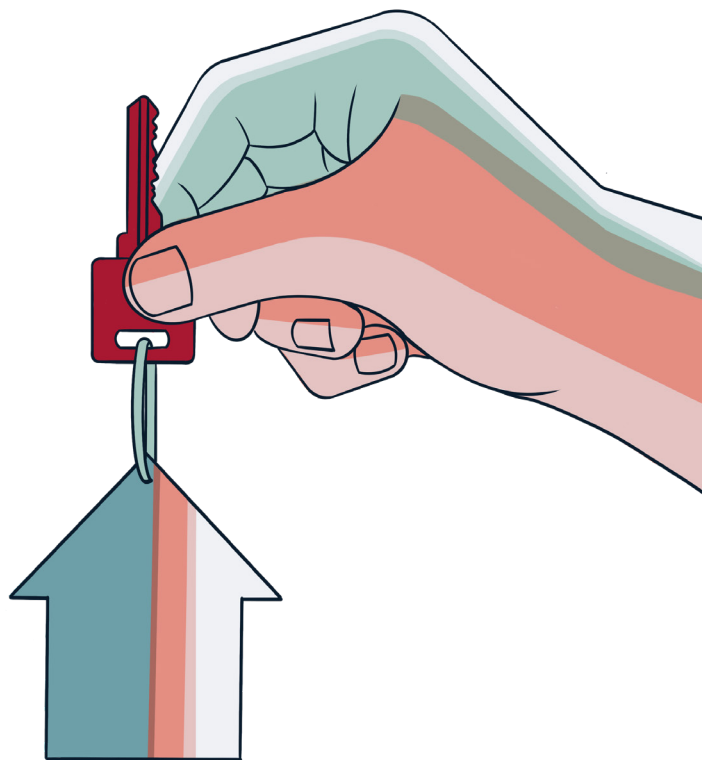


# LET PROPERTY *insurance* BASICS

Read time: 10 mins



# Hello,

Let Property insurance is not compulsory however some Lenders may make it a requirement when taking out a buy-to-let mortgage. In this instance, landlords need a particular type of insurance for properties they rent out to tenants.

Let Property Insurance cover includes the same type of protection as the usual house insurance, such as cover for buildings and contents in the event of a range of circumstances.

Let property Insurance policies can include:

- » Buildings
- » Contents
- » Accidental Damage
- » Loss of Rent
- » Rent Guarantee
- » Malicious Damage
- » Theft by Tenant

This guide will explore the basic features of let property insurance in more detail.

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Learning *lab* 

# Let Property Insurance

## Buildings Cover

Just like buildings insurance for a household policy, let property buildings insurance provide cover for:

- » The actual structure of the property:  
i.e. walls, the roof and windows.
- » Permanent fixtures such as kitchen cupboards and the bathroom suite
- » Service pipes
- » Outbuildings like a shed or garage



**The policy wording needs to be checked for each policy to determine cover.**

Some insurers may include other perils within the standard cover subject to certain limits such as:

- » AD to underground pipes and cables
- » Ground rent
- » Damage by emergency services
- » Trace and access
- » Loss of metered water, oil or gas
- » Loss of keys

# Let Property Insurance

## Buildings Cover - Perils

As with Household Insurance, Landlords Building Insurance provides cover for standard perils such as:

- » Fire, lightning, explosion, earthquake or smoke
- » Storm or flood
- » Escape of water
- » Malicious acts
- » Theft or attempted theft
- » Subsidence



# Let Property Insurance

## Contents Cover

The contents section of a Let Property Insurance policy is different to that of a standard household policy.

Contents are usually referred to as:

***The landlords' contents or contents of the common parts for which the landlord is responsible.***

Some of the standard contents covered under a standard household policy are excluded in a landlord policy - things such as valuables and clothing.

The contents section of a policy will not only cover the cost of replacing or repairing the possessions a landlord leaves in the property, but it will also extend to covering damage caused by the tenant.



**Definitions vary between insurers, so it is important that you and your client are aware of what is included if contents is taken out.**

# Let Property Insurance

## Contents Cover - Perils

As with Household Insurance, Landlords Contents Insurance provides cover for standard perils such as:

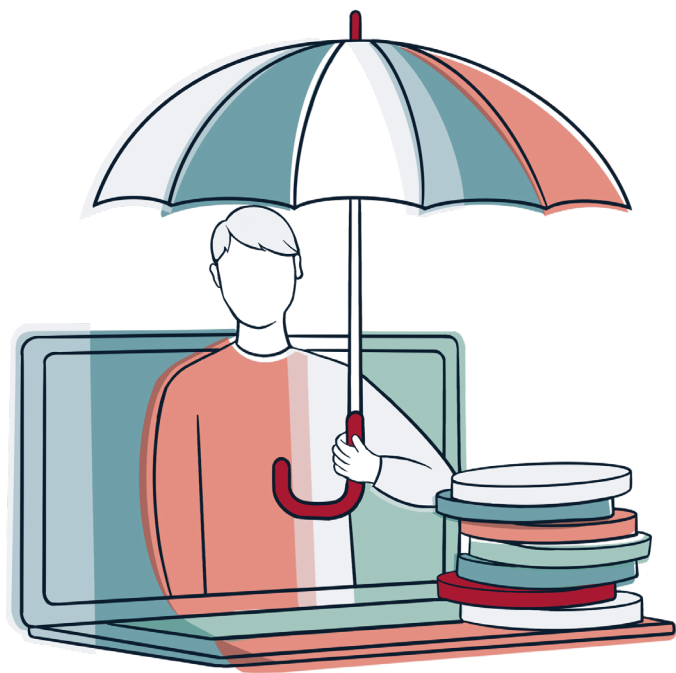
- » Fire, lightning, explosion, earthquake or smoke
- » Storm or flood
- » Escape of water
- » Malicious persons
- » Theft or attempted theft
- » Subsidence

Some insurers may include other perils within the standard cover subject to certain limits such as:

- » Replacement locks
- » Loss of metered water, electricity, gas and heating oil
- » Alternative accommodation costs whilst the premises are uninhabitable



**The policy wording needs to be checked for each policy to determine cover.**



# **LOSS OF RENT** & Rent Guarantee

# Loss of Rent

## What is covered?

Loss of rent is a standard feature that protects any rent the landlord cannot collect if the property becomes uninhabitable due to damage caused by a peril covered by the policy and the tenant has to move out.

Damage from flood or fire and the like can make a property uninhabitable. It would be unreasonable to expect a tenant to pay their rent if they're forced to move out. Loss of rent cover will cover the income lost by the landlord in such an event.





# Rent Guarantee

## What is covered?

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.

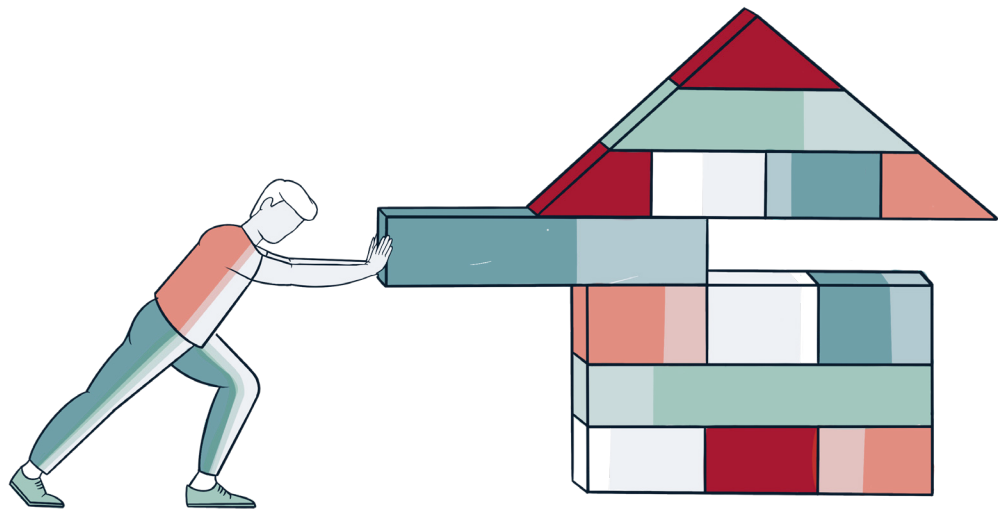
Rent Guarantee protects landlords against loss of rent where a tenant is unable or refusing to pay rent and falls into arrears.

However, landlords and tenants will have to meet certain criteria for a tenancy to benefit from this cover.



**This is an optional additional cover and is limited to an indemnity period which is chosen by the insured.**





# OTHER COVER

## Features

# Other Cover Features

## Property Owner's Liability

Property Owner's Liability will cover the landlord against tenants who may try and sue them for an accident that occurs on their property.

**It's the landlord's 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 tenant or their property is subject to loss, damage or injury following an accident either in or on the premises that the landlord is renting out, then the landlord may be legally required to pay compensation.

This element of the policy covers the costs if the insured is legally liable to pay compensation (including claimant's costs and expenses) for the following:

- » Accidental death, bodily injury or illness of any person at the insured property
- » Accidental damage to property that does not belong to the insured or their employee(s).



# Other Cover Features

## Malicious Damage

No matter how rigorous the vetting process, landlords can find themselves with problem tenants who intentionally cause damage to their property.

If they don't have cover for malicious damage inflicted by troublesome tenants, they will have to fork out for repairs and replacements themselves – something that could cost thousands if the damage is particularly bad.



**Not all policies will include cover for malicious damage, so it is worthwhile checking the policy wording.**



# **UNOCCUPANCY & RENOVATION** Conditions

# Unoccupied property

## Definition & restrictions

Most insurers view a property as being unoccupied if no-one has lived there for 30 consecutive days meaning that the empty property is more vulnerable to risk due to burglaries, vandalism or weather-related damage. It's possible to extend cover with unoccupied property insurance to make sure it is still properly protected.

The most common elements that are automatically excluded after the given period are:

- » Riot, civil commotion, strikes, labour disturbances or malicious persons
- » Escape of water
- » Damage to the building following theft or attempted theft
- » Damage to the building as a result of a leakage of fuel



# Unoccupied property

## Conditions

An unoccupancy condition sets out the obligations of the landlord in mitigating any losses whilst the property is unoccupied.

It could be that the policy allows unoccupancy for 60 days without any reduction in cover however the unoccupancy condition is effective after 45 days.

Typical conditions specify that:

- » All services to be turned off at the mains except electricity where it is need to maintain any fire or burglar alarm systems
- » Water and heating systems should be drained
- » The property is adequately secured against unauthorised entry
- » Weekly inspections of the property to be made by the landlord or a responsible person on their behalf
- » Any accumulation combustible materials such as junk mail/ newspapers are removed at each inspection



# Renovations

## Definition & restrictions

In some cases, a landlord will purchase a property with the intention of renovating it prior to letting it out to tenants. Most insurers will accept a policy on this basis by either placing restricted cover on the policy or charging an additional premium.

It is the insured's responsibility to let the insurer know of any change in circumstances, so once the renovations have been completed and the property becomes occupied, they are required to let the insurer know.

Usually, full cover can then be reinstated and in some instances the premium adjusted.



**The conditions will vary between insurers so it is important that policyholders are made aware of their obligations should the property become unoccupied for longer than the specified timeframe as set out in the condition.**



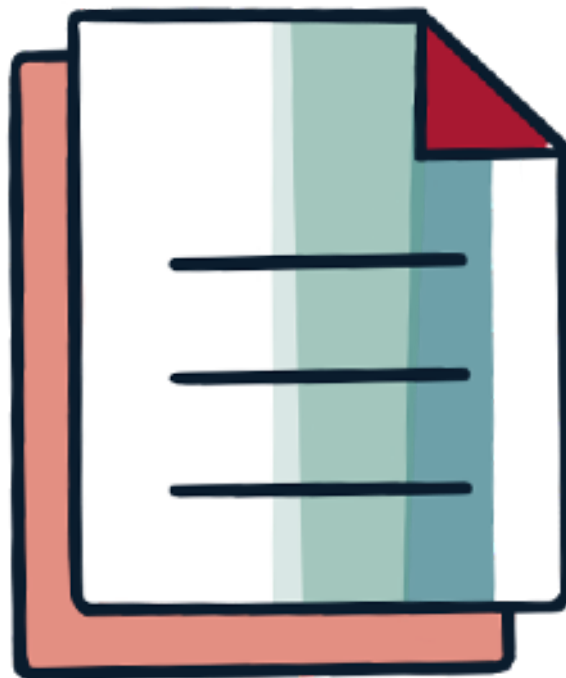


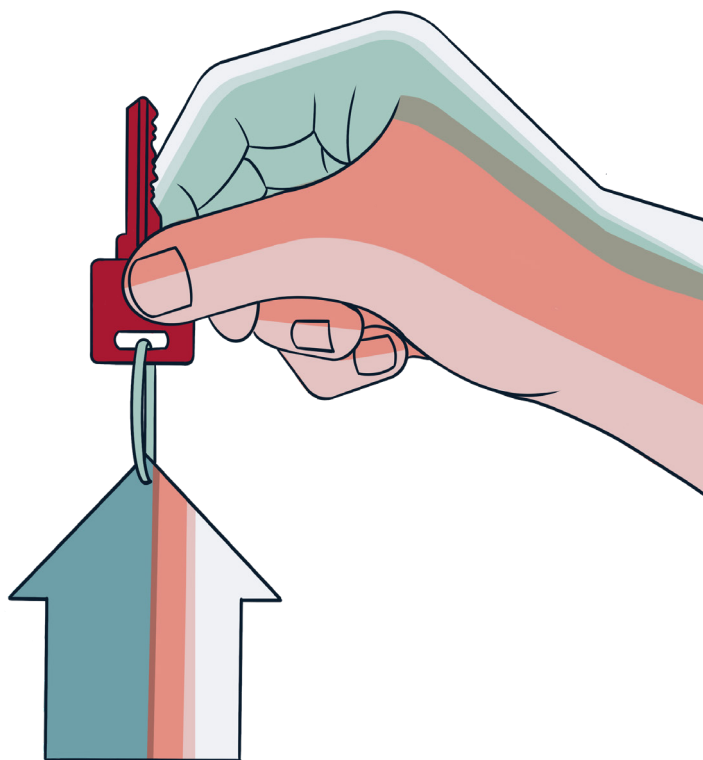
# Non-invalidation clause

## What does it do?

In most policies there is a requirement for the policyholder to notify the insurer of anything that might increase the risk – the landlord who owns the property however might not be aware of something that the tenant has done or is doing that could invalidate the policy.

For example, the tenant may not inform the landlord or letting agent that they have sub-let the property or vacated the property and left it unoccupied. Both examples could trigger exclusions of cover on the policy. A non-invalidation clause helps to protect the landlord in such circumstances.





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