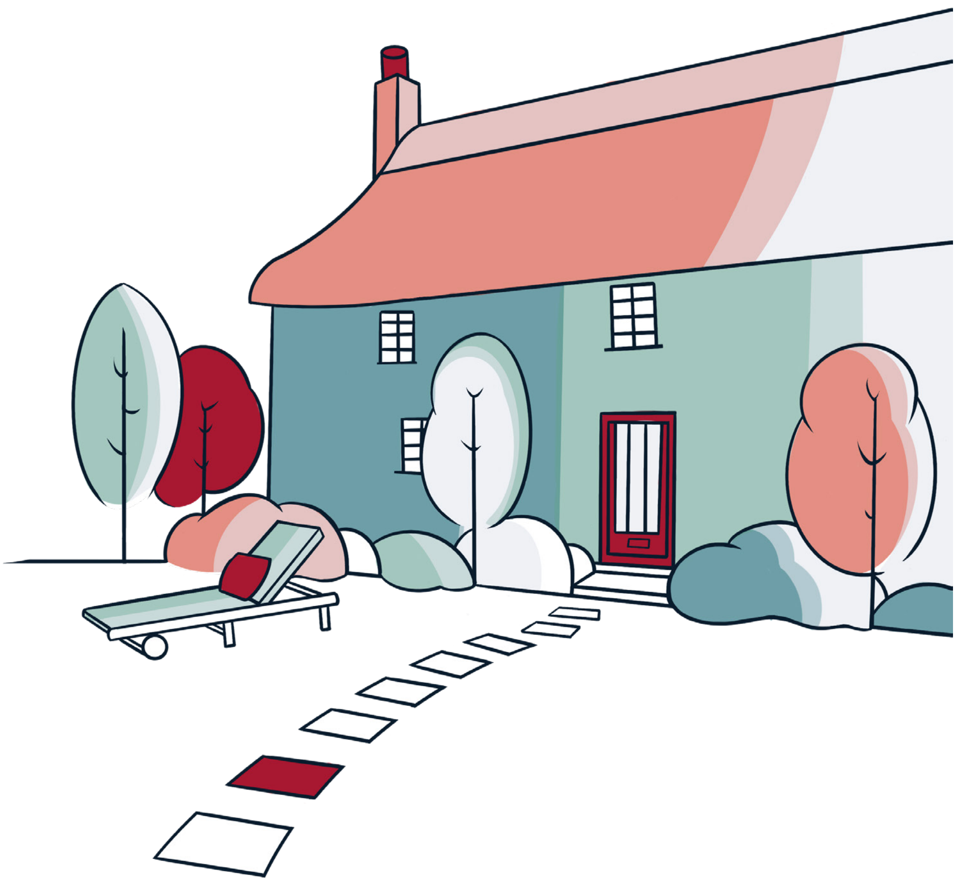
NON-STANDARD HOUSEHOLD *insurance*

Read time: 12 mins



Hello,

Non-standard home insurance is a catch-all term covering all sorts of houses that won't be protected under standard home insurance.

It applies to houses that aren't built in the usual way, for instance, if they have a thatched roof. Likewise, it's useful for homes in risky locations, such as known-flood risk areas.

Non-standard home insurance is also required when a proposer has certain personal circumstances, such as past convictions or bankruptcy.

This guide explores the key definitions and cover of a non-standard household insurance policy. It also examines the risk factors considered by household insurance underwriters in more detail.

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Learning lab

Non-Standard Risks

Construction type

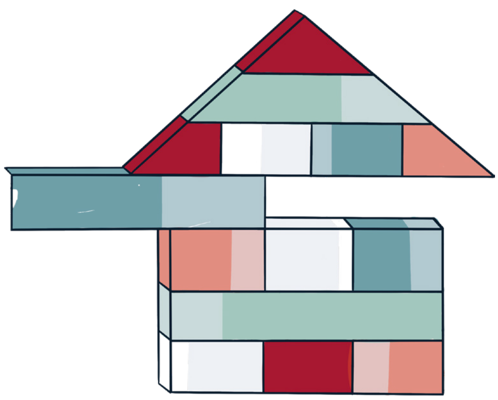
Ideally, an insurer would like to insure a property made of modern materials as these tend to conform to many fire retardant and safety standards.

Non-standard construction types are usually more expensive to repair or rebuild than a 'standard' property.

This is either because the materials are rarer or more expensive to make or require specialist skills and craftsmanship to repair or replace.

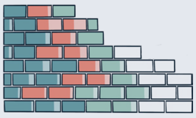
In addition, many non-standard constructions require more maintenance than usual, or their materials may just be more prone to damage.

All of these factors increase the risk that the insurer will have to pay out, which drives premiums up.



Non-Standard Risks

Construction type

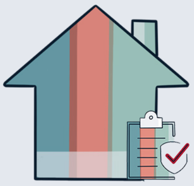


Construction materials

Generally, any property not predominantly built of brick or stone with a pitched tile or slate roof is likely to be considered non-standard. The use of timber, plastics, thatch, or anything flammable plus the existence of asbestos, high alumina cement or composite panels would need to be declared to the insurer within the quotation by answering the relevant questions.

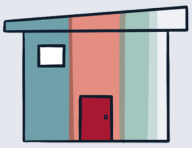
Year of build

The year of build also affects whether the risk is deemed as non-standard. Underwriters are often concerned about properties which are pre-1850 because the internal walls are usually constructed of wattle and daub, which in simple terms is highly inflammable wood strips and plaster, thus presenting a higher fire risk.



Listed buildings

Listed buildings are also classed as a non-standard risk. These properties are not necessarily more likely to incur fire or water damage, but the cost of such events is considerably higher than it might be for a standard building. In addition, they are considered more likely to require regular maintenance.



Flat roofs

Insurers also dislike flat felt roofs, as they are challenging to maintain. Within our quotation declarations, your customer will need to confirm if the property has a flat roof and, if so, what material is used. This is so each insurer can assess the risk.

Non-Standard Risks

Good state of repair

A good state of repair is subjective and often only becomes apparent when a loss occurs.

From an insurer’s perspective, if a property is not in a good state of repair, it will automatically be labelled as non-standard.

It is essential to make it clear to your customers that as a condition of their insurance, they have a duty to keep all property in a good state of repair.

Non-Standard Risks

Location of the property (Postcode)

The area has an impact on the risk of theft and flooding.

Flooding is considered the most severe threat, so if a client's home is located within 400 metres of a watercourse or in an area with a history of flooding, then insurers will put it down as a non-standard risk.

In addition, you will net to get used to the postcodes with higher instances of burglary/theft as these will also be deemed a higher or non-standard risk.

If the property is outside the UK, then it will automatically become a non-standard risk, and the likelihood is that you will need to talk to a specialist insurer.

Non-Standard Risks

Subsidence & Landslip

Subsidence and landslip have become very important to insurers dating back to the very dry summer of 1976.

Whether it is dryness or water, insurers are aware of risk areas, but they will not know the actual history of the individual property being insured.

If there is a history, the insurer may refuse to cover or impose a high excess.

Non-Standard Risks

Unoccupied Buildings

Insurers understand that customers will want or need to be away from their home from time to time. As a result, the vast majority of policies allow homes to be unoccupied for a period of 30 days.

The longer a home is unoccupied, the more of a target it is for burglars or, during winter, there's a more considerable risk of frozen pipes or leaks going undetected.

The most common elements that insurers will automatically exclude after the given period of unoccupancy are damage or loss as a result of:

» **Riot, civil commotion, strikes or malicious persons**
» **An escape of water**
» **A theft or attempted theft**
» **A leakage of fuel**

In addition, an insurer may add certain warranties such as:

» **Water and gas are turned off at the mains**
» **Electricity to remain on for alarm systems etc.**
» **There would be strict security requirements**
» **It is not unusual for an insurer to insist that the property is checked on a regular basis**

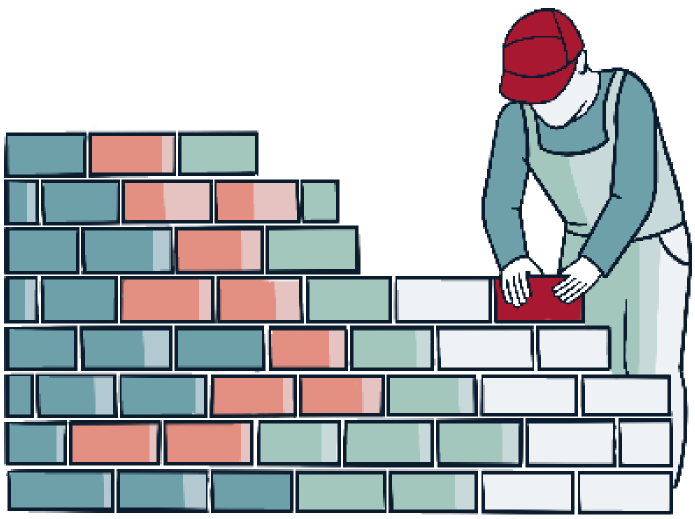
Non-Standard Risks

Renovations

A house being altered can very quickly become a non-standard risk as the presence of contractors, scaffolding, heat processes, and lifting equipment will affect the property's risk profile.

It is essential to educate your customer to get in touch with you if they are planning significant alterations to a property that involve anything other than DIY. This type of work needs to be notified to their insurer.

So before a homeowner starts knocking down walls or ripping out old kitchens and bathrooms, they will need to contact their insurer. This is to confirm whether their property will continue to be covered under their existing policy during the renovation works. If not, the policyholder will need to have additional cover in place for the planned works.



Non-Standard Risks

Renovations

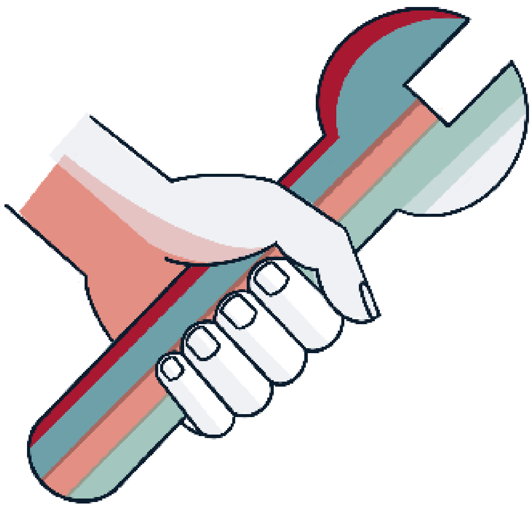
Points to consider when renovations are taking place are:

» Will the property remain secure overnight if no-one is staying there?

» Are all windows and doors still lockable throughout the work being undertaken?

Some policies may only include FLEA cover* for certain types of renovation, so it is imperative to check whether the property will be fully insured while the work is being completed.

*FLEA cover stands for Fire, Lightning, Explosion, Earthquake and Aircraft. If a policy only insures FLEA events, it means that these are the ONLY perils covered. However, public liability is still included.



Non-Standard Risks

Renovations

Depending on the nature of the work, the insurer may require an additional premium, and they'll probably want to know what contractor(s) the homeowner will be using and what insurance they have.

So once they've chosen a tradesperson, the homeowner should ask to see their insurance policies to ensure they have public liability insurance to cover injuries or property damage (e.g. a neighbour's) and that their insurance won't expire before the work is finished.

Renovation projects come in many forms, and the costs can vary depending on the work undertaken. Some jobs may be too big, too lengthy or too risky for the existing insurer to cover, so the homeowner may need to take out specialist renovation insurance.

Most specialist renovation insurance policies will provide cover if the homeowner chooses to stay in the home or temporarily move out whilst the work is being completed. If the policyholder should move out, this is subject to an unoccupancy limit. Such policies offer generous limits on small and large-scale building works.

Non-Standard Risks

Valuables

Valuables include jewellery, antiques, fine wine, works of art and generally what is termed “alternative investments”. Under a standard policy, insurers will provide automatic cover up to a set limit or percentage of the total sum insured for any single item.

Establishing with your customer the existence and amount of any valuables they have is essential. This will typically be the family jewellery as a minimum but will also encompass such items as specialist cameras etc.

One of the fundamental problems many customers face is that they have inherited special valuable items and have no idea of the value. Unfortunately, average applies to household policies, so it is crucial that the customer gets a valuation or looks to cover the item separately on an “agreed value” policy.

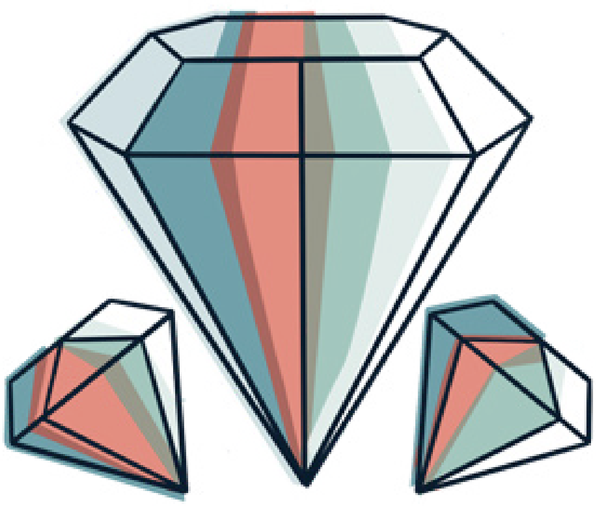
An agreed value policy will insure the item up to a fixed price agreed between the parties, which may or may not reflect the actual value.

Non-Standard Risks

Valuables

If the sum insured on valuables is high (say more than £25,000), then the insurer will likely want an increase in security at the property.

Considering the valuable item also brings into play the value of items taken away from the premises and the extent to which cover will be needed. Jewellery, watches, cameras, and expensive clothing must be considered non-standard if the sums are high or the items are unusual.



Non-Standard Risks

Policyholder

The first element that insurers consider about the policyholders is their occupation. The occupation of your customers is an essential factor in the insurers' consideration of any moral hazard (propensity to dishonesty and/or lack of care), so insurers much prefer "standard" risk occupations such as a doctor, nurse, accountant, lawyer, teacher, shop or officer worker.

Non-standard occupations would tend to include professional entertainers, second-hand merchants, and bookmakers. Other 'moral hazards' deemed a non-standard risk by insurers are the policyholders' personal circumstances, such as past convictions, bankruptcy and/or claims history.

Working from Home

Since the Covid19 pandemic, this is now the norm. Clerical work completed at home is now usually covered as standard. However, the policyholder must be aware that different public liability risks arise if they have customers visiting their house.

As part of the quotation process, customers must confirm whether they work from home and, if so, what they do. If there are activities apart from standard cleric work, the insurer will likely require additional information to assess the risk level and whether cover can be provided.

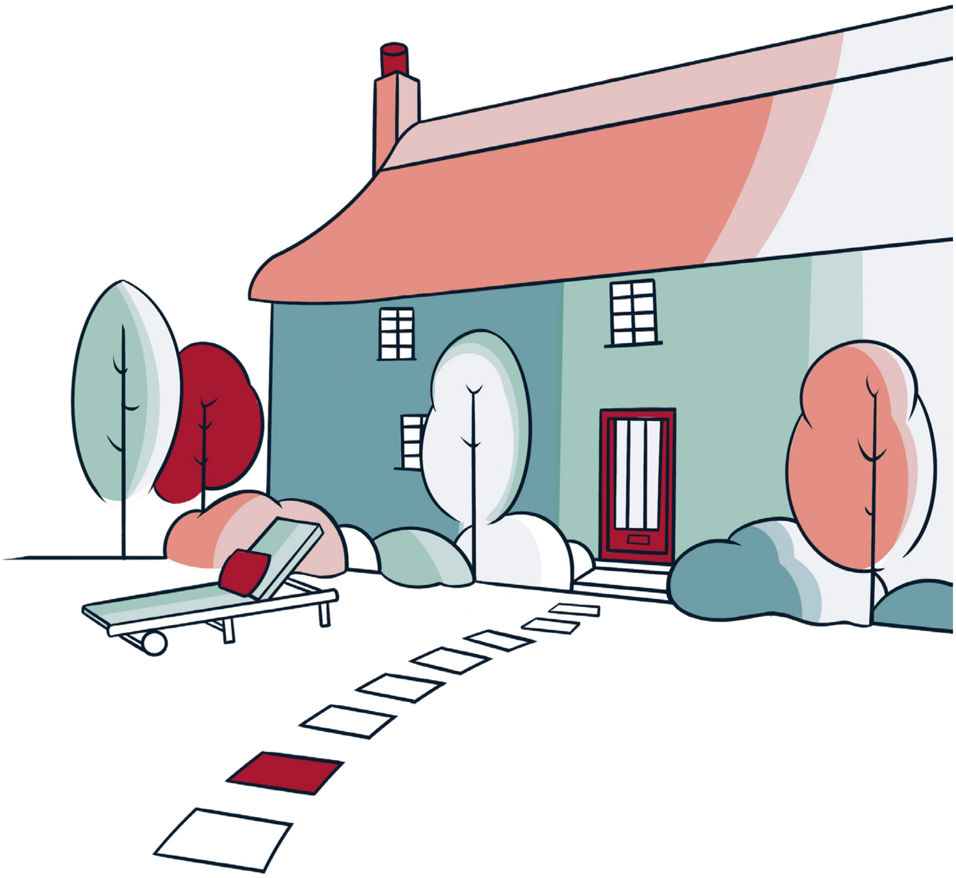
Non-Standard Risks
Other Occupants

Other adults, who live at the property, must be named in the policy if they are to be covered.

Generally, anyone living in the insured property who is not a member of the policyholder's immediate family is non-standard and should be disclosed.

If the policyholder is not living at the address and there are tenants, this is non-standard and will have to be insured under a particular policy for let properties.

In addition, the insurer will want to know if anyone aged 17 or over is living at the property. When a person reaches 18, they inherit what is termed "contractual capacity". In other words, by law, they can make their own decisions without the approval of a parent or guardian.



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