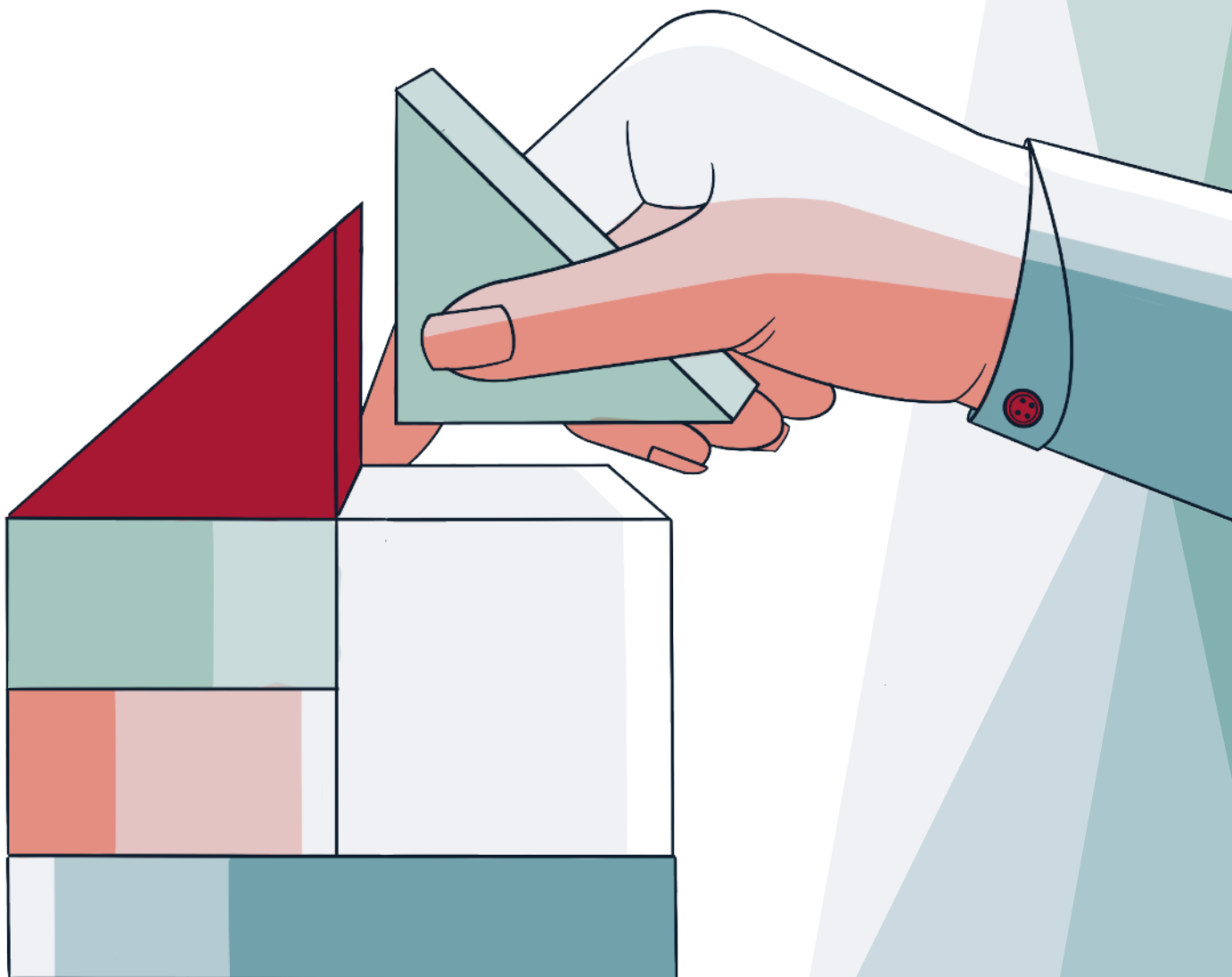




# YOUR GUIDE TO *home* INSURANCE



# Hello,

Insurance comes in many different forms and covers various situations, events and belongings. Insurance is much like anything in life, you get what you pay for. Not all policies are the same and cover will vary depending on the insurer – therefore not all policies will cost the same amount.

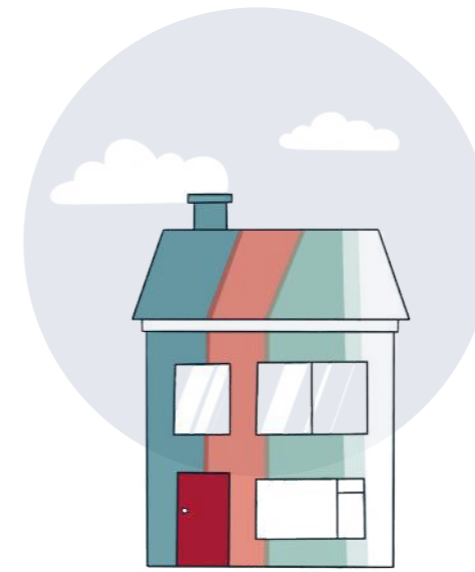
A property is undoubtedly one of the largest purchases we'll ever make, so we want to be sure it's fully protected. It can be hard to know where to start when arranging the right home insurance for your needs.

So, let's start with the basics...

## What is Home Insurance?

Generally speaking, home insurance provides cover for the damage of or loss to a building and its contents. You can obtain these insurances separately, if it suits your needs, however, it is often easier (and sometimes more cost effective) to arrange them together.

Here is a breakdown of each of these types of insurance.



## Buildings Insurance

Buildings insurance covers the actual structure of your home – the walls, the roof, the windows, the flooring and any outbuildings like a shed or garage. It also includes the permanent fixtures such as the kitchen cupboards and bathroom suite. Buildings insurance will provide protection for damaged caused by fire, floods, storms, frozen or burst pipes, subsidence, theft and vandalism.

If you are buying a flat or house that is a leasehold property, the building should be insured by the freehold owner, so it isn't your responsibility. However, your lender will still want to see proof that buildings insurance is in place.

### Top tip:

*Ensure you have sufficient cover for the total cost of rebuilding your property, as this is the maximum that your insurer will pay out, should the worst happen.*

The sum insured does not equal its market value or the amount you paid for your home. Instead, it is calculated using the 'rebuild cost', which is the amount it would cost to completely rebuild your property including all internal and external features, fixtures and fittings.

Some insurers will provide an average value, based on your property details, others will expect you to provide the information. If you need help, you or your broker can determine the approximate value by visiting <https://calculator.bcis.co.uk/>



## Contents Insurance

Contents insurance covers your belongings – so everything you take with you when you move into your home, from furniture to pots and pans, including pictures, gadgets, jewellery and clothes.

This cover isn't compulsory, however, most people wouldn't be able to replace all of their belongings, if they needed to, so it's worth considering.

### Top tip:

*Spend some time making a list of all of your belongings and their individual costs, if you needed to replace everything. That will be your required contents insurance amount.*

In the event of a claim, your insurer will only pay out up to the value you have insured. However, if you've downplayed the amount of insurance you require (whether intentional or a genuine mistake) and you need to make a claim, you may only receive a percentage of the overall cost. The appointed loss adjuster will calculate the actual loss and if it's more than the sum insured, it can affect the settlement figure. The insurer will then reduce any settlement figure in proportion to the underinsurance.

Therefore, it's important to provide an accurate value of your belongings, to avoid being underinsured and potentially needing to cover some of the costs yourself.

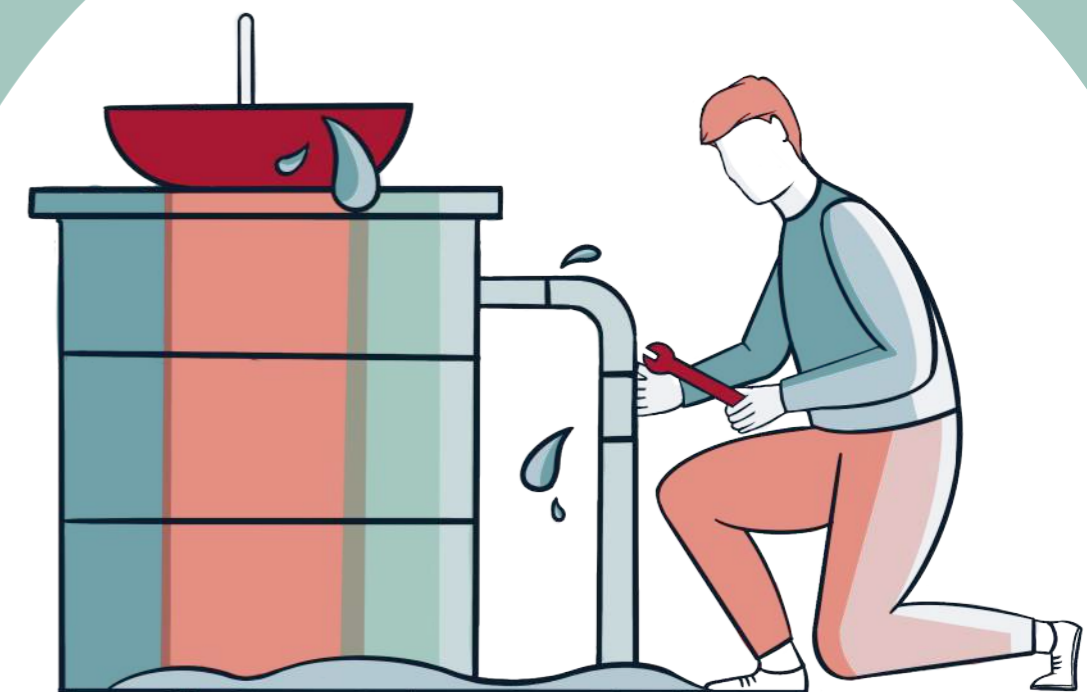
## Why do I need it? / Why is it important?

Consider home insurance as protection for your home and belongings, should you ever need it. Escape of water (leaks and burst pipes) is one of the most frequent types of property insurance claim; it makes up almost one third of all UK claims. Accidental damage is also a very common cause for homeowners needing to make a claim, with over one in ten claims\* being for this reason.

Hopefully you'll never need to make a claim, but it's reassuring to know that you have protection in place.

Additionally, if you use a mortgage to fund your property purchase, you'll be required to have adequate cover for your home, so that your lender would be able to reclaim their funds, if needed.

\*(Statistics are taken from ABI Key Facts document 2021)





## What should I look out for when comparing policies?

Many policies you find on comparison sites will only provide basic protection, in order to show you the cheapest price. You may be able to add additional cover, which will increase the price originally provided.

It's important to look out for the policies that provide the cover you actually need, rather than just the lowest price, to give you peace of mind that you're fully protected, should the worst happen.

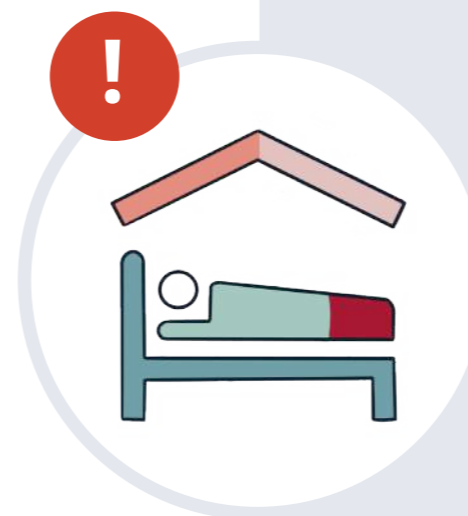


Look out for this feature

### Trace and Access

If your home has a leak, your home insurance would likely cover the repair. However, the work involved in locating the source of the issue may not be. Often walls are broken or floorboards ripped up to find the original leak and the damage can be costly to repair.

An average suitable amount of Trace and Access cover is around £5,000, however, the costs will vary based on the damage caused.



Look out for this feature

### Alternative Accommodation

If a disaster should happen in your home and you are unable to stay there, it's important to know you are covered to stay somewhere else. Some policies provide alternative accommodation as standard – the value is dependent on the insurer and type of policy you have.

Depending on the amount of damage, you may need to stay elsewhere for an extended time and the costs can easily add up. You should look for cover of around £200,000 or 20% of your buildings sum insured.

# What else do I need to consider?

## Unoccupied Properties

Insurers understand that you'll need to be away from your home from time to time. The vast majority of policies allow your home to be unoccupied for a period of up to 30 days at a time. Any longer, and they get nervous. The longer a home is unoccupied, the more of a target it is for burglars or, during winter, there's a bigger risk of frozen pipes or leaks going undetected. If you know that you are regularly away for longer periods, you'll need to be honest with your insurer, who may charge an additional premium.

A standard policy should provide around 30 days unoccupied cover, however, some policies will allow longer periods.

## Personal Possessions / Items away from the home

Contents insurance will cover your belongings inside the home, but we take many of these items with us daily, such as phones, laptops and watches.

Personal Possessions cover is an add-on to contents insurance and it will generally cover you anywhere in the UK (and up to 60 days abroad in any one-policy year). Just like most insurance policies, terms and conditions will vary and most insurers will provide different options, allowing you to tailor the cover to your own needs.

### High value/High risk items

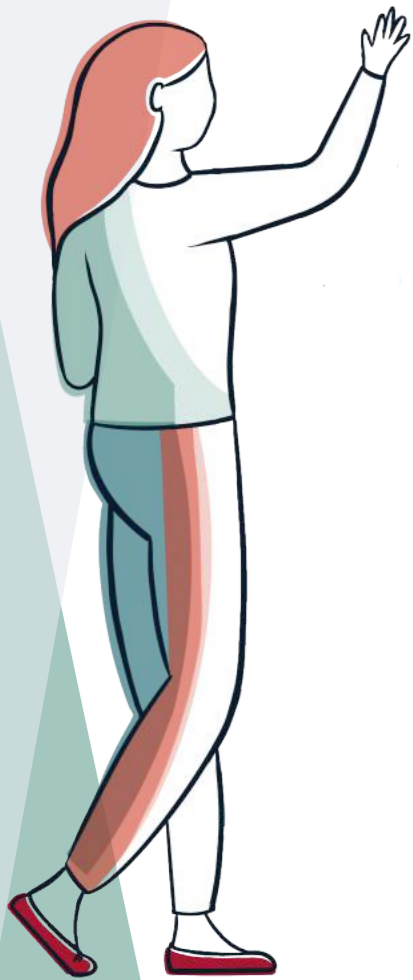
Most policies will have limits on individual items (generally around £1,500).

Things like jewellery, watches, cameras, TVs and artwork are considered high-risk items and there is often an overall limit on the amount an insurer will cover. If you have particularly valuable jewellery, works of art or expensive sporting goods such as racing bicycles, then you should list these items. Your insurer may require you to pay extra to cover these items and will probably ask for proof of purchase and value.

### Single Item Limit

Items covered can differ from policy to policy and you may need to specify particular items.

Most insurers require a single item limit (the maximum an insurer will pay out for any item that isn't listed separately), so it's important to list your item's correct value to avoid underinsuring. A Single Item Limit of between £10,000 and £15,000 is suitable for most people, however, you will need to consider your individual circumstances.



# The optional extras



Look out for this feature

## Accidental Damage Cover

Accidents happen, but if you don't have cover for accidental damage to the property then any claim resulting from an accident could be rejected. It's definitely worth considering and given the most common accidental damage claims involve dogs and children, if you have either, then it's probably a good idea!

## What accidents are covered?

This type of insurance includes cover for instances such as, accidental damage to external cables, underground drains, pipes and tanks that are on your property and for which you are responsible. Accidental damage to fixed glass and sanitary fixtures (such as bathtubs), or to your belongings, such as TVs, computers, mirrors and unfixed kitchen appliances.

Standard Accidental Damage cover is often included in policies; however, you can also add additional cover at a premium, to protect yourself from further risks.

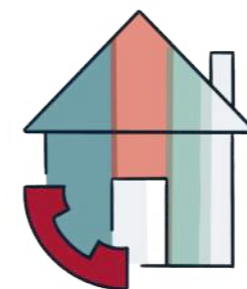


Look out for this feature

## Legal Cover

Sometimes damage is caused when you're in someone else's home or they're in yours. This can result in a legal case and the costs can quickly escalate. If your home insurance policy include legal cover you won't need to pay out on legal expenses, should you ever be sued or require help making a claim against someone else.

Legal Protection (for your legal costs) of between £50,000 and £75,000, and Legal Liability (for you as the owner) up to £2 million, should be sufficient.



Look out for this feature

## Home Emergency Cover

This type of cover provides 24/7 support and access to approved tradespeople, for quick short-term fixes, to prevent further destruction. This is extremely useful for disasters such as burst pipes or boiler failures that, if left unattended, could cause significant and costly damage.

Home Emergency Cover is an optional extra, please speak to your broker about adding this cover.

# How do I know how much insurance I need?

Insurance is a necessity, however, it can be difficult to determine just how much cover you need. There are a few things to consider, which should help you and your broker decide on the protection amount that is right for you.



## Rebuild cost

How much would it cost to rebuild your home? You or your broker can determine this by visiting <https://calculator.bcis.co.uk/>



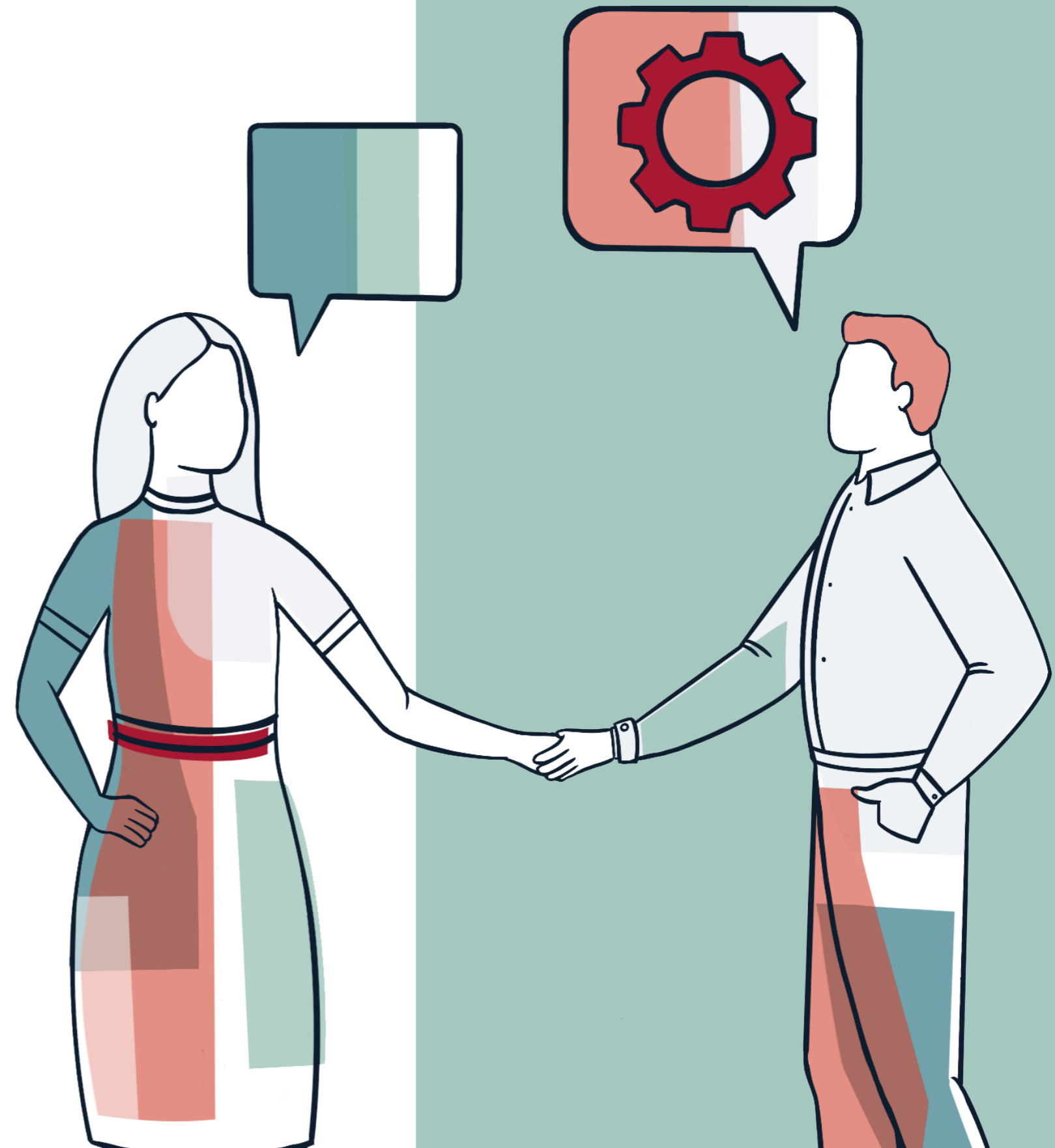
## Buildings sum insured

This is often bedroom rated, meaning the insurer will determine the value, based on the number of bedrooms your property has.



## Contents insurance

This is the value of all of your possessions combined. You may also need to consider listing any valuable items you own, separately, as many insurers will have a Single Item Limit for high value possessions.



# How is the cost of insurance calculated?

Many factors go into determining the cost of insuring your home, such as the location and type of property. We'll explain some of these factors in more detail.

Property size	Considerations	Reason
	<ul style="list-style-type: none"> <li>How large is your property?</li> <li>How many bedrooms does it have?</li> <li>How many entry/exit points does it have?</li> <li>Does it have any outbuildings?</li> </ul>	The buildings sum insured is often calculated based on the number of bedrooms, so it will affect your overall premium.

Belongings	Considerations	Reason
	<ul style="list-style-type: none"> <li>What is the total value of your belongings?</li> <li>Do you have any high priced belongings?</li> </ul>	If you have high value items, there is a higher risk that these might be stolen or damaged.

Type of property	Considerations	Reason
	<ul style="list-style-type: none"> <li>Is it a house, flat, bungalow, etc.?</li> <li>Detached, semi-detached, terraced?</li> </ul>	<p>This can affect the access points and other risks, which may impact your premium.</p> <p>If you own a flat, the freehold owner may cover your home insurance.</p>

Voluntary excess	Considerations	Reason
	<ul style="list-style-type: none"> <li>What is the standard excess amount stated on your policy?</li> <li>What is the likely cost of a repair/ replacement?</li> </ul>	All policies come with standard excess amounts, which are the costs you'll need to pay upfront before the insurer pays out on a claim. You can choose to increase this amount, which is known as voluntary excess, to reduce premiums.

Location of property	Considerations	Reason
	<ul style="list-style-type: none"> <li>What is the property postcode?</li> <li>What is the level of crime in the area?</li> <li>Is it close to large water sources (at risk of flooding)?</li> </ul>	Properties in high crime areas or at risk of flooding cost more to insure.

Age of property	Considerations	Reason
	<ul style="list-style-type: none"> <li>When was the property built?</li> <li>What were the building regulations at the time?</li> <li>What materials were used?</li> </ul>	Older homes are often more expensive to insure as they aren't built to the current safety regulations and materials are sometimes harder to source.



# Jargon busters

**Policy** – this is the contract between you and your insurer, which outlines the protection and requirements agreed. It will come in two parts, the policy wording and the policy schedule.

**Policy wording** – this is the terms and conditions, and definitions of a particular insurance coverage.

**Policy schedule** – this is the outline of coverage for your insurance policy. It identifies you as the policyholder and your property details. It will also include any specific endorsements or exclusions relating to your contract.

**Endorsement** – a standard policy is like a template. An endorsement is a change, addition or update to a standard policy, so that it better suits your needs.

**As standard** – if something on your policy is included “as standard” it just means it is always included, without any additional charges.

**Subsidence** – this relates to the ground underneath your home, which can be prone to sinking or downward settling, causing the foundation of your property to become unstable. If this affects your property, you may find it more difficult to obtain home insurance, or pay extra to cover it.

**Proximity to water** – insurance is based on risk and one of the biggest to consider is flood risk, which is increased based on your property’s proximity to water. If a body of water near your home were to overflow, how likely would it be to reach (and cause damage to) your property?

## Security features

### Considerations

- What locks are used on the doors and windows?
- Are there any additional security features, such as alarms and motion detectors?

### Reason

If your property has more security features, it's likely to be more difficult to break into and therefore cheaper to insure.

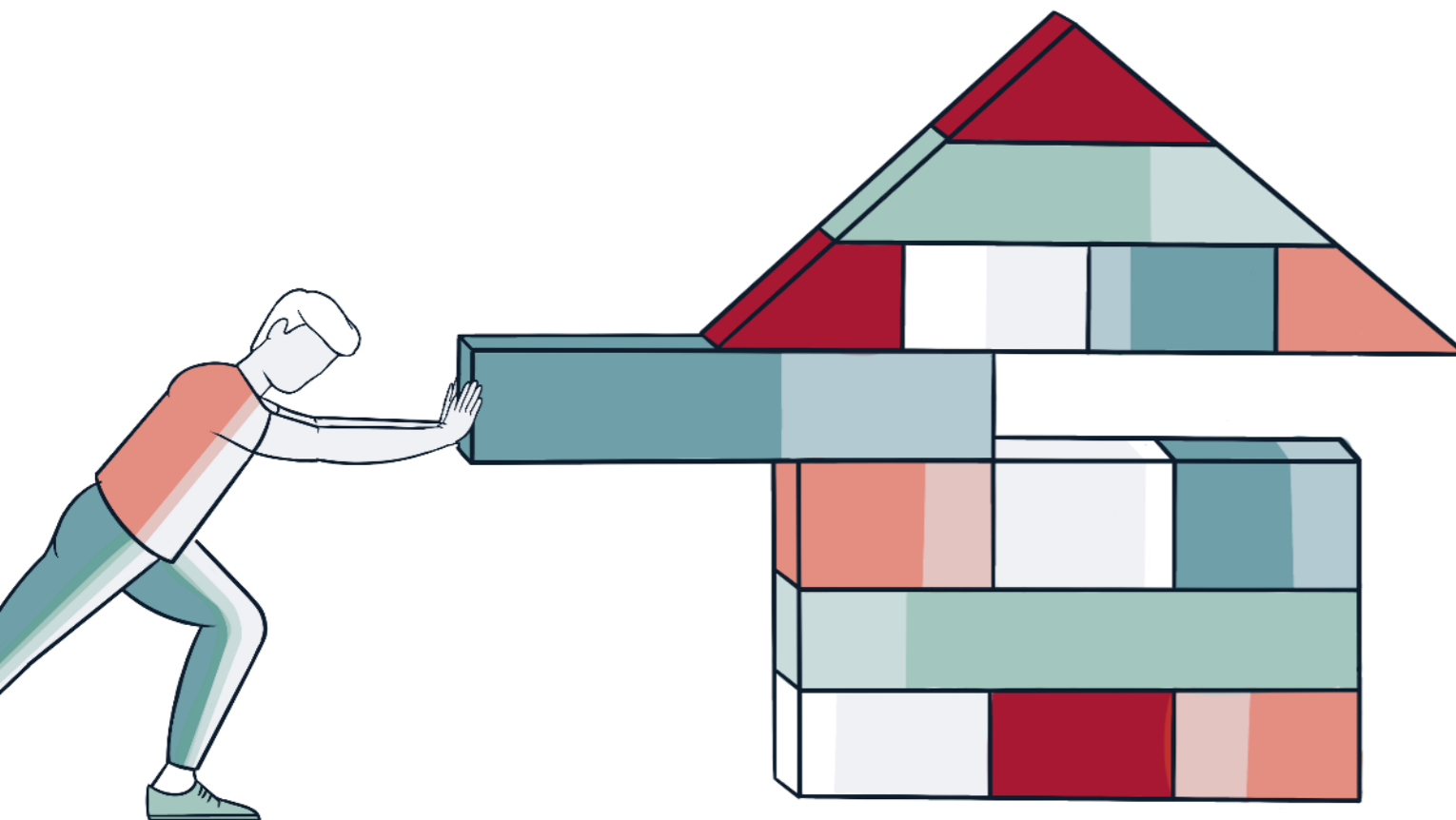
## Claims history

### Considerations

- Has there ever been previous insurance claims made on this property, e.g. for subsidence?

### Reason

Previous claims show a higher risk to the insurer and your policy may be more expensive.



**Escape of water** – this is a technical term to describe a leak in your home.

**Property owner's liability (public liability)** – it is your responsibility to ensure the property is well maintained and complies with current regulations. However, this aspect of insurance covers you if a third party suffers a loss as a result of an incident at your property.

**Premium credit** – if you prefer not to pay your insurance premium upfront in one lump sum, you can pay your balance off over monthly instalments. This is known as premium credit, in the insurance industry.

**Insurance premium tax** – this is a tax that you are required to pay on insurance premiums. Home insurance is charged at a standard rate of 12%, regardless of insurance provider.

**Whole of market** – this relates to having a choice of policy types to more easily obtain the cover you need, rather than being tied to a certain policy or insurer.



## Who are Source Insurance?

Source Insurance have been working with UK brokers for over 25 years to provide access to a panel of leading insurers and policies, not otherwise available to the general public.

Once your broker has secured the necessary insurance for your home, Source will provide you with support throughout your policy term and notify you of your options when it's time to renew, saving you time and hassle every year.

All figures and limits are correct at the time of publishing 15/06/2021; however, as the individual insurers set these, they are subject to change.

Your broker will be able to confirm the specifics of each policy, via our comparison charts, or when completing a quotation for you on our platform.

# Why should I use my broker?

There are often drawbacks to sourcing your own insurance through a price comparison website. Whilst this eBook has made you aware of the key points to consider and provided jargon busters to help you understand the terminology used by insurers, the advice and support from your broker will be invaluable, at an already stressful time of buying a house.

Here are just a few reasons why you should use your broker...



## Expert knowledge

Your broker has an extensive understanding of the property industry and can use that to support your home insurance requirements.



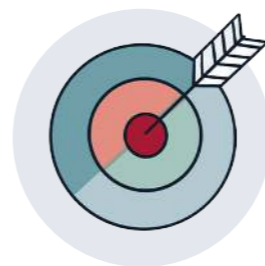
## Policies (and deals) you can't find elsewhere

Your broker has access to a range of policies that are specifically agreed with insurers.



## Make amendments

If a standard policy template doesn't suit your needs, your broker has access to non-standard solutions.



## Accuracy

Your broker can source accurate quotes and knows the key factors to look out for.



## Understanding needs

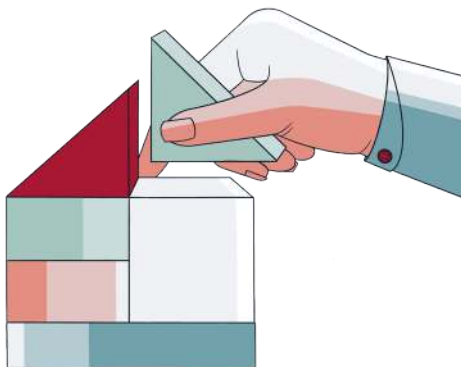
If you're already using your broker for your mortgage, they have a greater understanding of the property and your circumstances.



## Broker responsibility

Your broker has specific conduct rules to follow, so they are responsible for ensuring your home is adequately protected.

Alternatively, you may consider going directly to the insurer, perhaps you already have a different product with them, or your bank may offer insurance policies, however, you won't have the choice of using a panel to find cheaper prices and you'll only have access to policies on their underwriting terms which may not cover all the risks that you need.



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