



# NEW landlords

A guide through the insurance maze



# Hi How are you Hi there Hello Hello Hi Hello How are you Hello,

Legislation can cause a challenging marketplace for property investors. However, for many of us, the idea of investing in bricks and mortar remains far more appealing than the stock market or other investment opportunities. Others may become an 'accidental landlord', due to a change in personal circumstances, which result in letting a property.

Regardless of the circumstances surrounding the decision to become a landlord, there is a long list of things to consider and you need to do your research before jumping into the private rental market.

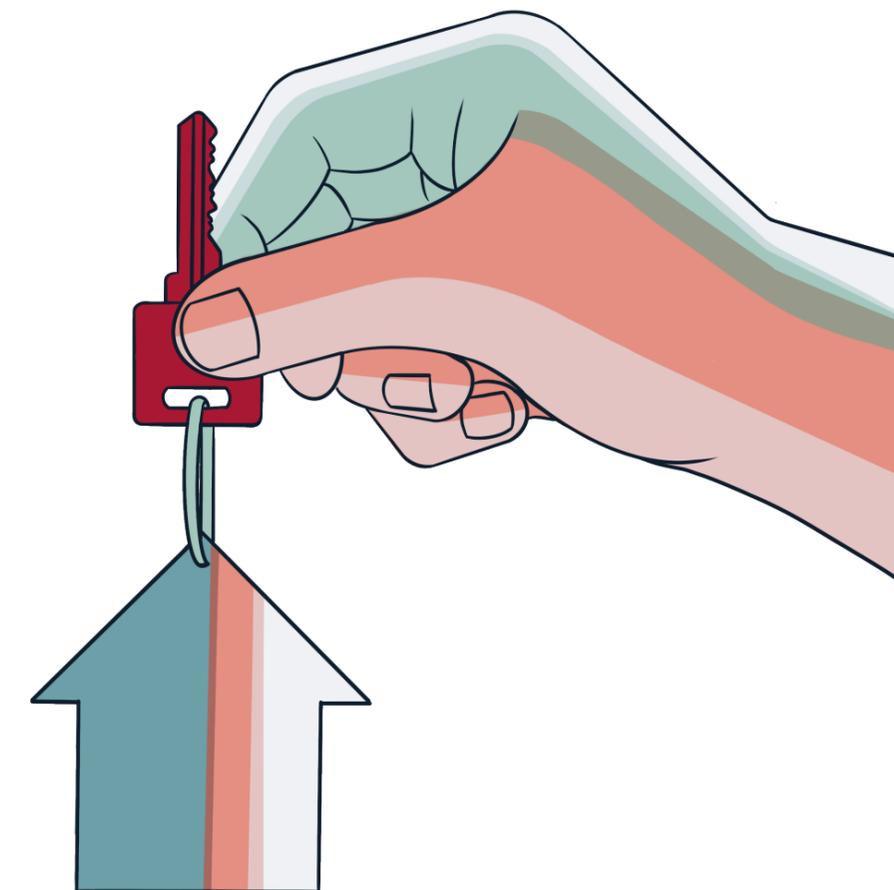
- *Will you need a buy-to-let mortgage to help fund the investment?*
- *Where should you buy if you're not letting out a property that you already own?*
- *Should you use a letting agent to act on your behalf or manage everything yourself?*
- *Are you up to speed on the tax rules that apply to landlords?*

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.

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 walk-through of the essentials.



# Landlords Insurance

## 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.

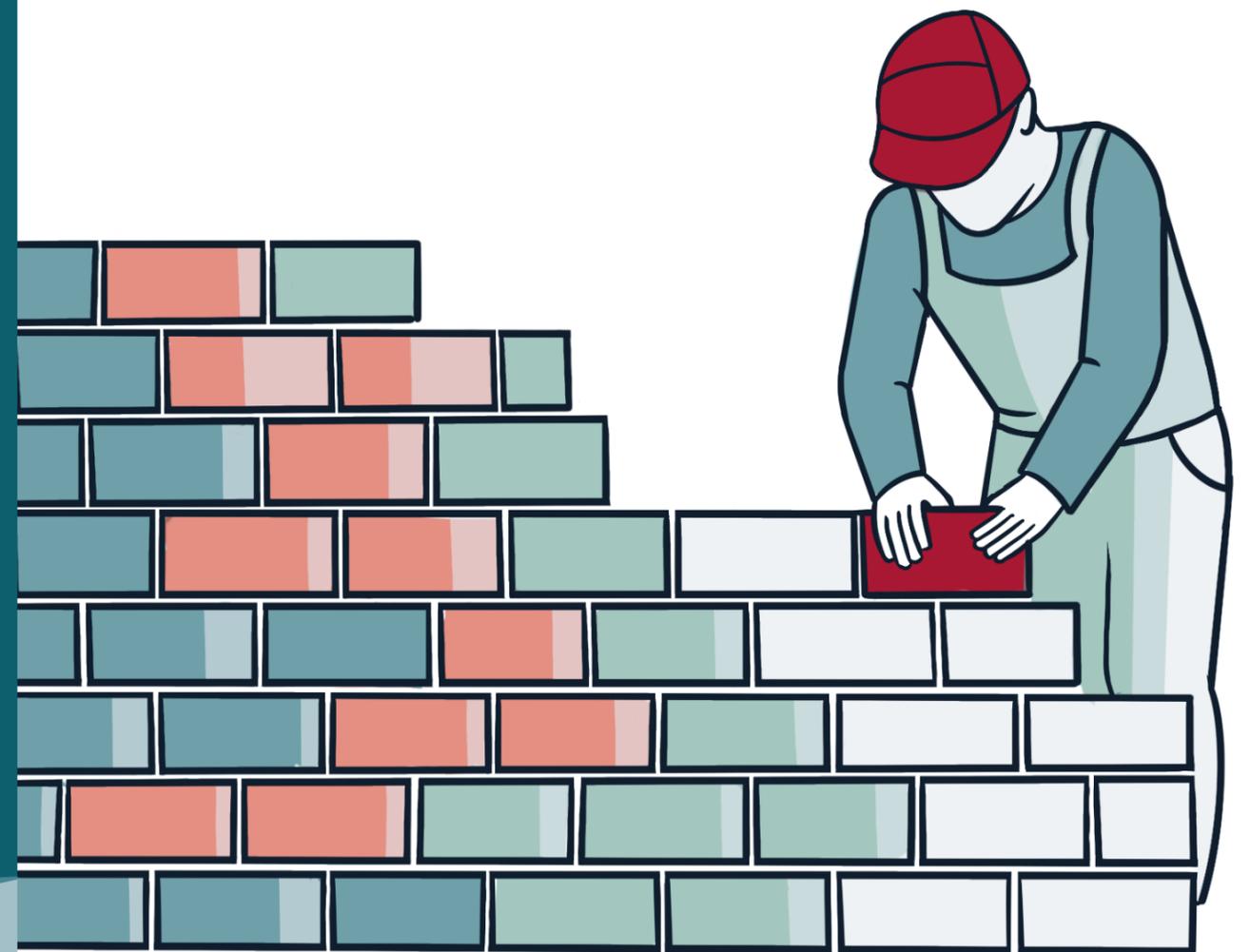
However, it's unlikely that a standard home insurance policy would be sufficient. Some insurers may refuse to extend normal household cover for a rental property and certain mortgage providers could insist on specific buy-to-let buildings insurance before they'll lend. Therefore, it's important to make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

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 and others may calculate the value 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.



# Landlords Insurance

## 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.

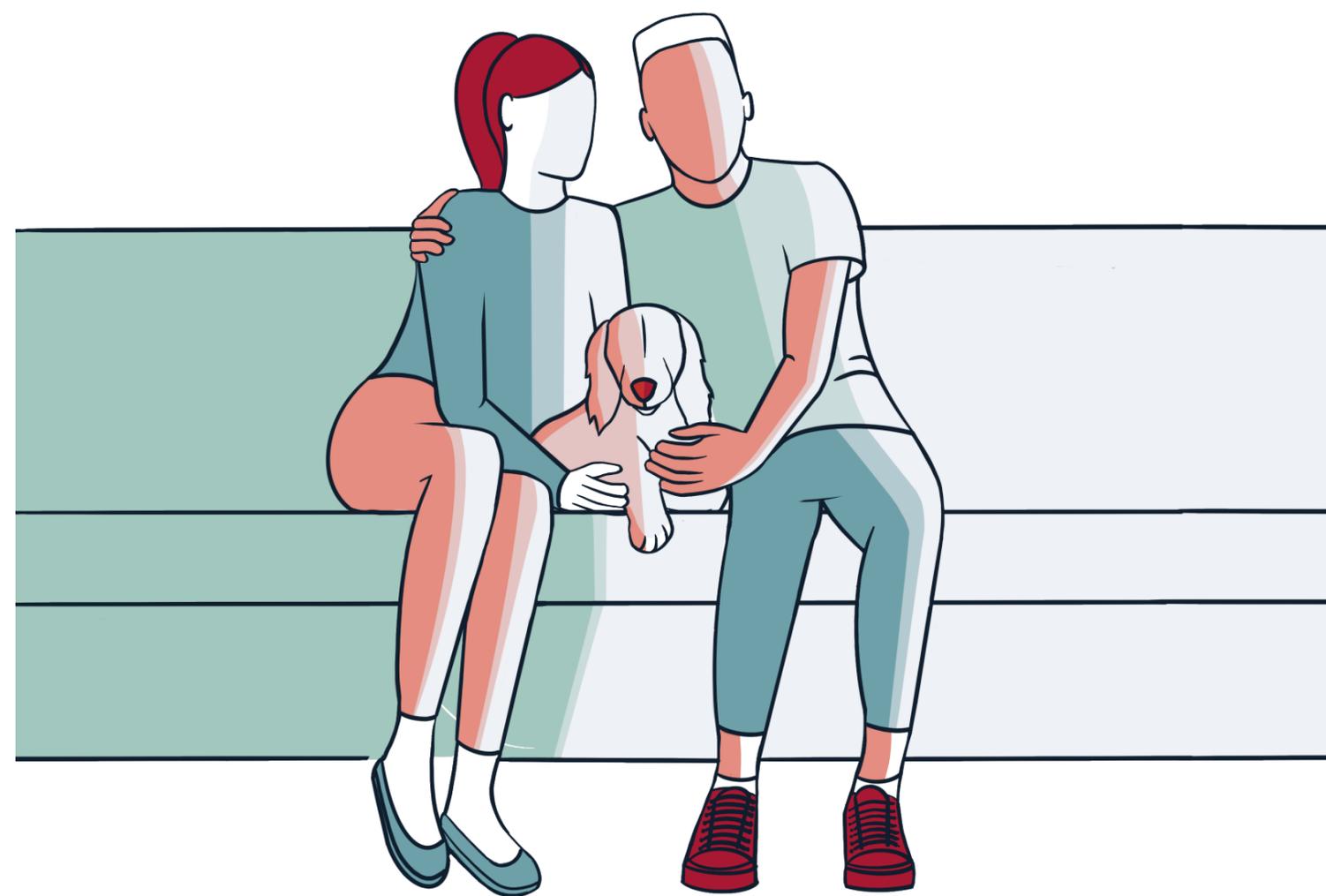
This will not only cover the cost of replacing or repairing the possessions you leave in the property, but it will also extend to covering damage caused by the tenant. Accidents will happen and not all tenants are as careful as you might like to think!

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.



# Landlords Insurance

## The additional benefits

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



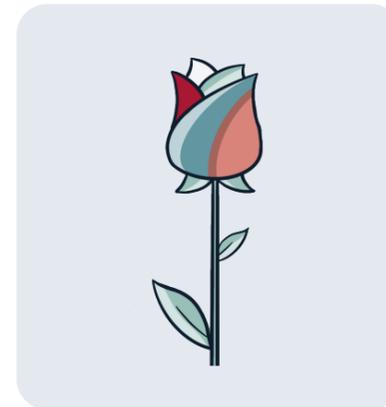
### Property owner's liability

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.



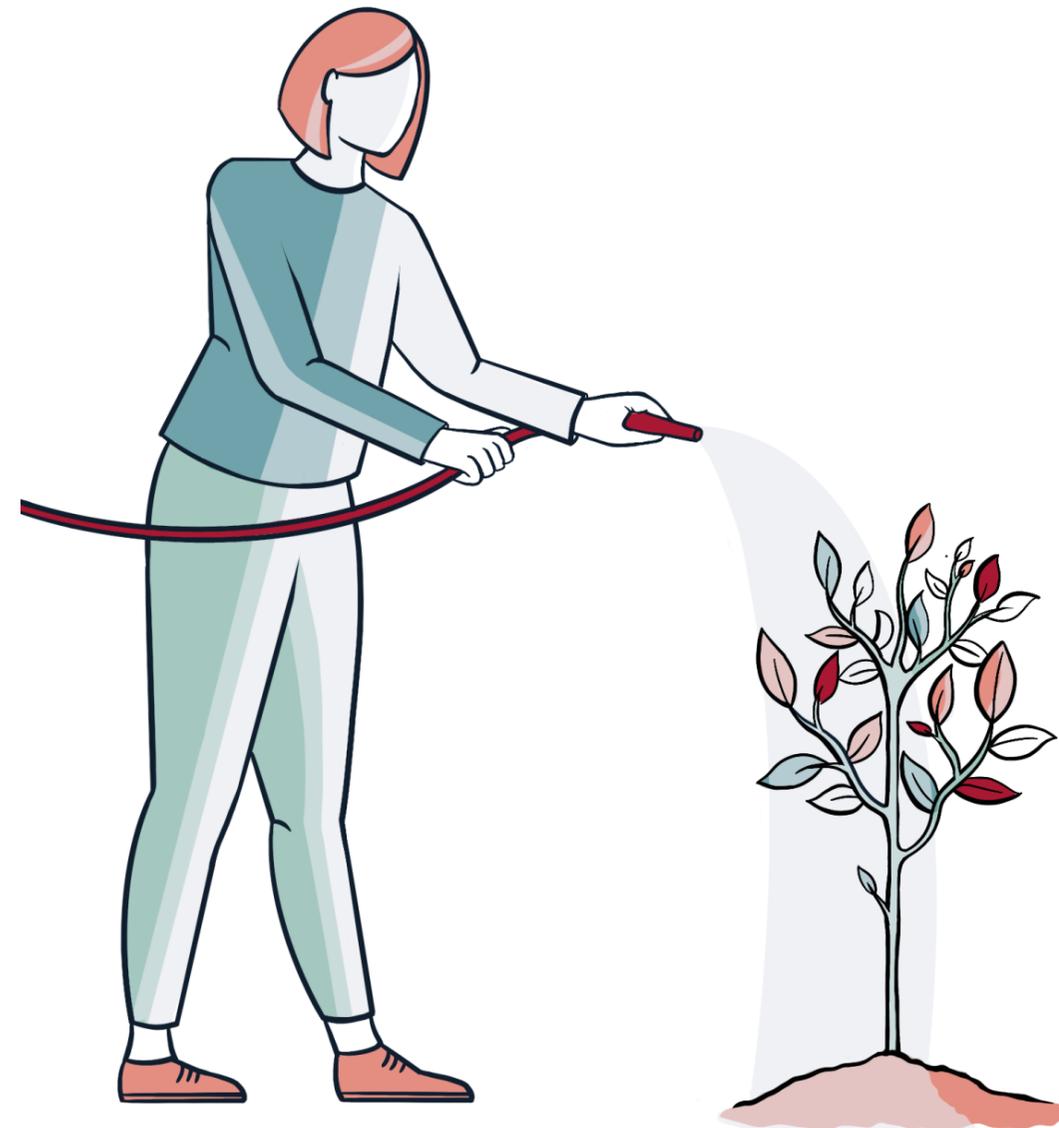
### Loss of rent

It's a good idea to choose a landlord policy that includes cover for the loss of rent or offers it as a separate add-on. This will cover your lost rental income should 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 for repairs and maintenance. .



# Landlords Insurance

## The added extras

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



### Unoccupied property

All landlords run the risk of their property being empty between rental periods or while 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, vandalism and weather related damage, so specific unoccupied property insurance is important.



### Rent guarantee

Rent guarantee is not the same as loss of rent insurance cover. Rent guarantee will cover loss of income if the tenant defaults on their rent. Even the most reliable tenant can find themselves short of cash due to unforeseen circumstances, so this insurance can provide a valuable lifeline to a landlord and ensure they're not out of pocket.



### 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 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 price 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.



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