

## Holiday Home Insurance - A Guide To Insuring Your Holiday Retreat

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Thanks to low mortgage rates, and big equity gains on UK property, there has been a surge in the number of people buying a second home in the UK.

It is, however, vital that you protect your holiday property with adequate insurance, especially if you are going to let it commercially, but **finding insurance can difficult**. Most insurers see bigger risks associated with holiday homes because they are often left unoccupied for long periods and used for holiday letting.

**Don't be tempted to use a normal house insurance policy** and not disclose that the property is a holiday home, because insurers have the right not to pay if you make a claim.

The best option in many cases is a **specialist holiday home** policy that is tailored for holiday letting and occasional use.

### What cover should your holiday home insurance provide?

#### Buildings Insurance

If you are taking out a mortgage on your property the lender will insist that you have this cover. Buildings insurance covers the actual structure of your home for the cost of repairs or rebuilding, debris removal and professional fees following loss or damage caused by, fire, storm, flood, burst pipes and subsidence. Fixtures and fittings within the buildings, such as kitchens and baths will also be covered.

**How much should you insure for?** Most people think they should insure for the current market value of their second home. This is wrong, the sum insured needs to cover the **cost of rebuilding the property**. The rebuild value is the full cost of reconstruction of the building(s) in their present form. This amount must include all outbuildings, garages, domestic oil & gas pipes, domestic oil

fuel tanks, swimming pools, tennis courts, drives, patios, terraces, walls, gates and fences.

To calculate the rebuild value visit the [Association of British Insurers](#) website, there is an online rebuilding cost calculator and some good advice.

Alternatively if you had a **survey report** done on the property, there should be a rebuild figure listed for insurance purposes. You could also **ask a local builder**, or chartered building **surveyor** to provide an insurance valuation.

It is important to get this figure right as most insurers will **index link**, which means the sum insured will be adjusted yearly in line with the house rebuilding cost index.

### **Contents Insurance**

Most people do not have expensive contents in their holiday homes as they are often left unoccupied for long periods. To calculate the contents sum insured you should work out how much it would cost to replace your contents on a **new for old basis** at today's prices. It is important that you don't undervalue your contents as in the event of an insurance claim you may not get the full amount you were expecting. You should include general contents within the home; this could include furniture, furnishings, and televisions etc.

**Are you protected if you let the house to someone who burns your carpet with an iron?**

Choose a policy that covers **accidental damage** to contents, particularly if you are going to let it out. Guests often aren't as careful as you and accidents do happen.

### **Legal Liability Insurance**

It is very important that your policy includes **public liability insurance**, especially if you are planning to let your holiday home. These are litigious times and this **covers you for legal costs and expenses** following death, injury or damage to a third party on or near your property.

If you are letting your holiday home via an agency, most will insist that you have this cover, a minimum indemnity of **£2m** is recommended. Even if you aren't planning to let it, what happens if a family member or friend slips in the shower, breaks a leg, and has to take time off work. Maybe they will take legal action against you?

### **Employers' liability**

It is a **legal requirement** that if you employ people while running your holiday-let business, you have employers liability insurance. This covers claims for death or injury to **anyone you employ**, for example a gardener, cleaner or handyman. You should choose a policy with an indemnity limit of at least **£3m**.

### **Loss of Rent**

Make sure your policy provides cover for loss of rent, as unforeseen incidents may prevent you from letting your holiday home. For example, if your home is flooded making it uninhabitable, and you have lots of bookings, you will need to claim for loss of rental income and the cost of alternative accommodation.

### **Legal Expenses Insurance**

It is also a good idea to choose a policy that **includes legal costs and expenses** that you may incur. This will come in useful if for example, you have a **dispute** with one of the tenants occupying your property, or with a letting agency with whom you may have entered in to a letting agreement. Choose a policy that covers **up to £50,000** worth of legal fees, so you don't have to use your own money in the event of a dispute.

### **Read the small print.**

**Is there a clause that excludes cover if the house is uninhabited for more than 30 consecutive days, or when let to non-family?**

It is vital that you read the small print for holiday home insurance. You will find that **most policies exclude cover if the property is unoccupied** for more than 30

consecutive days, **someone must visit the property** every week and on **special locks** being installed.

Some insurers also insist the **heating system must be drained** when left unoccupied and the property is **heated constantly** to a certain minimum temperature. Would you be insured if your electric heating failed due to a power cut and a burst pipe occurred?

As most second homeowner's only use their property occasionally, such requirements can be a great inconvenience, so make sure you **check the policy wordings carefully**.

If your holiday bookings are seasonal, you may wish to let your second home on a six-month lease during winter months, rather than leave it standing empty. Make sure your insurance allows you to do so.

**Choose a policy that covers all of the above and you will be adequately protected against most eventualities, allowing you to enjoy your luxury bolthole.**

Schofields have been specialising in holiday home insurance for UK and overseas property in France, Spain, Italy and Portugal for 20 years. For policy details and online quotes visit [www.schofields.ltd.uk](http://www.schofields.ltd.uk) or contact them on **01204 365080**.