



**RENOVATION
PLAN**

A broker's guide to insuring a renovation project

 www.renovationplan.co.uk/brokers

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 Renovation Plan Insurance

 renovationplaninsurance

How will this guide help you?

There are several things to think about when insuring a property during a renovation project, and if you're not too familiar with this type of insurance it may seem like a daunting prospect. This guide aims to help you understand the various elements of cover and how you can best advise your client.

Did you know...

Many people are unaware of the potential implications to their property cover whilst works are being carried out. If your clients are considering any type of renovation, alteration, demolition, new build or extension it is important to understand the effect this may have on their current cover.

In this document, we'll highlight the key things to consider along with how we can help you provide a high-quality product and fast service to your clients.



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Renovation Plan Appetite

Renovation Plan is a specialist insurance scheme for properties undergoing construction, renovation or conversion.

We can cater for all types of projects, large or small, including both residential and commercial properties. With three levels of cover to choose from, our products can be tailored to suit your client's requirements.

Why is this cover necessary?

- Most home or property insurance policies do not provide full cover on the building whilst it is undergoing renovation or conversion, particularly if the works are of a structural nature. Where cover is maintained on the existing property, restrictions may apply.
- Many buildings policies have a 30-day Unoccupancy clause which could be in effect if the property is empty for the duration of the project.
- Standard property policies do not include cover for the new fixtures and fittings forming part of the new work, sometimes called the 'Contract Works'.

Project types include

- Basement conversion/extensions
- Standard extensions/internal reconfigurations
- Barn conversions
- Listed buildings
- Churches/public houses/commercial properties
- New builds

If your client's project is not listed here and you are unsure, please get in touch with us to find out if we can help.

Key features

- Flexible policy terms (3-36 month terms available)
- Refunds on cancellation
- £2m Public Liability as standard
- Covers the existing structure and Contract Works
- ICF and SIPS panels rated as Standard Construction
- Joint Names policies available if required under the contract conditions
- Underwriting authority up to a total sum insured of £5m (higher on referral)
- Two weeks' additional cover past the expiry date shown on schedule

Optional extra covers available

- Hired-in plant
- Own tools and own plant
- Contents
- Advanced Loss of Rent
- Non-Negligence Cover/JCT Liability/6.5.1 Party Wall Cover
- Terrorism
- Increased Public Liability limit
- How to get a quote
- Caravans/site huts

How to get a quote

You can get a quote and confirm cover for your client via our online broker portal once you have a TOBA with us.

[CLICK HERE](#) to sign up for an agency

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The existing structure

Many insurance policies are unable to accommodate cover during building works or will reduce cover whilst these works are ongoing - especially if the property is unoccupied. Before starting any building works, property owners should start by consulting their current insurance provider. It's important to remember that any of your clients could be a potential renovation client and so giving them this advice if you know they are looking to start a project is key to opening the conversation.

Insurers will usually want to know the following in relation to the works:

- A description
- The estimated cost
- Duration of contract
- Occupancy of the property
- Type of contract in place

Most insurance providers can cater for a small amount of works if they are of a decorative nature, however, when the works reach a certain cost or the type of works are of a more complex nature e.g. structural, cover can be restricted or withdrawn completely.

If the existing policy is restricted during the works, one of the things you may see is an exclusion applying when damage is caused by the works. In this instance your client will be relying on the Contractors Public Liability policy to cover any potential loss.

When the structure crumbles – a mini case study

Scenario The contractor is carrying out electrical and heating installation at the property. Overnight, a fire causes major damage.

Problem The cause of the fire is undetermined and a stalemate commences between the contractor's insurer and your client's property insurer. The contractor must be proved negligent to be liable for the damage and the property insurer will enforce the exclusion stating damage was caused by the works.

How would a renovation policy help?

A scenario like this can drag on for several months, whereas a specialist renovation policy will respond in the event of a loss, regardless of who is at fault.

Contract works

Contract works is the insurance term to describe the structures, materials and fittings being added to a property. The cover is typically arranged on an 'all-risks' basis meaning that it covers all insurance perils bar any specific exclusions in the policy. It can be purchased as part of a Contractors 'All Risks' policy and may often be referred to as this or its acronym, 'CAR'. **Without this cover, renovators are potentially leaving the value of the works at risk.**

A common misconception with this cover is the assumption that building professionals will take out Contract Works insurance. Previous Insurance surveys indicate only around 50% of builders provide Contract Works insurance.

When materials are purchased independently of the contractor, these may not always be insured on the contractor's insurance as they have no insurable interest in these items.

It is important for your client to discuss who will cover the works when arranging the contract with the builder. Some building contracts will place the onus on the property owner to arrange cover for the works.

Relying on the builder to arrange cover without reviewing their insurance is putting the property at risk and could leave your client exposed to a loss of their investment in the new works.



Personal contents

Personal contents requirements vary significantly from one project to another which is why it's important to understand the difference between the situations your clients may experience whilst working on their project.

1. Living on site

If the homeowner is living on site during the renovations, normal contents insurers will consider providing cover and can often be more accepting than the buildings insurer, as alterations to the property will not affect the contents as significantly. However, there may be an increased risk of accidental damage to carpets and furniture so you can expect to see the 'damage caused by the works' exclusion added, as with the buildings cover. Valuables at the home may be excluded or required to be removed from site during the works. Paintings, jewellery and valuable items should all be removed where possible and would need to be specifically notified to the insurer if any of these contents remain, and they may impose a theft limitation clause.

2. Moving out/unoccupied

Moving out during the works means most contents insurers will cancel or restrict their cover, as the property is no longer considered to be a home. In this situation, cover can be provided by specialist renovation insurers. However, most will only cover general furniture without any valuables remaining on site. Often homeowners will consider placing their contents into storage during the works. Storage companies can provide insurance for the contents as part of their cost so this can give the homeowner peace of mind.

3. Moving into rental accommodation

If some of the contents are going with the homeowner to rental accommodation, the simplest solution is to take out a separate policy for the contents in the rental accommodation. It's sensible to ensure the policy has acceptable cancellation terms as the project timeframe may alter and it's unlikely the project length will run in conjunction with the policy.



Plant & Tools

Plant and tools are typically split into three sections.

- Portable Hand/Power Tools
- Owned Plant (anything larger than a hand tool)
- Hired-In Plant

The most important thing to bear in mind is that any equipment hired or owned by the contractor, should be insured under the contractor's insurance as this is their responsibility and, in the event of a loss, this would only affect the contractor.

1. Hand Tools and Owned Plant

Tools and Plant owned by the property owner can be insured on specialist renovation policies. To obtain quotes insurers will need to know:

- The total value of your equipment
- The highest single item value

Most policies will require that the tools are stored in a locked place or the plant be immobilised.

2. Hired-in Plant

For Hired-in Plant, hiring companies will often provide an insurance option. However, renovation policies can often provide a quotation for the same cover at a lower cost.

Some policies will include the continuing hiring charges following damage or loss to the plant. This can include the costs of the hiring charges whilst the plant was unable to be used or the loss occurred by the hiring company if they are unable to re-hire the equipment to the next purchaser.



Public Liability

In the UK, building sites have a higher number of accidents and injuries than any other working environment. Therefore, it's vital for employers and their contractors to ensure they protect themselves against claims arising from third party damage or injuries caused as a result of a negligent act.

In the event of a potential claim, it's important for clients to contact you before discussing anything with the third party. Dealing with the third party and confirming their own negligence may jeopardise the insurers' position and could cause problems with the cover.

The contractors

Most specialist renovation policies will require any contractors attending the site to have their own Public Liability cover. Any reputable building company will have a policy in place to cover all the sites they work on. Limit of Indemnity Public Liability cover always carries a Limit of Indemnity. Cover is usually £2m but can be increased to £5m. Higher limits can be obtained on referral.

The limit should be reviewed and chosen based on the value of the property, the number of people working on site and the location of the project.



JCT 6.5.1 Non-Negligent Liability/JCT Insurance

JCT 6.5.1 Non-Negligent Liability, also referred to as JCT 21.2.1 Insurance or Party Wall Insurance, is a form of cover which has come into effect predominantly following the Party Wall Act 1996. In summary, the Act provides a framework for preventing and resolving a dispute in relation to party walls, boundary walls and excavation near neighbouring buildings.

The Act covers the following types of works:

- New building on or at the boundary of two properties
- Work to an existing party wall or structure
- Excavation near to and/or below the foundation level of neighbouring properties.

A key point in the Act is that “the building owner who initiated the work pays for the damage if the works are solely for their benefit”. If your client’s works damaged their neighbour’s property but there were no negligent acts in the contractor’s work, they could potentially be liable for the damage as the works only benefits them/their property.

So, what is this insurance actually covering?

The cover is often treated as an extension to the property owner’s Public Liability cover. Where Public Liability requires a negligent act to have caused the damage, this cover extends to include damage caused where there are no negligent acts. Major groundworks are the most likely works to cause this damage as removing/altering ground is more likely to destabilise the other surrounding structures.

The types of perils covered include: subsidence, heave, collapse, vibrations or weakening/removal of support, or the lowering of ground water consequent upon carrying out the contract works.

Why is it called JCT Insurance?

JCT stands for Joint Contractors Tribunal. It’s a type of contract often drawn up for specific one-off building projects and can be purchased directly from JCT. There are a number of different types and versions, but typically the contract will ask if this cover is required under Section 6.5.1. On previous versions, the cover appeared under Section 21.2.1 and therefore the references to the name of the insurance formed.

Cover can be obtained by either the property owner or the main contractor for this cover. It’s often stipulated within the contract that cover must be insured in Joint Names between the property owner and the contractor.

This element of renovation insurance can be one of the most confusing if you are not used to insuring renovation projects. If you would like any further support with this please get in touch with our team by [CLICKING HERE](#).

Alternative Accommodation / Advanced Loss of Rent

Alternative Accommodation

Alternative Accommodation is usually provided as an extension in cover to a standard buildings insurance policy. The cover comes into effect following damage to the property caused by an insured event. It will pay the costs of similar accommodation for the insured whilst the damage is rectified.

Alternative Accommodation can either be provided with a fixed sum limit or limited to a percentage of the sum insured. Both options may be acceptable, but a low fixed sum may not be sufficient for larger projects. It is worth keeping in mind that the cover may be restricted with an indemnity period limit.

Advanced Loss of Rent

When taking on a project for commercial gain, there are other elements involved in the project and profit margins are far more important. There may be lenders or investors involved and delays in the project can be devastating.

For these projects, Alternative Accommodation is irrelevant as the occupiers won't be sourced until completion. Advanced Loss of Rent will cover the costs of the rent your clients would expect to receive following a delay caused by an insured event. Cover can also be increased to insure loss of interest for the projects where there are loans taken out to complete the works.

For both types of cover, renovation insurers will typically require an up to date Gantt chart and schedule of works in the event of a claim. This will allow them to ensure that they are not paying for general delays in the works which were not caused by an insured event. These general delays would be specifically excluded from cover.



JCT Contracts

JCT Contracts are designed to clarify all aspects of the project and avoid having disputes over who was at fault in the event of a problem. The details range from what security will be used, when the work will be carried out and, most importantly for brokers, what type of insurance cover is required.

One of the insurance options requires the property owner to insure both the works and the existing structure in joint names with the contractor, and it is important for the client to notify you of which option they have taken out to ensure the insurance is arranged on the correct basis.

Some insurers are unable to cater for joint names contracts as insuring the policy in joint names can waive some of the subrogation rights against the contractor for accidental damage to the existing structure or the new works. To ensure a renovator is in the best possible position throughout their project, a JCT Contract can be the best possible solution to help give them peace of mind.



Covers at a Glance

Included Type of Cover	Standard Specified Perils	Premier Specified Perils	Premier Plus All Risks
Building(s) Existing buildings and all new works materials and fixtures & fittings			
Fire	✓	✓	✓
Lightning	✓	✓	✓
Explosion	✓	✓	✓
Earthquake	✓	✓	✓
Aircraft	✓	✓	✓
Storm	X	✓	✓
Flood	X	✓	✓
Escape of Water	X	✓	✓
Impact	X	✓	✓
Malicious Intent	X	✓	✓
Riot & Civil Commotion	X	✓	✓
Theft & Attempted Theft	X	✓	✓
Accidental Damage	X	X	✓
Subsidence	X	X	✓
Contents	X	Optional Perils as above	Optional
Own Construction Machinery	X	Optional when contents chosen Perils as above	Optional
Portable Hand & Power Tools	X	Optional when contents chosen Perils as above	Optional
Hired in Plant	X	Optional 'All Risks' Cover	Optional 'All Risks' Cover
Caravans Site/Huts	X	Optional	Optional
Public Liability Sum Insured £2,000,000	✓	✓	✓
Non-Negligent Liability	X	X	Optional
Advanced Loss of Interest	X	X	Optional
Terrorism	X	X	Optional

Please note this is intended as summary of the cover available.

For full details refer to the Policy Wording or alternatively please contact us on **01621 784840**

✓ = Included X = Not Included

Next steps to insuring your client's renovation project

We hope you have found this guide useful as we understand that insuring renovation projects for the first time can be a daunting prospect. With Renovation Plan you can offer your client a competitive quote with our online market-leading renovation insurance scheme once you have a TOBA with us. We also have no minimum level of support which means even if you have a one-off quote you can provide a high quality service and product to your client through our online broker portal.

1. Request a TOBA

Before you can trade online with us you need to have a TOBA in place. You can apply for one by filling out an online form by [CLICKING HERE](#) and a member of our team will be in touch.

2. Create your user profiles

Every individual in your business who will be using the portal will require their own individual login to trade with us. Once your TOBA has been confirmed we'll be in touch for a list of users who will then receive their individual logins along with some useful guides.

3. Start trading online

Once your team have their profiles set up you can begin to use our portal which enables you to provide a quote to your clients with flexibility and speed. If you require any further support our team are happy to help and you can find our contact details on this page or by [CLICKING HERE](#).

Need more support?

If you are unfamiliar with renovation insurance and would like training on our product, we are more than happy to arrange this for you. You can request training by [CLICKING HERE](#).

You can also send us a message on the broker contact page by [CLICKING HERE](#).





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