Buildings insurance for a self-managed block

What buildings insurance should cover, how to buy it, what to ask a broker, and what leaseholders are entitled to see.

Buildings insurance is usually the biggest single item in a service charge, and the most important. A policy that does not cover the right risks, or that is insured for the wrong sum, can leave the building and its leaseholders exposed. A self-managed board should understand it, not just renew it.

Who insures

Most leases require the landlord or the management company to insure the building and to recover the cost from the leaseholders. Check your lease. Leaseholders normally insure their own contents and improvements separately.

What the policy should cover

- **The structure and common parts,** including the communal fixtures and fittings.
- **The rebuilding cost,** based on a recent reinstatement valuation. An out-of-date sum insured can lead to a reduced claim.
- **Loss of rent and alternative accommodation,** where the lease and the policy require it.
- **Employers' and public liability.**
- **Directors' and officers' liability,** for the board of the company, which is usually separate.
- **Terrorism cover,** where required, and additional cover for items such as lifts and engineering.

Buying the policy

- **Use a broker** that works with leasehold property.
- **Give full and accurate information:** building age, construction, number of flats, claims history, any unoccupied units and any known defects.
- **Compare cover, excesses and exclusions, not only the premium.**
- **Ask about commission** or other payments to anyone involved in placing the cover, and about the rules that now govern their disclosure.
- **Ask for the policy documents,** the schedule and a clear summary.

What leaseholders may ask to see

Leaseholders have statutory rights to ask for a written summary of the insurance cover, and, in some cases, to inspect the policy and related documents. Respond promptly and in writing. A proactive summary sent each year avoids many questions.

Claims

- Report damage to the broker or insurer promptly.
- Do not start repairs unless the insurer allows it, apart from urgent protection.
- Keep photographs, estimates and notes.
- Keep leaseholders informed, because claims can affect their homes.

Reviewing the cover

Review the policy at least each year before renewal, not just the price. Check that the sum insured is current, that any changes in use or occupancy have been told to the insurer, and that obligations such as inspections have been met.

> Do not leave renewal to the last week. Start two or three months before the date, so there is time to compare options and to deal with problems.

Next steps

1. Get a current rebuilding valuation.
2. Ask a broker to review the cover and the market.
3. Send leaseholders a summary of the cover.

General information, not advice on your circumstances. Leasehold law is detailed and changes: check the current position and take advice before acting. Leasehold Clarity is provided by Leasehold Clarity Limited (company no. 16963931), with management and professional services from Murphy Thompson Moore LLP (LLP No. OC314041).