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The extension boom: are your clients properly protected?

In 2023, almost 300,000 homes in England were granted planning permission by district level planning authorities, according to the Department for Levelling Up, Housing and Communities.

The appetite for home extensions and outbuildings such as garden offices has risen since the pandemic. Despite the recent dip in UK house prices, the market is still incredibly tough for would-be new home buyers – with lenders continuing to raise rates coupled with issues such as gazumping on the rise. For many, extending a property is the best solution to get that sought-after extra space.

It's useful, then, for advisers to be in a position to confidently inform their clients on what the implications of extending or adding outbuildings might be for their home insurance.

There are four things to consider:

1) **Does the customer need to notify their home insurance provider if they are undertaking significant work at their property?**

   This all depends on the policy.

   Paymentshield doesn't require new or existing customers to notify them about whether their property is undergoing renovation or extension works. This means that they cover properties during the work, providing eligibility criteria continues to be met (for example, the property will continue to be occupied).

   Many other standard home insurance policies will require the insurer to be notified. The insurer will then determine if cover can continue or whether additional, specialist cover is required, and any impact on price. Advisers should recommend that clients check their terms and conditions and the information they have provided thoroughly to determine if any planned works needs to be disclosed – else risk a claim being declined.

2) **Is the property going to be unoccupied while work takes place?**

   If the homeowner moves out during renovation work and the house is left empty, this could impact a claim.

   For example, Paymentshield home insurance policies have an unoccupancy period of 60 days. If a customer is looking to take out insurance for a property that will be unoccupied for over 60 days from the policy's start date, then the customer wouldn't be eligible to buy a Paymentshield policy. In this instance, advisers can help their clients by recommending a specialist policy.

If an *existing* policyholder leaves the property unoccupied for more than 60 days, then certain exclusions will apply until the owners move back in. For example, loss or damage caused by escape of water or oil is excluded, as is theft, and accidental damage to buildings and contents.

Different insurance policies are likely to have a different definition of 'unoccupancy', with differing limitations and exclusions. This means it's important that advisers establish whether there is intention to do any major renovation works on the home. Customers need to know in advance that their cover could be reduced so they can source a specialist policy if needed, instead of getting caught out if they need to make a claim during a period of unoccupancy.

And, at the time of purchasing the initial policy, the different unoccupancy periods and any associated limitations can be an important factor in comparing policies, if the homeowner is planning to undertake work immediately. Advisers can help them to carefully consider this.

3) Have they added or removed a bathroom?

If an extension includes a new bathroom, wet room or toilet, it's vital that the insurance provider is informed as it may change the property's risk profile.

Every year, home insurers typically pay out more for damage caused by leaking or burst pipes than any other claim type. More bathrooms (and more pipework) increases the chance of damage occurring and needing to make a claim. So, it's vital the insurer is aware, and that the customer is paying the right price for their situation – meaning no problems should the client need to claim.

4) **Will it cost more to rebuild?**

Has an extension significantly increased the square footage of the property? If yes, it may cost more to rebuild if the property is damaged beyond repair.

If the client's home insurance has a blanket sum insured, they should check the total limit will provide enough cover after an extension/renovation work on a property.

The alternative is a sum insured policy where the customer will have selected the specific cost of rebuilding their property. In this situation, the client will need to check their policy documentation to ensure the buildings sum insured remains accurate, and possibly update it to avoid the risk of underinsurance.

It's also worth checking that contents cover is still appropriate. That extra space is likely to have led to the acquisition of more furniture and other items that could mean contents cover needs increasing.

Making sure that homes and belongings are adequately protected during and after extension or renovation works is not necessarily straightforward, and advisers are really well placed to help clients navigate that. After investing in enhancing what, for most people, is their primary asset, homeowners will want to make sure it's properly protected.
If you would like to discuss your clients' insurance needs as they consider making changes to their properties, Paymentshield has a wealth of resources available for you to download and print in their Marketing Toolkit including guides, tools and case studies for your use. Visit the Paymentshield Marketing Toolkit page and take alook around.