



## Frequently Asked Questions

### **Q/ Why have I received a letter about insurance?**

A/ The Financial Conduct Authority, who regulate how insurance companies operate, requires buildings insurance arrangements for leaseholders (and shared owners) to be transparent, in terms of what you're paying for that insurance, what exactly is covered by the insurance and how much commission those involved in arranging the insurance are paid.

The regulations are called "Multi-occupancy Leasehold Insurance Reforms", although it applies to all leasehold property whether a block of flats or an individual house, where that insurance is arranged by and recharged by someone other than the leaseholder. In this case, VIVID.

We will write to you each renewal with details of the insurance, how much the insurance company will charge you for the insurance (which we'll collect in your service charges) and how much commission is being paid to those arranging the cover.

### **Q/ Do you take any commissions from this contract?**

A/ No, we don't earn any commission from this insurance. We do use an insurance broker to arrange the policy for us, and their commission/earnings are detailed in the documentation provided.

### **Q/ I thought that as a leaseholder, that I'm responsible for arranging insurance for my contents and the building?**

A/ We have a financial interest in the property because we own the freehold. Therefore, it's our responsibility to arrange the buildings insurance. We don't cover your personal belongings though, and we recommend you arrange home contents insurance yourself.

### **Q/ What is terrorism insurance and why am I charged additionally for this?**

A/ As freeholder, we wish to insure against damage caused by an act of terrorism as well as traditional causes, like fire, flood, storm etc. This is a separate insurance policy that sits alongside the main buildings insurance and therefore a small, separate premium applies for this.

### **Q/ I've never been asked to pay towards the cost of insurance before and I've always done my own repairs. Is there a clause in my agreement about this?**

A/ Your lease will state who is responsible for arranging insurance and in all but a few cases it will be our responsibility to arrange it to protect both our interest and yours as the leaseholder. Your service charge includes the cost of the insurance for buildings and property owner's liability.

**Q/ I've never been given a copy of the insurance policy/certificate, so I don't know what's covered?**

A/ We've always made sure that a copy is available for customers on our website at <https://www.vividhomes.co.uk/my-home/manage/insurance> for you to refer to. However, from 1 July 2024, we will also be sending you other relevant information about the insurance as required by the new regulations.

**Q/ Can I arrange my own buildings and terrorism insurance for my flat as I might be able to obtain the cover cheaper if I buy it on my own?**

A/ As we have a financial interest in the property as the freeholder, the lease requires that we arrange buildings insurance. We carry out checks to make sure insurers meet minimum standards and financial ratings. By arranging a single policy covering all our leaseholders and shared owners we can be confident that all the buildings are insured correctly, and that the policy will respond to a loss.

If leaseholders and shared owners arranged buildings insurance for their individual flats in the event of a major claim, we could potentially be dealing with a separate insurer for each flat. And if one of the leaseholders or shared owners had not arranged insurance or the policy failed to pay out, the remaining leaseholders and shared owners would be responsible for the costs.

Having a single buildings insurance policy benefits us both. So, there's no need to take out additional buildings insurance but we recommend that you consider a home contents insurance policy for your own belongings.

**Q/ I'd expect you to only arrange cover with a reputable Insurer who provides a great claims service?**

A/ We tender ever 3-5 years to make sure we're getting value for money. This is scored for both premium and service. We set out the standard of service we expect for our leaseholders and shared owners and the current insurer meets this requirement. And we consult with our leaseholders when we do this.

**Q/ How much will this cost annually?**

A/ Your specific allocation of the premium, which is based on the rebuild value of your home, is detailed in the documentation provided.

Please note that the amount shown is for the insurance policy period 1 July 2025 to 30 June 2026. This will be adjusted when we calculate the service charges for the period April to March, so will differ slightly.

*For example, if....:*

The Insurance premium for 1 July 2024 to 30 June 2025 = £100 and  
the Insurance premium for 1 July 2025 to 30 June 2026 = £110

...then the buildings Insurance charge within service charges for 1 April 2025 to 31 March 2026 is calculated:

3 months of the old premium (April, May and June 2025) -  $\text{£}100 / 12 \times 3 = \text{£}25$  and  
9 months of the new premium (July 2025-March 2026) -  $\text{£}110 / 12 \times 9 = \text{£}82.50$

So the actual Service Charge for buildings insurance in this example would be £107.50 for the period 1 April 2025 to 31 March 2026.

**Q/ My premium allocation has gone up this year, did you shop around for the best deal?**

A/ As a commercial organisation, the best deals are available to us (and you) by arranging cover under a long term agreement rather than seeking quotes every year.

We have agreed to renew with the same insurer every year for a minimum of 3 years, maximum of 5 years providing the insurer does not increase their rates. The insurer agreed not to increase their rates providing the value of claims made on the policy remains below a certain threshold.

The value of claims on the policy has remained below that threshold this year and rates have therefore been maintained, so we have not sought alternative quotations this year.

Any change in your individual premium allocation will reflect changes to the rebuild value of your property insured following review, to which the premium rate is applied.

**Q/ Why did you review the rebuild value of my home and why has it gone up?**

A/ The cost of insurance is based on the how much the insurers would have to pay out if your home was catastrophically damaged, for example in a fire or a flood. Insurance companies are tightening up on their terms and conditions and we're required to make sure the values we declare to them are accurate or it could mean a claim would not be paid in full. At the same time, the building industry has come under pressure in recent years which has pushed up building costs. We've also been advised to include VAT in our calculations as it will form part of the costs of rebuilding in most cases.

**Q/ How do you know the rebuild value of my home is correct?**

A/ We engaged a RICS qualified surveying firm, called JLL, to undertake this exercise for us. They have carried out site surveys of all of our largest blocks of flats and undertaken a desk top exercise of the remaining dwellings, which take into account the size of the property and it's geographic location.

The project meets insurers requirements and policy conditions, and we are satisfied that there will be full cover in the event of a loss. It is recommended that these values are increased by an inflation factor annually, with this full exercise repeated every 3 years thereafter to ensure the values remain adequate.

We have not recharged leaseholders the cost of this exercise.

**Q/ What's insurance premium tax?**

Insurance Premium Tax is levied by Government on all general insurance premiums and is currently 12%.

**Q/ My Home Contents insurance provider wants to know exactly what's covered by the Buildings Insurance policy so there's no confusion?**

A/ You can share the enclosed summary of cover with them and it is also available to download from our website at <https://www.vividhomes.co.uk/my-home/manage/insurance>.

**Q/ Am I being asked to pay an additional cost?**

A/ No, we're just letting you know that we've renewed the policy and how much the insurer is charging to insure your home. The cost will continue to be part of your service charges.

**Q/ My mortgage provider needs to be noted on the policy, can this be done?**

A/ Mortgagees and other parties who might have a financial interest in the property are automatically noted by way of an "Interests clause". This means in the event of a major loss that those parties will be made aware.