



Frequently Asked Questions

Q/ Why have I received a letter about insurance?

A/ The Financial Conduct Authority, who regulate how insurance companies operate, has brought in new regulations to make buildings insurance arrangements for leaseholders (and shared owners) more 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.

From 1 July 2024, 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 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 2024 to 30 June 2025. 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 2023 to 30 June 2024 = £100 and
the Insurance premium for 1 July 2024 to 30 June 2025 = £110

...then the buildings Insurance charge within service charges for 1 April 2024 to 31 March 2025 is calculated:

3 months of the old premium (April, May and June 2024) - $£100 / 12 \times 3 = £25$ and
9 months of the new premium (July 2024-March 2025) - $£110 / 12 \times 9 = £82.50$

So the actual Service Charge for buildings insurance in this example would be £107.50 for the period 1 April 2024 to 31 March 2025.

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.