Arranging your own buildings insurance cover

Standard requirements of lenders

Nearly all lenders instruct solicitors to follow the requirements and provisions of the Council of Mortgage Lenders (CML) handbook when dealing with the completion of mortgage advances. These written instructions fall into two separate parts. Part 1 sets out general requirements common to all lenders. Part 2 sets out each individual lender's own particular requirements.

Most lenders provide a copy of the part 2 section when they send their mortgage instructions to us, at the same time as your mortgage offer is issued and sent to you.

The CML handbook requires us to report to the lender if a property is not insured in accordance with the lender's requirements.

We are instructed to make sure that the appropriate insurance cover is in place from no later than the date upon which the mortgage is completed. However, if you buying a property, unless special arrangements are agreed, you will need to effect building insurance cover from the date on which exchange of contracts takes place.

We are required to check that the amount of buildings insurance cover is at least the amount referred to in the mortgage offer. If the property is part of a larger building and there is a common insurance policy (for example, an apartment within a block of flats), the total sum insured for the building must be not less than the total number of flats multiplied by the amount set out in the mortgage offer for the property.

The lender requires us to ensure that buildings insurance cover is index-linked and to verify that all of the following risks are covered by the buildings insurance policy:

- fire
- lightning
- aircraft
- explosion
- earthquake
- storm
- flood
- escape of water or oil
- riot
- malicious damage
- theft or attempted theft
- falling
- trees and branches and aerials
- subsidence
- heave
- land-slip
- collision
- accidental breakage of glass and sanitary wear
- accidental damage to underground services
- public liability

(cont'd)

A lender's particular requirements, set out in part 2 of the CML handbook, will stipulate:

- whether the buildings insurance policy must be in the joint names of the lender and the owners of the property, or whether it is sufficient for the lender's interest to just be noted on the policy
- the maximum excess which is acceptable to the lender
- whether the lender requires written confirmation from the insurance company that they will notify the lender if the policy is not renewed, or is cancelled; and
- whether the lender requires a copy of the buildings insurance policy, and the last premium receipt, to be sent to them

Please do bear in mind the large number of points that your lender will require us to check and verify if you are planning to make your own buildings insurance arrangements, rather than effecting insurance cover via the lender. This can take time to organise.

Contact

For further information or advice, please contact: respropertyinfo@bllaw.co.uk

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