

# Newsletter

summer 2009

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## News

Until recently I'd have said a Credit Crunch was a cheap breakfast cereal, how times have changed.

Starting this business 30 years ago I assumed anyone running a big company was more astute than little old self-employed me. But gradually after watching them make blunders that would wipe out any small business, I realised they weren't smarter - they could afford to make bigger mistakes. Now the monumental incompetence of the Bankers has dispelled even that theory. But credit were credit is due, they were good at producing mega, gold-plated, index-linked pensions - for themselves.

Now every cloud has a silver lining. Unlike most areas of the British economy the tourism industry's short-term future seems bright. A weak pound attracts foreign tourists, and deters Brits from holidaying abroad. Now may be the time for all you Guest House/B&B or Holiday let owners' to make hay while the sun shines.

John Lyon

## House Prices

With the slump in house prices it's tempting to save money by reducing your buildings sum insured. This is risky as house prices bear little or no relation to the rebuilding cost (what you should insure it for). Underinsure and you may lose out in a claim. Please see overleaf for an explanation.



*Property for sale? Just send details and we will advertise it for you free of charge.*

## Bude North Cornwall

6 bed guest house plus 1 bed owners accomm, thriving, well established business, small gardens front & rear, walking distance town & beaches. directly opposite Bude & North Cornwall Golf Club.

Mrs Downes 01288 352351 £485,000

## B&B Ludlow Shropshire

3 first-floor refurbished letting rooms all en-suite, downstairs breakfast room. Totally separate 2 bed owners' accommodation. Large off street car-park, sun patio to side & garden to rear. Awarded 4 stars by local Tourist Board.

Mrs Wilkinson 01584 878108 £345,000

## B&B, Aboyne, Royal Deeside

Detached 5 bed B&B, in own grounds within village 3 ground floor beds (1 en-suite). Large lounge with open fire. 2 large rooms with shower room on first floor.

£335,000  
Sheila Maxwell sheilamaxwell@btinternet.com

## Fire Regulations

A new guide has been launched to help small accommodation providers with fire safety. It helps B&Bs, guest-house & self catering property owners' address the specific difficulties faced, with practical advice including a 5 point action for reducing fire risks in small establishments.

Providing an overview of your legal responsibilities, & a checklist of issues to consider as part of your risk assessment. The guide is available online at:  
[www.communities.gov.uk/publications/fire/payingguests](http://www.communities.gov.uk/publications/fire/payingguests)

## What else do we do?

Although we specialise in insuring guest houses, B&Bs and holiday homes we are able to place the following.

- Buy to let Properties
- Standard Household
- Liability
- Shops & Offices
- Impaired Properties – Subsidence etc

Please give us a ring for no-obligation quote. Sorry we do not handle motor insurance

## HOW MUCH SHOULD I INSURE MY HOUSE FOR?

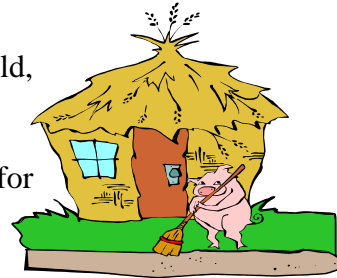
Several years ago at the height of the property boom we warned against insuring your house for its market value, as you could end up paying too much for buildings insurance. Now anyone tempted by the slump in property prices, to insure for the current market value faces a new threat - the risk of being under insured.

Insurance aims to place you in the same financial position after a loss, as you enjoyed before the loss – either by repair or replacement. What someone will pay for your house is irrelevant. You insure for the *rebuilding cost*. i.e. the cost of rebuilding from scratch (plus extras for demolition, re-housing etc). Consider a house with stunning views in an up-market area; place the same house in a back street opposite the gas-works. Same rebuilding costs – but wildly different sale price.

Premiums are calculated on the sum insured. So to over insure is a waste of money, equally to underinsure is folly.

**A cautionary tale of 3 little pigs**, whose identical houses would cost £400,000 to rebuild, but only sell for £200,000 in Toytown's depressed property market.

**The first little pig** was a wise little pig; found the correct figure, insuring his house for £400,000. Fully covered if the big bad wolf calls, he pays the correct premium.



**The second little pig** was a lazy little pig; he guessed at the sum insured, insuring his house for £500,000. He's also covered if the big bad wolf calls - but pays too much for his insurance.

**The third little pig** was a penny-pinching little pig, only insuring his house for the market value of £200,000. Then one day, the big bad wolf huffed and puffed causing £100,000 of damage. "Phew!" said the third little pig. "that's within my sum insured" "Not so fast!" cried his insurer, "We only insure half the house, so we 're only paying half the claim - here's £50,000."



### Boring technical explanation

The third little pig's insurer applied the *average clause*, which states "The insured acts as their own insurer for the difference between the actual value and declared value" In this case the actual value (rebuilding cost) being £400,000 and the declared value (what it was insured for) £200,000. In effect the little pig was his own insurer for half the property – and so had to pay half the claim. It works on small claims too. Claim £1,000 and you'll only get £500.

O.K. How do I find the correct figure? We recommend a survey by a member of the Royal Institute of Chartered Surveyors (RICS), Several clients have reduced their sum insured enough to pay the fee – Could go the other way of course, but at least you're correctly insured.

Alternatively log on to the Association of British Insurers website [www.abi.org.uk](http://www.abi.org.uk) and click on information zone - for consumers – household re-builder calculation.

### And Finally

Busy guest house owners' Jack & Jill are woken at 3 o'clock in the morning by a rat-a-tat-tat on the front door. Thinking a guest has lost his key Jack goes down and opens the door. "Hi there." slurs a drunken stranger "Can you give me a push?" "No ! Get lost" Said Jack slamming the door.

Back in bed, Jack explains what happened "That wasn't very nice" Said Jill. "Remember the night we broke down in the pouring rain and you had to knock on that man's house to help get us started?" "But he's drunk." Jack replies. "It doesn't matter he needs our help" Said Jill. So Jack gets dressed, and goes down and opens the door, but he cannot see the stranger in the dark, so he shouts. "Hey, do you still want a push?" A voice cries out "Yes please." "Where are you?" Jack asks. The stranger calls back "I'm over here, on your swing."

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