

**first direct**

**Home Insurance**  
Your Price Explained

## How insurance works

Every customer pays into a central pot, and if you make a claim your insurer will pay it out of that pot. If lots of people claim at once, the pot has to go further, which means prices go up. Whatever happens, the way the cost of home insurance is calculated is regularly reviewed, to make sure you get the best price.

To work out the price of your insurance, several other factors are also considered. Some factors are specific to you, including the chances of you making a claim. Other factors are to do with the external environment and what's happening in the insurance market.

This document explains some of these factors and how they affect your price.

## Your home insurance renewal

Before your current policy comes to an end, you'll receive a renewal invitation. It will show 2 prices — last year's price and a price for continuing your cover for another year.

Your price might be quite different this year because of recent changes in regulation which affects all insurance providers. As an existing customer, when you renew your policy, your price will be the same as or lower than the equivalent price for new customers.

## Examples of how your circumstances can affect your price

### 1. Where you live

Publicly available data on your property's local area contributes to your personal price. Factors include the average claims cost and future claims expected in your neighbourhood. Therefore, if claims in your area go up it may cost more to insure your home.

### 2. Any past claims

To work out your price, your claims history is factored in, which includes any accidents, claims, or losses in the last 5 years. The fewer the past claims you have, the lower you can expect your premium to be.

### 3. Your home's build

How your property is built is likely to affect your price. For example, wooden features — such as timber frames — may raise your premium because of a greater risk of fire-damage. Any non-standard building materials that may cost more to source or repair could have the same effect.

#### **4. Your type of home**

There are many reasons why different types of homes are assessed differently. For example, terraced houses suffer less subsidence, so may cost less to insure than a semi-detached in an area where there's a high risk of subsidence – regardless of your home's size or value.

#### **5. The number of bathrooms in your home**

A common cause of claims is escape of water. More bathrooms mean more pipework, which could mean a greater chance of something going wrong. It can also mean it's more difficult and costly to trace the origin of the leak.

#### **6. Who's at home during the day**

If someone is home during the day, you could be at a lower risk of theft, but this may increase the risk of claims such as accidental loss or damage, fire or plumbing problems which could increase your price. The number of people living at home could also impact your price. More people means more belongings and more potential claims.

## **Examples of how external events affect your price**

#### **1. Severe weather**

Long cold or wet spells can burst pipes and damage homes. Plus, the chance of flooding leading to future claims is regularly reviewed.

#### **2. Rising repair costs**

The cost of items in the home gets ever more expensive. Naturally, it also gets more expensive to fix them, which increases the cost of providing insurance and the price you pay.

#### **3. Changing number of claims**

If the variety and number of claims received changes, so too do prices. How much insurers are likely to pay in future claims is estimated and this is factored into your premium.

#### **4. Insurance Premium Tax**

Each price includes Insurance Premium Tax (IPT), currently at 12%.

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