Building Insurance Premium Increases

The Grenfell tragedy exposed the vast numbers of buildings designed, built and signed off by a regulatory system which we now know was unfit for purpose. As a result, insurers now often assess an above 18-metre block with the view that the maximum loss could be the whole building rather than just a few flats. Insurers are working on the basis that the costs of fire in these buildings is significantly higher than originally thought, and that many represent an ongoing fire risk. As a result, rising insurance premiums have caused tremendous financial pressure on leaseholders.

We are also seeing that some insurers are moving the goalposts, with EWS1 B1 ratings no longer being adequate, instead requiring works to be done in order to attain an A rating, meaning leaseholders paying for works outside of the Building Safety Fund. In many cases, Waking Watches (WW) are being requested by insurers in order for them to proceed with cover, despite the local Fire Brigade being satisfied that they are not needed.

Insurance Statistics
ARMA has conducted a survey with its members in order to illustrate the current insurance landscape. Data for 143 blocks were submitted, revealing:

- Previous insurance premiums for 2019/20 totaled £7.76m.
- Renewal premiums for 2020/21 total £29.07m.
- **This represents an average premium increase of 374% per block.**

When this is worked out on a flat by flat basis, the costs are clear. The below figures represent where unit numbers are known (107 blocks):

- Total number of flats – 13,570
- Previous premiums totaled £4.92m, or £363 per flat per annum.
- Renewal premiums totaled £19.63m, or £1,447 per flat per annum.
- **This represents an average increase of 400%, or nearly £1,100 per flat.**

To date, one building in the sample remains uninsured.

13 (i.e. 10%) of the 143 blocks had increases in excess of 1,000%. The highest increase provided was 1,840% for a block of 42 flats, whereby the premium has gone from £25,000 to £460,000. To put it another way, last year each leaseholder was paying an average of £600 per annum, compared to £11,000 this year.

ARMA Insure
ARMA, in conjunction with a panel of major insurance companies, has made a proposal to MHCLG whereby any increase to building insurance premiums will be much lower in exchange for Government accepting the risk on fire related loss in excess of £250,000. The expected cost to HM Treasury is only £20m-£25m. However, at this stage there is "little appetite" for HM Treasury to take on the risk and so ARMA are asking what is the alternative solution - apart from leaving leaseholders to fend for themselves?