

LKP  
By email

29<sup>th</sup> April 2021

Dear Sirs

## Captive Insurance Arrangements

The use of captive insurance arrangements is commonplace among property owners and agents (both residential and commercial) once they achieve sufficient critical mass to be economic in terms of their capitalisation and administrative costs. They provide a risk-sharing mechanism which is not present in commission-based models and appeal to insurers by removing them from high volumes of low-level claims which are re-insured to the captive to pay for and deal with, improving underwriting rates in the process. At Rendall and Rittner we also believe a captive structure provides better alignment of interest between our customers and ourselves, removing the perception that we have no incentive to control claims tightly, a criticism frequently made of commission-based arrangements.

Captive arrangements are more prevalent in various jurisdictions outside the UK where regulatory and capitalisation requirements are less onerous and where smaller structures are more viable as a result. However, we reject any insinuation that the arrangements are not disclosed or somehow disadvantage leaseholders or are in any way untoward. In fact, most of the clients who choose to use our captive solution are leaseholder groups such as RTM, lessee-owned freehold and RMC companies as it gives them access to our aggregated purchasing power. This was borne out in the specific situation you raise as one that concerns you, where at the AGM of the lessees' freehold company the placement of insurance was considered in careful detail. The Chair explained that quotations outside of the captive arrangement were £21,945.11 to £50,511.24 **more** expensive than the price offered through the R&R captive. The lessees were vocal in that meeting that they most certainly did not want to incur additional insurance premium costs of £60 to £142 each and they voted unanimously to participate in the captive.

We are surprised that LKP and the APPG are allowing themselves to be at all distracted by this aspect of the insurance market at present, when the overall cost of insurance has risen

Postal Address: 340 Deansgate, Manchester. M3 4LY  
Email: [office@rendallandrittner.co.uk](mailto:office@rendallandrittner.co.uk)

Head Office & Registered Address: 13B St George Wharf, London. SW8 2LE  
Company Reg No: 2515428 VAT Reg No: 151 7938 91

[www.rendallandrittner.co.uk](http://www.rendallandrittner.co.uk)

Telephone: 020 7702 0701  
Regulated by RICS and the FCA



enormously as a result of the perceived risks of insuring buildings with fire safety issues, nothing at all to do with the captive solution. The crippling costs of insurance, fire safety mitigation works and of course the remediation work needed to buildings is the biggest issue facing our sector in living memory and this is where focus should be dedicated. While Government intervention has been welcome, it has not provided a holistic solution for resolving the multiple fire deficiencies faced by many properties. This, coupled with the chronic shortage of fire engineers and professional indemnity underwriting capacity means that it is almost impossible to even start remediation projects. As a result these issues threaten to rumble on for years and years, leaving leaseholders in a terrible position in the interim. To all these issues one could add the application of VAT to site staff costs and the enormous cost of terrorism cover which have also added millions to leaseholders' burdens in recent times.

We urge LKP and the APPG to continue its focus on these real issues rather than become side-tracked by such minor issues as how underwriting capacity is structured.

Yours faithfully

Rendall and Rittner Limited