Ministry of Housing,
Communities &
Local Government

Alex Norris MP
Parliamentary Under-Secretary of State (Local Growth and Building Safety)

Ministry of Housing, Communities & Local Government
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

www.gov.uk/mhclg

Florence Eshalomi MP
Chair, HCLG Committee
London
SW1A 0AA

20 March 2025

Dear Florence,

Update to Contingent Liability arising from the EWS1 Professional Indemnity Insurance Scheme following closure

Please be aware that the Department has today laid the attached Departmental Minute and made the following Written Ministerial Statement:

In September 2022, the EWS1 professional indemnity insurance (PII) scheme launched for competent fire safety professionals undertaking EWS1 assessments, fire safety assessments for the External Wall Systems in residential buildings. The scheme aimed to enable competent professionals to access the indemnity cover they need to undertake external wall assessments. On 27 June 2022, the Minister of State for Housing published a Written Ministerial Statement notifying Parliament of an unlimited contingent liability, with the Government Actuary's Department (GAD) making a best estimate of expected losses as c£100m.

The scheme closed on 30 October 2023. Departmental research showed that assessors can access suitable insurance from the open market at a competitive premium and with a wider scope of coverage. The market has responded to the protection gap the government was looking to address, which removes the requirement for the government backed scheme. Continuing with the scheme would no longer be a good use of public funds.

Government action has helped to get the market moving again and address this issue. The relevance of EWS1 forms is declining as wider government interventions have taken effect that support lenders to reduce their reliance on EWS1 forms and instead use other forms of documentation to support mortgage lending decisions. The changes we have made have helped improve access to cover across the Professional Indemnity Insurance market.

Policies sold under the scheme to date will continue to be insured under the original terms. Due to improving market conditions, fewer policies were sold than anticipated. The maximum possible loss from claims arising is £70m, which may decline further should policies be cancelled. The policies have a 15-year term, meaning that claims are possible until 2038. The risk is limited by the number of buildings, and number of EWS1 assessments. To further mitigate this risk, we only offered professional indemnity insurance cover for accredited professionals who have the requisite training, expertise and knowledge to undertake the EWS1 assessment. In addition, completed EWS1 assessments are subject to an audit process to ensure they are being completed in line with the British Standards Institution PAS 9980 methodology.

The Treasury approved the proposal to launch the scheme and have been informed of its closure. My department will keep Parliament informed of any changes to this contingent liability on a regular basis.

A Departmental Minute has been laid in the House of Commons providing more detail on this contingent liability.

Yours sincerely,

Alex Norris MP
Parliamentary Under-Secretary of State for Local Growth and Building Safety

Ministry of Housing, Communities and Local Government: Departmental Minute

DEPARTMENTAL MINUTE IN RELATION TO CONTINGENT LIABILITY ARISING FROM THE EWS1 PROFESSIONAL INDEMNITY INSURANCE SCHEME

Presented to Parliament by Minister Alex Norris by Command of His Majesty

1. This Minute provides Parliament with an update to a contingent liability, arising from the EWS1 Professional Indemnity Insurance Scheme. It was introduced in a previous departmental Minute, and this Minute gives particulars of the changes and explains the circumstances for the change.

2. On 27 June 2022, the Minister of State for Housing published a Written Ministerial Statement notifying Parliament of an unlimited contingent liability for the External Wall System (EWS1) fire safety assessment professional indemnity insurance (PII) scheme, with the Government Actuary's Department (GAD) making a best estimate of expected losses as c£100m. The scheme launched in September 2022 for competent fire safety professionals undertaking EWS1 assessments. The scheme aimed to enable competent professionals to access the indemnity cover they need to undertake external wall assessments, providing protections necessary so that EWS1 assessments could continue and unblock delays in lending decisions.

3. HMG entered into commercial arrangements with an insurer who administers policies and handles claims on Government's behalf. HMG acts as the reinsurer of all liabilities of the Insurer in respect of policies written by the Insurer in relation to the EWS1.

4. Policies sold under the scheme to date will continue to be insured under the original terms. Due to improving market conditions, fewer policies were sold than anticipated. The maximum possible losses from claims arising is £70m, which may decline further if policies are cancelled. The policies have a 15-year term, meaning that claims are possible until 2038. The risk is limited by the number of buildings, and number of EWS1 assessments. To further mitigate this risk, we only offered professional indemnity insurance cover for accredited professionals who have the requisite training, expertise and knowledge to undertake the EWS1 assessment. In addition, completed EWS1 assessments insured under the government scheme are subject to an audit process to ensure they are being completed in line with the BSI PAS 9980 methodology.

5. The scheme closed on 30 October 2023. Departmental research showed that assessors can access suitable insurance from the open market at a competitive premium and with a wider scope of coverage. The market has responded to the protection gap the government was looking to address, which removes the requirement for the government backed scheme. Continuing with the scheme would no longer be a good use of public funds.

6. Government action has helped to get the market moving again and address this issue. The relevance of EWS1 forms is declining as wider government interventions have taken effect that support mortgage lenders to reduce their reliance on EWS1 forms and instead use other forms of documentation to support commercial lending decisions. The changes we have made have helped improve access to cover across the Professional Indemnity Insurance market.

7. The cost of the scheme, including the expected losses, was intended to be offset in full through premiums. Due to the low number of policies sold, this has not been possible and as such if the liability is called, provision for any payment beyond income received from premiums will be sought through the normal Supply procedure. Due to the low number of sales, our exposure is also reduced. HMG will continue to monitor the scheme and any claims or changes to this contingent liability on a regular basis. Parliament will be notified of any such changes.

8. The Treasury approved the proposal in principle to launch the scheme and has been informed of its closure. If a member wishes to raise a Question on this proposal, the Department will respond to any such requests.

Ministry of Housing, Communities and Local Government
20 March 2025