The ABI
Together Driving Change

Dame Meg Hillier MP
Chair Treasury Select Committee
House of Commons
London
SW1A 0AA

14 April 2026

Dear Dame Meg,

Thank you for the opportunity to provide evidence on the financial inclusion strategy last month. I have provided the answers to the Committee's follow up questions below.

Could you set out the top five drivers of motor insurance premium costs, and provide any supporting data, including the impact of claims costs, parts availability and repairs? (Q135)

Last year, insurers paid out £11.9 billion across 2.5 million claims on motor insurance. The principal drivers influencing motor insurance premiums are repair costs, courtesy car and credit hire costs, and theft. High inflation rates are increasing the costs associated with repairs, driven by the rising price of parts due to both inflation and global supply chain challenges. Additionally, modern vehicles are increasingly complex, resulting in longer repair times and greater demand for skilled mechanics, which has led to higher labour costs owing to a shortage of qualified professionals.

The difficulties with repairs mean that replacement vehicles, such as courtesy cars or those provided through credit hire, are required for extended periods. Changes in the mix of vehicles, particularly the growing number of electric vehicles, are also affecting costs. Fulfilling 'like-for-like' obligations can increase expenses, as electric vehicles tend to be more costly to replace, and often take longer to repair.

Theft is another key factor, with the rise in vehicle theft having a significant impact, particularly due to the activities of organised crime gangs. There has also been an increase in theft from vehicles; with ongoing parts shortages, criminals are increasingly targeting car parts and accessories, such as electric vehicle charging cables, as well as other items left in vehicles.

In addition, we have been working with the government's Motor Insurance Taskforce and following its publication we are continuing to work with them on actions for industry.

What data can you provide to explain why insurance premiums for multi-occupancy buildings have risen since Grenfell, including which specific risks insurers believe have increased, and why many buildings, even after remediation, are struggling to secure affordable insurance? (Q149)

The ABI property data collection is inclusive of domestic household insurance, commercial property insurance and business interruption insurance. While we are unable to disaggregate the data specifically for multi-occupancy buildings insurance, key figures are indicative of trends across the property market more broadly.

Since the Grenfell tragedy in 2017 to 2025, the annual gross claims paid figure has more than doubled from £3bn to £6.1bn. Of these claims paid, there are several perils in which we have seen large increases over the same period. For example, gross claims paid for 'fire & explosion' increased from £952mn in 2017 to £1.6bn in 2025. Similarly, 'non-weather-related escape of water' claims jumped from £652mn to £1.3bn (more on escape of water or EoW below).

Part of this increase in claims cost can be attributed to inflation in core building inputs. For example, according to Forestry Commission's timber price indices, the Softwood Sawlog Price index measured in at 50.4 in March 2017 and 97.7 in March 2025 (indexed to real term September 2021 prices where the index is at 100).

Escape of water is a particularly pernicious issue for multi-occupancy buildings, with high-density buildings over eight stories being particularly vulnerable due to multiple and boosted water supplies and material issues. Claims frequency in multi-occupancy buildings are also four times higher than other property types. Once a client has an EoW claim, there is a 50% chance of recurrence, reflecting systemic quality control issues. Multiple occupancy buildings present more complicated detection of EoW issues as there is often a late escalation challenge, where damage may not be initially extensive or highly visible, but can track unusual routes throughout properties. If the leak stems from a higher level, water may flow through the building and damage multiple residences. Where there are multiple tenants, it can be difficult to ascertain the number of areas affected, which is then made more difficult by access issues. Furthermore, with multiple tenants impacted, costs associated with alternative accommodation, which have also increased significantly, are then multiplicative.

Unfortunately, EoW and fire safety concerns can be seen concurrently in many cases. Having consulted our members on buildings ceded into the Fire Safety Reinsurance Facility, the buildings that have the highest premiums do not only have cladding issues, they all feature poor claims histories, largely related to attritional EoW losses.

Beyond, EoW issues, fire safety can remain a concern even after remediation. As we have set out in our report with the Fire Protection Association, the only viable long-term option to support leaseholders in buildings with fire safety issues is remediation to a property protection standard. While we support the PAS9980 code of practice, we do not think it goes far enough to support property protection. The standard focuses on people inside a building being able to evacuate in the event of a fire – which is, of course, the most important outcome – but it is not concerned with the risk of a fire continuing to spread once everyone has been able to escape the building. It remains possible for new buildings to be constructed in a compliant manner considering life safety regulations but still represent challenges for insurers due to the materials used in the construction and the potential for fire spread across the entire building. This is particularly true for buildings under 18m in height, where combustible materials are still allowed.

We recognise this is an existing problem and have brough members together to increase competition through the fire safety reinsurance facility with McGill and Partners. This has helped improve the availability of insurance for higher-risk residential buildings awaiting work to fix fire safety issues and is designed to last for 3-5 years while remediation work is undertaken. There is evidence of reduced premiums for some leaseholders.

We are keen to support a better understand of the risks facing “high-risk buildings” and are committed to monitoring, reporting, and sharing relevant data, including claims data, on these buildings with MHCLG. Information previously provided to MHCLG on “high-risk buildings” has been shared directly between insurers and government and we do not have access to this.

What policy proposal would help ensure that escape-of-water risks are properly addressed, so that new flats do not later face unaffordable insurance premiums? (Q154)
Insurers are paying out an average of £1.8 million in escape-of-water claims daily and we are working with the Ministry of Housing Community and Local Government (MHCLG) and regulators to identify effective interventions to reduce claims.

There are ten measures we have identified that would reduce the frequency and size of claim. These are:

1. Mandatory installation of leak detection systems, especially for high-rise and high-density buildings.

2. Regular inspections and maintenance, with mandatory checks for plumbing systems in high-risk buildings primarily high-rise buildings.

3. Adoption of the joint code of practice with comprehensive guidelines for construction sites.

4. Enhanced building standards, including stricter codes for plumbing materials and practices.

5. Mandatory pressure testing for multi-occupancy buildings.

6. Improved pipework design and access, focusing on accessible stop-valves and soil stacks.

7. Mandatory qualifications for plumbers to ensure competency.

8. Having wet work permits in place for construction.

9. Consumer education to increase awareness of maintenance and risk mitigation.

10. Increased velocity of the smart water meter roll- out.

What impact do you expect the financial inclusion strategy to have on risk-based pricing and underwriting for customers with pre-existing conditions? (Q123)
The Financial Inclusion Strategy is not intended to change the fundamentals of risk-based pricing, which remain essential to ensuring that insurance is both sustainable and affordable for the wider

market. Instead, I expect the Financial Inclusion Strategy to improve the way underwriting decisions are made, explained and experienced by customers, especially those with pre-existing health conditions.

A key vehicle for delivering this is the joint working group we are convening with the FCA and the Money and Mental Health Policy Institute. Its purpose is to build a shared understanding of how underwriting decisions are reached for people with pre-existing mental health conditions, and to strengthen clarity, consistency and transparency across the market. This work, alongside enhanced signposting through BIBA, will help customers find the right products more easily and understand how their circumstances affect the cover available to them. These improvements will support more consistent outcomes, better communication and greater confidence for consumers navigating what can often feel like a complex process.

Yours sincerely,

Hannah Gurga
Director General

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