Levelling Up, Housing and Communities Committee

James Dalton
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Association of British Insurers
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22 March 2022

Dear James,

Thank you for your letter dated 8 March following your evidence to the Select Committee's inquiry on Building Safety: Remediation and Funding. As you will have seen, the Committee published its report on 11 March.

The Committee believes it is important to understand how rises in buildings insurance premiums compare to the level of pay-outs for fire safety claims in medium- and high-rise blocks of flats since the Grenfell fire. Thank you for explaining that the ABI "does not collect data relating to the height of buildings, cost of claims of specific types of buildings, nor any detail on the premiums paid for specific buildings" and setting out your expectation that the Financial Conduct Authority will "obtain a detailed data collection". We are grateful for the background information you supplied on fire-related claims costs and underwriting losses for property insurance, as well as the case studies of large losses due to fire. Unfortunately, this information does not show a comparison with buildings insurance premiums. Due to the lack of industry-wide data, we would be grateful if you could share case studies from any of your members who do have data on both premiums increases and level of pay-outs.

We would also be grateful if you could set out how the ABI might work with its members to ensure that this data is available in the future to help inform public policy on this important issue.

Members of my Committee have heard from constituents facing severe increases in buildings insurance premiums. During our recent inquiry we heard from leaseholders experiencing increases of 500%, 600%, 700%, 1,400%, and 2,000%. Other MPs also write to us to share their constituents' experiences. A recent case was brought to our attention where the only insurance that could be obtained was 13x higher than leaseholders previously paid. The insurers – a combination of three because no single insurer was willing to provide full cover – demanded payment within 30 days. The leaseholder was already in breach of their mortgage as their building was uninsured, and now risks a more direct breach since the Right to Manage company may have to decline this offer in the likely event that leaseholders cannot raise the money in the timeframe imposed. We would be grateful if you could provide us with some wording that all MPs can use to explain the situation to their constituents who are in similar positions.

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Thank you for your offer to keep the Committee updated. We would be grateful to receive further details of the data you are working with the Financial Conduct Authority to collect, and the interventions you are assessing to bring down insurance premiums for leaseholders.

Yours sincerely,

Clive Betts MP
Chair, Levelling Up, Housing and Communities Committee

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