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Fire Safety Reinsurance Facility finalised

Reinsurance support is now in place to launch the Fire Safety Reinsurance Facility (the Facility) from 1 April 2024, in an industry intervention to help improve the availability of insurance for certain buildings with combustible cladding and other fire safety issues.

The Facility has been established by insurance and reinsurance broker McGill and Partners with extensive support from the Association of British Insurers (ABI) and also through working in partnership with the British Insurance Brokers' Association (BIBA) which will ensure brokers are made aware of the Facility. It has two key intentions - to expand capacity for insurers already writing business for affected buildings and to encourage competition across the market so that more firms will provide cover. The ultimate solution remains the urgent need for works to take place to make buildings safe and resilient. The Facility is expected to run for three to five years whilst this happens.

The first step will be for the participating insurers - Allianz, Aviva, Axa, RSA and Zurich - to enter higher-risk buildings they currently insure, and which are awaiting remediation works, into the Facility at the point of their annual renewal. These firms have continued to be active in the market and are the top five firms providing insurance cover for commercial and residential buildings.

The Grenfell tragedy and Dame Judith Hackitt Review exposed significant construction and fire-risk issues related to these buildings. As a result, insurers have to consider the heightened risk of an entire building sadly being destroyed in the event of a fire and have had to limit the amount of cover they could provide because the risk is too high for one firm to cover on its own. Brokers, Freeholders and Managing Agents have instead had to source insurance cover from multiple firms, meaning that several insurers are involved in covering one building, creating a 'layered' effect and adding to the cost. It is these buildings which will likely benefit most from the Facility.

Through a reinsurance panel led by Swiss Re, the Facility will enable insurers to expand the capacity they have for writing insurance for affected buildings and take on new business. Over the course of the following 12 months, the insurers will consider which additional buildings can be entered into the Facility as and when their insurance policies are due for renewal.

We have long recognised the emotional and financial strain that is being placed on leaseholders in England, Wales and Northern Ireland and flat owners in Scotland, and we support the FCA's rules on providing greater protection and transparency. While the launch of the Facility is an important milestone, we have always said that there will be no single insurance intervention that will help all



leaseholders equally. It is the buildings that will see the costly 'layered' insurance replaced with cover through the Facility that will

likely see the biggest impact on their premium. For buildings where one insurer already provides 100% of the cover, they may not see an impact on their premium when entered into the Facility. In the longer term, it is hoped that the Facility will reinvigorate competition in the market and encourage other firms to write more business for affected buildings.

There are options available to government that could have a more immediate impact for leaseholders. This includes providing financial support to the Facility which may increase market confidence and encourage even more firms to join, and cutting Insurance Premium Tax which would provide a 12% reduction in costs.

Leaseholders should contact the person or company responsible for arranging their insurance cover, who can then discuss the Facility with their broker or insurer. More information on how the Facility will work is available [here](#). Information for brokers representing the affected buildings is available from the British Insurance Brokers' Association.

Buildings insurance premiums will continue to be based on a variety of risk factors, such as the type and age of the building, previous claims history and other property risks such as storm/flooding or escape of water. External factors such as construction costs and supply shortages will also have an impact.

Steve McGill CBE, Founder & CEO, McGill and Partners said:

"Insuring cladded, multi-occupancy buildings that pose a fire safety risk has challenged our industry for some time. However, this unique facility aims to present a competitive market solution that will address this important issue and I am incredibly proud that McGill and Partners has played such a pivotal role.

"Contributing to the expansion of insurance availability for buildings with combustible cladding and other fire safety issues has been a significant priority for us. We are known for our innovative thinking and thrive on creating solutions for complex and challenging risks, and it has been possible to develop this transformative and much needed facility with the support of our reinsurer and insurer partners."

Mervyn Skeet, ABI Director of General Insurance said: *"Supporting leaseholders and making insurance more widely available for higher-risk buildings with fire safety issues has been one of the ABI's top priorities. I'm grateful to McGill*



and Partners and all the firms involved for their help in establishing this commercial intervention and hope it will encourage more insurers to enter the market and offer cover for these buildings.

"The industry has been determined in its efforts to support leaseholders, but it cannot solve the issue alone. Establishing the Facility is a significant step forward, but Government intervention and swifter remediation is still the only long-term solution. We strongly encourage Government to consider how it can support the Facility to boost confidence in the market or remove Insurance Premium Tax for affected buildings, to offer more immediate relief to leaseholders."

Tim Bailey, President of the ABI, said: *"The Fire Safety Reinsurance Facility has been a priority cross-industry project to expand capacity in the market and boost competition. We're pleased to have made the Facility a reality in order to support leaseholders and as ABI President, I'm grateful to all those involved."*

Aidan Kerr, UK&I Lead at Swiss Re Public Sector Solutions, said: *"Swiss Re is delighted to be acting as lead reinsurer for this facility, which is a great demonstration of how the insurance industry can work together to help support leaseholders. This facility will help to improve availability of insurance for people living in affected buildings, whilst the vital remediation work to rectify their fire safety issues is completed."*

Graeme Trudgill, Chief Executive at the British Insurance Brokers' Association (Biba), said: *"We are delighted with this new facility, which is the culmination of two years of constructive collaboration between BIBA, McGill and Partners, the ABI, expert real-estate brokers and Government. Launching the facility was a key BIBA commitment in our 2024 Manifesto and aims to create a more affordable insurance solution for medium and high-rise residential buildings that have fire safety issues. We hope that in the longer term this will have positive affect on leaseholders."*

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About the ABI

The Association of British Insurers is the voice of the UK's world leading insurance and long-term savings industry. A productive, inclusive, and thriving sector, we are an industry that provides peace of mind to households and businesses across the UK and powers the growth of local and regional economies by enabling trade, risk taking, investment and innovation.

More news and information from the ABI is available on www.abi.org.uk.

About McGill and Partners

McGill and Partners is a leading boutique specialty (re)insurance broker. It was launched in 2019 and the firm has significant backing from funds affiliated with Warburg Pincus, a leading global private equity firm. McGill and Partners is headquartered in London with offices in Bermuda, the US, Ireland, Australia, Switzerland and Germany.

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About BIBA

The British Insurance Brokers' Association (BIBA) is the UK's leading general insurance intermediary organisation representing the interests of insurance brokers, intermediaries and their customers.

BIBA receives hundreds of thousands of enquiries per year to its Find Insurance Services, online and via the telephone, which are directed to insurance broking firms.

BIBA is the voice of the sector advising members, Government, regulators, consumer bodies and other stakeholders on key insurance issues.



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