

## Navigating Insurance Challenges for High-Rise and Complex Buildings: A Personal Perspective

### The effects of insurance challenges are felt at all levels

"My property hasn't changed since I moved in...", "My insurance costs have doubled...", "I don't understand...". These are all quotations taken from individual leasehold homeowners who live in buildings owned by housing associations that we work with, and who have had to pay for increased buildings insurance premiums in recent years.

This position isn't uncommon or unjustified; most individuals are paying increased premiums for almost all insurances that they purchase. The Association of British Insurers (ABI) suggests that home insurance premiums reached an average of £375 annually in 2024, up 19% from the previous year<sup>1</sup>. However, the quotes above come specifically from residents who live in buildings which might now be referred to as "complex".

Leaseholders across the country are seeing their service charges increase and are right to question why. The Ministry of Housing, Communities and Local Government has initiated regulatory changes for leaseholders and shared owners, many of whom have had large premium increases and little transparency on the breakdown of these costs.

There are challenges associated with insuring high-rise and complex buildings and it is important to understand some of the key queries and frustrations property owners are facing.

### The standards that property owners must meet for insurance can differ

Following the tragic Grenfell disaster, it is no secret that legislation is being implemented to address:

- The types of materials being used in the construction of new builds,
- The property data owners must hold, specifically for large buildings,
- Classification of materials as "unsafe" and the necessary remediation works,
- Recommendations for materials to be used when replacing combustible materials in and on buildings.

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<sup>1</sup> Association of British Insurers, "Home insurance premiums rise but remain below historic peaks", available at < <https://www.abi.org.uk/news/news-articles/2024/5/home-insurance-premiums-rise-but-remain-below-historic-peaks/> >



“Complex building” is a commonly used yet nuanced term and is not one-size-fits-all. In clear cases, this could be a 20-storey building, clad and insulated with combustible materials. In others, it could be a 3-storey building built with a timber frame. Different insurers will have different standards and requirements which dictate what types of buildings they consider complex, and for which they may require further information.

The typical minimum standards for compliance are: PAS9980; EWS1 Forms; the Building Safety Act; and the Fire Safety Act. However, other stakeholders, including insurers, may have more extensive requirements. So for many property owners, while the required scope of compliance with new requirements is driven directly by the relevant regulator/authority in their sector, there is commercial pressure to go further exerted by insurers. As Devonshire’s rightly suggest: “This dichotomy in remedial standards poses a significant challenge in the building insurance market. A PAS 9980 solution will predominantly focus on the safety of occupants in the event of a fire or other hazardous incident (such as the ability to safely evacuate). However, the main concern of a building insurer, when deciding whether to accept a risk and setting any premium or other conditions, will be the building’s ability to withstand or minimise damage, with the ultimate aim of reducing the amount payable under the policy, in particular if the building is damaged or destroyed by fire.”<sup>2</sup>

This confirms the disconnect between the standards required by legislation and those required by insurers in order to avoid additional premiums and policy conditions for complex buildings, which property owners are struggling to cope with.

## So why can’t these buildings just be “fixed”?

As many property owners will have found, remediation (the removal and retrofitting of combustible materials from buildings) can be a long, complex and, of course, expensive process. Depending on the requirement for the building, projects may require surveying, specialist materials, qualified experts to carry out the works, and buy-in from a number of key stakeholders. In some cases, buildings might be stripped back to their original “skeleton” structure to satisfy requirements, and there is simply too little supply of specialists to meet the demand.

A Gibbs Laidler client was recently quoted £14 million for remediation on one building to bring it to the standard required by the insurer, despite the building already complying with all the applicable legislative requirements. Due to the scale of the building, given its construction, cladding, and insulation, the premium for insurers to insure this building was calculated to be £750,000, and this was still subject to a number of special conditions. The property owner has had to pay this premium and, in accordance with the terms of the lease, this cost has been proportionately recharged to the leaseholder who own individual properties within this building. The apportionment was calculated directly by the insurer, and has resulted in some individuals contributing over £300 per month in insurance costs. In the absence of additional funding to assist in remediating the building to the requirements of the insurer, neither the property owner nor the leaseholder have been able to challenge this premium successfully.

## Why not go to another insurer?

Due to their complexity and risk, the available insurance market capacity to insure these buildings is small. There are some “facilities” which have been created in an attempt to increase capacity and reduce costs, but many of these solutions are based on the requirements of building insurers rather than the requirements and standards set out in the legislation. With limited choices available to landlords, insurers are in the driving seat, and are now

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<sup>2</sup> Devonshires, “What happened to our insurance?! How PAS 9980 Assessments and external wall remediation might impact, and possibly jeopardise, your building insurance”, available at <<https://insights.devonshires.com/post/102izs2/what-happened-to-our-insurance-how-pas-9980-assessments-and-external-wall-remed>>



applying a greater weighting in their pricing of “complex buildings”, and premiums to insure them rarely decrease.

## Where do individuals go from here?

It has been suggested that for those properties which have already been identified as complex most of the negative effects may have already been felt. Premiums have already increased and property owners are already considering the costs of remediation projects, and what the impact might be on individuals.

The hope is that more specialist contractors will enter the market to help property owners complete works to a standard and timescale that satisfies both local authorities and insurers. Leaseholders in these properties will continue to pay high insurance recharges until further funding is available, new insurers enter the market to improve the capacity for risk, and the necessary labour supply improves.

## Closing words

The insurance premiums associated with complex buildings have been volatile, and remain high. Property owners must meet legislative requirements, which focus on improving the overall safety of buildings, and insurer requirements, which have an increased emphasis on the combustibility of the physical structure and the risk of serious damage. This can be a difficult minefield for property owners to navigate, and leaseholders’ concerns increase the pressure for property owners to reach the correct balance quickly.

We hope this has been an informative overview, and if you would like to understand how we have assisted our clients with complex buildings previously, please don’t hesitate to reach out to our team.

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