

Leaseholder Buildings Insurance Tender

Summary of Process, Outcome and Key Implications

Insurance Period from 1 April 2025 – 31 March 2026

Introduction

Salix Homes Limited ("Salix Homes") carried out a formal tender of its general insurance arrangements, including Buildings Insurance that covers leaseholders' and shared owners' properties. The review was undertaken to ensure appropriate cover, value for money, regulatory compliance and medium-term stability of insurance arrangements.

This summary is designed to provide the key points of the tender, however, the full and detailed report on the tender is available on the Salix Homes website; this was produced by our Insurance Consultants Gibbs Laidler Consulting LLP and provided much more detail around the context behind the re-procurement at the time, as well as the fairness and transparency of the process, the result and rationale behind the increase in insurance premium costs.

Why the tender was undertaken

The tender was carried out to confirm that buildings insurance arrangements remained suitable and compliant, to test the specialist social housing insurance market, to seek the most competitive terms available, and to meet the consultation requirements set out under Section 20 of the Landlord and Tenant Act 1985.

Independent oversight

The process was supported by Gibbs Laidler Consulting LLP, an independent insurance consultancy appointed by Salix Homes. Gibbs Laidler has no commercial ties to insurers or brokers, receives no commission from the insurance placement and acts solely in an advisory capacity.

How the tender was run

The tender followed the Public Contracts Regulations 2015 using a Competitive Procedure with Negotiation. Due to the specialist and high-risk nature of social housing insurance, only a limited number of insurers and brokers operate in this market, particularly for buildings insurance.

Market response

Five suitably qualified providers were invited to submit detailed bids. Although all participated in parts of the wider insurance programme, only one provider submitted a fully compliant proposal covering Buildings Insurance for leaseholders and shared owners. This reflected current market limitations at the time rather than a lack of transparency or competition.

Proposed appointment

Broker: Marsh Limited (part of Marsh & McLennan Group).

Insurer: Protector Forsikring ASA.

The appointment was subject to approval by Salix Homes Board and the completion of the Section 20 leaseholder consultation process.

Cost and premium position

The total annual premium for the full insurance programme for 2025/26 was £1,560,240.25. In addition, a broker fee of £13,000 was payable by Salix Homes and would not be recharged to leaseholders, making the total programme cost £1,573,240.25.

Reasons for the increase in insurance premiums (as set out in the Tender Evaluation)

The premium for the 2025/26 insurance year showed an increase compared to the expiring 2024/25 premium. As explained during the tender evaluation (page 6 of the original report), the increase reflected the following key factors:

- Higher Buildings Sums Insured following updated RICS valuations of rebuilding costs, commissioned and funded by Salix Homes. These valuations reflected significant construction cost inflation.
- A deteriorating property damage claims picture across the housing stock, with higher repair costs driven by inflation in materials and labour.
- A very 'hard' insurance market at the time of the tender, where UK insurers had increased pricing due to sustained claims activity, reduced capacity, and exposure to major weather events such as storm and flood.
- A general upward pricing trend across the UK insurance market affecting all housing associations and large property owners then.

Leaseholder Policy Terms

Key policy terms affecting leaseholders remained unchanged from the previous year. The standard excess for most claims remained at £200, the flood excess remained at £200, and the subsidence excess remained at £1,000. Where a building has had an RICS valuation within the last three years, under-insurance (average) conditions are waived.

Apportionment of Costs

Only the proportion of the insurance premium that relates to leaseholder buildings will be recovered through service charges. Protector would calculate a fair apportionment at building level. Full disclosure of premiums and broker remuneration was provided.

Contract Duration and Review

The insurance contract will operate for an initial period of three years from 1 April 2025, with the option to extend for up to two further years, subject to satisfactory performance, service delivery and cost management. Performance will be reviewed annually.

Conclusion

The tender process was conducted transparently, in line with legal requirements and with independent oversight. In a limited specialist insurance market, it secured appropriate and compliant buildings insurance while protecting the interests of leaseholders and maintaining continuity of cover.