Insurance Market for Affordable Housing

Understanding Market Trends & Navigating A Difficult Insurance Market

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Gibbs Laidler Consulting LLP

sfha Scottish Federation of Housing Associations

We are housing Scotland

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Introduction to Gibbs Laidler LLP

Gibbs Laidler Consulting LLP (Gibbs Laidler) are a firm of independent insurance consultants, specialising in the social housing sector. Established in 1997 and now retained by some 140 social housing clients across Scotland, England and Wales, Gibbs Laidler have assisted the below commonly known Housing Associations recently in Scotland:

- Grampian Housing
- Glen Oaks
- Barrhead
- Places For People Scotland
- Muirhouse
- The Riverside Group

As part of Gibbs Laidler's service, we have assisted the above, and indeed all of our clients, with both their tender and renewal processes for many years. Gibbs Laidler assist with some 30 insurance tenders per year, and perhaps have the most detailed knowledge of the insurance market regarding social housing risks.

Introduction

From around 2022, the majority of Scottish housing associations started to see signs of a hardening insurance market for their property-based risks; two years on, and the majority of associations are still feeling the effects of these market conditions, citing that their latest renewals are:

- More costly than ever before
- Subject to more restrictive insurance terms
- Finding few alternative insurers and options, from remarketing exercises such as tenders

For this reason, insurance is starting to be escalated up the agenda on many association's risk registers, with some associations noting that their risk register includes not being able to procure insurance at all (or at least for a sustainable premium).

Amongst the many SFHA members who have mentioned newfound struggles with insurance, some common trends have been apparent. On this basis, the SFHA have asked Gibbs Laidler to provide their perspective on these trends, with some potential solutions on how to best mitigate the effects of these difficult market conditions where possible.

Therefore, Gibbs Laidler, interviewed a number of Scottish housing associations from different regions of the country, combining this with their learned knowledge of their retained clients to produce the following observations.

Who Are The Key Insurance Providers?

As may be common knowledge, the insurance market for housing associations is fairly small when compared to the insurance market which may be available for private property owners. This is perhaps because of the unique nature of a housing association's core activities, and the scale of their operations, typically owning or factoring for hundreds or even thousands of properties.

At the same time, there have been some large claims within the sector, which have perhaps caused a hesitance from prospective insurers to underwrite new business within the sector, or at least to compete with the historic rates that associations might typically have seen. Some reports suggest that rates for private property owners might commonly be circa three or four times higher than rates that might have been typical for associations around 2021, and on this basis there have only been a limited number of insurers willing to underwrite property risks for housing associations at such premiums.

From Gibbs Laidler's discussions with members, the main available insurance providers for property risks appear to be:

- Zurich Municipal – Direct dealing insurer
- Arthur J Gallagher – Insurance Broker
- Howden – Insurance Broker
- Marsh - Insurance Broker

Of course, insurance brokers may likely have access to a number of different insurers, and on this basis there may be a number of different property insurers (at the time of writing) available to Scottish Associations via brokers including:

- Axa
- Avid
- Aspen
- Allied World
- N.I.G
- SiriusPoint
- QBE
- Protector
- Zurich Municipal

However, the key issue here is that due to exclusive arrangements between certain insurers and brokers, no singular insurance provider can obtain quotes from the entire insurance market. Therefore, the main impact here is that to be certain an association has engaged as much of the available insurance market as possible, they must likely consider an independent full market tender. Otherwise, the association must accept that they will perhaps have limited access to an already limited number of available insurers, and that these insurers may or may not have appetite for their property risk.

Therefore, across the different insurance markets which members typically reported on, this appeared to leave each policy, from Gibbs Laidler opinions, as follows:

Cover	RAG Status	Trend
Property	Red – Capacity appears to be limited	Improving – Premiums rising and or cover being offered reducing
Public and Employers Liability	Amber – Sufficient capacity	Stable – Offering the same cover or a limited increase, the collective offer was neither improving nor worsening
Property owners Liability (POL)	Amber – Sufficient capacity	Uncertain – No discernible trend for better or worse, terms offered are too varied to be considered stable
Motor	Amber – Sufficient capacity	Deteriorating – Premiums rising and or cover being offered reducing
Engineering Insurance and Inspection	Amber – Sufficient capacity	Uncertain – No discernible trend for better or worse, terms offered are too varied to be considered stable
Professional Indemnity (PI)	Amber – Sufficient capacity	Stable – Offering the same cover or a limited increase, the collective offer was neither improving nor worsening
Cyber	Green – Ample or increasing capacity	Stable – Offering the same cover or a limited increase, the collective offer was neither improving nor worsening
Crime	Amber - Sufficient capacity	Stable – Offering the same cover or a limited increase, the collective offer was neither improving nor worsening
Directors And Officers (D&O)	Green – Ample or increasing capacity	Improving – Improving cover being offered, rates stable or softening or both
Group Personal Accident (GPA)	Green – Ample or increasing capacity	Stable – Offering the same cover or a limited increase, the collective offer was neither improving nor worsening
Contract Works (CAR)	Green – Ample or increasing capacity	Stable – Offering the same cover or a limited increase, the collective offer was neither improving nor worsening
Computers	Green – Ample or increasing capacity	Stable – Offering the same cover or a limited increase, the collective offer was neither improving nor worsening
Office risks	Green – Ample or increasing capacity	Stable – Offering the same cover or a limited increase, the collective offer was neither improving nor worsening

The table on the previous page illustrates the current insurance market, with a focus on choice of insurers, the competitiveness of premiums and whether the insurance cover is improving or worsening. We assessed thirteen individual classes of Policy cover based on insurer capacity for that particular line of business, using a RAG (Red, Amber, Green) status. Markets rated 'Green' appeared to have ample or increasing capacity, 'Amber' had sufficient capacity and 'Red' in cases where capacity appears insufficient for demand. Of the thirteen classes:

Of the thirteen classes:

- Six are RAG rated **Green**
- Six are RAG rated **Amber**
- Only one is RAG rated **Red**

We then further classified the lines of cover based upon trends we have observed in the last few months. Those with an 'Improving' trend would have improving cover being offered, with premium rates stable or softening, or both. A 'Stable' trend would suggest insurers for that cover were asking for a similar thing repeatedly (e.g. a limited rate increase or offering the same cover) but the collective offer was neither improving nor worsening. A 'Deteriorating' trend would be where premiums are rising and/or the cover being offered is reducing, an 'Uncertain' trend is one where there is no discernible trend for better or worse, but terms offered are too varied to be considered Stable.

Of the *thirteen* classes of Policy cover:

- Eight are rated Stable
- Two are Uncertain
- Two are improving
- Only one is Deteriorating

Increasing Premiums

Perhaps the largest change amongst members, and potentially the most tangible effect of the recent hardening of the insurance market has been sharp spikes in premiums.

From the interviews that Gibbs Laidler conducted, analysis of premiums across a two-year span (from April 2022 to April 2024) suggest, on average, premiums might have risen some 65%, with some of the sharpest instances being some 115% across the two-year period.

By this metric, it is clear to see why associations are now apprehensive about the future premiums they may be required to pay, as this may not be sustainable for them amidst external influences such as e.g. "freezes" to rent increases. However, it is important here to understand the potential reasons which insurers might cite for the premiums they are now charging:

- **Insurers have not been profitable for a number of years.** Previous underwriting has perhaps focused upon claims costs versus premiums (typically referred to as loss ratios) as the key drivers in any renewal. This basis however has proved ineffective for a number of insurers, and these insurers have therefore now switched to a position where risks are underwritten on the total exposure and risk presented.

- **Reinsurance costs have risen.** Reinsurance refers to how insurance companies lay-off some of the total risk which they underwrite to other insurers. Due to a number of large global claims, reinsurers have increased the premiums they charge to insurers (in some cases, up to six-fold), and these costs are eventually filtered back in to the premiums which housing associations pay.

- **Property rebuild values.** The premiums for property policies are largely based on the property rebuild values that are declared to insurers. An article by the RiskStop Group suggests up to 76% of UK property might be insured for less than the true rebuild value and increasingly associations are undertaking revaluation exercises alongside RICS-certified surveyors to validate these values. From the associations Gibbs Laidler spoke to, it appears the majority of these projects had led to an increase in the sums that are declared to insurers, in turn leading to a direct increase in premiums.

- **Few Alternatives.** As discussed, the number of available insurers for the property stock is perhaps limited, and this can have an upwards impact on premiums. This is because in recent years, some large property insurers such as Aviva and Ocaso had decided to withdraw from the sector (or at least significantly reduce their involvement in the sector). These established insurers each had a fairly large number of housing association clients, and of course without their insurer these associations will have to approach one of the few remaining available insurers. These insurers will then likely require increased premiums from the associations within their "book" to cover the new numbers of likely low-level losses, whilst also pricing for a greater risk of catastrophe-type loss.

- **Claims Inflation vs Excess Levels.** As recent as 12 months ago, building cost inflation is said to have been within 15% and 20%; making the cost of repairs following a claim more expensive to insurers. This level of inflation was reached in a relatively sudden spike, following the effects of covid-19 and other geo-social factors, meaning insurers had perhaps been unable to account for this inflation in a gradual manner. At this same time, from the research which Gibbs Laidler have undertaken, it appears only a few associations had considered increasing their policy excess in recent years, with a typical rented excess being some £500 and £1,000. The issue here is that insurers may well say that their potential claims costs have risen, but the losses that are kept within the association have not, leading to a net-increase in risk for the insurer. On this basis, they have then perhaps had to increase their premiums, to cover their now more costly frequent losses, and again the potential for a large catastrophe loss.

Cover Restrictions

From the associations which Gibbs Laidler spoke to, it also appears that there has been some reduction in cover which insurers have been able to offer. Typical reductions in cover appear to include:

- **Removal of single event excess.** Historically, most property insurance policies allowed for a singular excess to be paid, where a specific claim, say a flood event, affected multiple properties. However, using the below table, we can see that for claims that have affected a large number of properties, this can significantly increase the risk to insurers once compared to a more traditional "each and every" style excess.

100 properties, each with £10k damage: Total Damage £1m			
Single Event Excess		**Traditional Excess**	
Excess Payments	£5,000 (1 x £5,000)	Excess Payments	£500,000 (100 x £5,000)
Total to claims experience	£995,000	Total to claims experience	£500,000

Some insurers may still offer a single-event excess, however this is one element of cover that other insurers have started to remove, in an attempt to keep premiums at stable levels.

- **Removal of rate guarantees.** These are mechanisms that offer some level of premium stability for policyholders. Typically linked to loss ratios, insurers will often pre-define increases to rates, governed by where their loss ratios fall within certain time periods. Due to the affects of inflation on claims, it appears a number of insurers have either started to lower a boundary where an increase might be triggered, or entirely remove the rate guarantee so as to allow them to make refreshed underwriting decisions at each renewal.

- **Limited cover of certain buildings.** Perhaps a growing trend amongst members, some associations have found that where some insurers are particularly unkeen on certain buildings (say due to the construction type), restrictions of cover have been placed on these buildings. During the interviews with Gibbs Laidler the most restrictive cover limit seen appeared to be a £5m capping to a building with a total rebuild value of c.£20m. This left the particular association with a £15m exposure which required an additional insurance policy (only confirmed post-renewal) to ensure this exposure was not on the associations balance sheet.

In addition, some SFHA members had seen their insurer impose similar terms in the absence of detailed construction information, with some associations, whilst not yet limited in cover, being given a time limit to provide this level of detail. These members reported that if this deadline was not met, the insurer would start to impose similar cover restrictions to the above, until further information can be provided.

- **Restrictive Storm/Flood Terms.** Similar to the removal of single event excess, due to changing climate conditions, it is no secret that insurers are starting to become more aware of the risk presented by storm and flooding events. This is because, these events are by nature catastrophe-style incidents and are to some extent unavoidable. From the conversations that were held, a number of members reported their insurers undertaking "geospatial mapping" to understand the exposure which their portfolio might have to storm and flood events.

Where there were particularly high concentrations of stock in high risk areas, it seems that insurers would either price in more premium to cover this exposure, or adjust the insurance terms (say an increased excess), to provide some limit to their exposure.

From the associations which Gibbs Laidler spoke to, c.25% had experienced a significant flood or storm claim in recent years. Yet, it was only clear that perhaps one or two associations had actually seen the modelling data which their insurers had used, or undertaken a similar project themselves.

The issue here is that with the changing climate, areas which might not have been a historic flood or storm risk, might now start to see greater rainfall, windstorms or flooding. As an example, surface water flooding (pluvial flooding) occurs where drainage systems are overwhelmed by heavy rainfall; where perhaps historically associations had never experienced any events which might have overwhelmed these systems, this is starting to become more frequent across the UK, with areas that were always understood to be unlikely to flood causing significant losses for insurers. Therefore, some members had reported seeing that their insurers had adjusted the cover they were prepared to give based on this modelling data, not necessarily driven by historic losses, but due to the forecasts of where significant events may occur in the future.

- **Introduction of the average clause.** Fundamentally speaking, the average clause is a clause in most insurance policies which allows insure to reduce claims payments if it transpired that the property is underinsured. This is a common clause amongst most commercial insurance policies, however the social housing property market has typically enjoyed the benefit of insurers waiving this clause, providing there is no intentional underinsurance.

However, some members reported that during their last renewals, where their property stock had not been professionally surveyed their rebuild values, that their insurers (albeit in varying ways) had started to re-introduce the average clause until a formal revaluation had been completed. Following this, it appears members are now instructing surveyors to assist them with these rebuild cost assessment projects. Of the associations Gibbs Laidler spoke to, c.65% of associations had reported having a professional survey in the last two years, which gives perhaps gives insurers (and more importantly associations), some piece of mind that their declared values are adequate.

However, it is perhaps important to understand why insurers may need to adjust their insurance terms:

- **Reinsurance Requirements.** Reinsurers may indeed limit the coverage which they will provide to insurers for certain buildings. This will typically depend on the accumulation of exposure that reinsurers have in specific areas, as an example large towns or cities.

Where there is a density of insured buildings, insurers may have to limit the cover they can give on these buildings so as not to over-expose themselves.

- **Changing Risk Appetites.** As discussed, some insurers are now changing the way in which they underwrite property risks for housing associations. Where once they may have offered more favourable terms for associations, due to there being fewer alternatives, there is perhaps now a chance for them to "cherry-pick" the risks which they would like to underwrite. Where insurers can do this, they may then only take on associations on the terms which they want, offering little negotiation.

- **Understanding Building Construction.** Potentially the key reason behind building-specific limitations in cover, it appears that insurers have also restricted cover either because:

  - ***There is little available data on certain buildings*** – Where there is little information to suggest contrary, underwriters are left to "presume the worst" regarding the construction type of larger buildings. It appears typical that some insurers may limit cover until further information is obtained

  - ***The construction is unfavourable*** – Each insurer will have their own acceptability of different construction types, however where certain combustible materials are found on, or within, buildings it seems that some insurers will limit the cover which they will give until the specific material is removed. From the research that Gibbs Laidler conducted, this appeared less so to be due to the presence of combustible cladding materials, such as might be found elsewhere in the UK, but perhaps more to do with the presence of timber frames in larger buildings, or more specifically the compartmentalisation / fire breaks between different areas of these properties.

Navigating Tough Market Conditions

So, what might an association do to best mitigate these tough market conditions?

From speaking with associations across the UK, it appears that the following have helped some Housing Associations achieve positive outcomes from their insurance renewals:

- **Early Market Engagement.** Perhaps the key to any renewal/tender, early engagement is vital to a positive renewal of the insurance programme.

From Gibbs Laidler's research, a number of members had reported that during their last tender they:

- Received only a singular proposal
- Were concerned that they would receive no proposals
- Felt they did not have the relevant market connections to be able to engage the whole of the available insurance market

However, only a handful of associations had reported pre-engaging with prospective insurance providers in the lead-up to their tender as a way to encourage competition for their tender. Therefore, during any upcoming tender process, and as now encouraged by new procurement rules, pre-engagement is perhaps key to a successful tender. This might be achieved by: holding separate meetings, engaging an independent third party, or perhaps by simply even engaging with insurance professionals at conferences, however it appeared that those associations who had completed a timely pre-engagement with the wider insurance market (as opposed to just their incumbent provider) were able to promote interest for their property portfolio.

Of course, not every renewal will be a tender, and for most renewals of the programme this will be within the Long-Term Agreement with the existing insurer. Yet, this shouldn't discourage early engagement; it is perhaps still a good idea to start renewals in a timely manner, and understand any early indications or requirements the insurer might have. This is because a number of members reported receiving their renewal terms at late notice, limiting the amount of available time to consider their options and digest the terms that had been received.

- **Data.** Besides increasing premiums, the most reported experience for members was the increase in data that was required for their most recent renewal.

From Gibbs Laidler's research, members typically reported being asked for increased information in the following areas for their most recent renewals:

- ***Property Details:*** construction details (Cladding, Construction Materials), flood risk, stock profiling, accurate rebuild values.
- ***Claims Details:*** circumstances around each large claim, mitigation actions, future risk management implications
- ***Association's Activities:*** development activities, types of contracts being entered into with contractors, e.g. asbestos works

- ***Motor Fleet:*** telematics, driver training, risk management activities
- ***Cyber:*** Security details, minimum requirements (Multi-Factor Authentication), system monitoring

Therefore, data is king. Insurers require this data to provide insurance terms, and during a tender situation will simply not submit a proposal without a comprehensive data pack. Many of the associations which were consulted with as part of this research emphasised that they had at some point in the last two years struggled to provide an insurer with the level of detail that was required, with a large proportion of these associations fearing their premiums would be negatively impacted if they were not able to obtain this data.

It is therefore worth associations asking themselves in the lead up to any renewal if they will be able to give comprehensive information on all elements of their business, and if not, what plans/systems are in place to obtain this data. This is because, the need for increased data, appears not to be a "trend". From discussions with many of the insurance providers in the sector, insurers will require this information, and perhaps more in the future, and will likely never revert to a situation where they require less information to provide competitive premiums and insurance terms.

- **Communication Of Detailed Claims Analysis.** 90% of members reported that the largest stem of their property claims were from Escapes Of Water (burst pipes, water leaks etc). This was also commonly accepted as the main source of claims which associations face.

Yet, what was slightly unclear, was how much detailed investigation is undertaken on each of these claims. As seemed to naturally be the case, due to the average unit number of a member, there were perhaps ten or so reports of escapes of water in each policy year. On the face of it, this would seem a relatively small number of claims, when compared to the size of associations. However, only a small proportion of members noted detailed investigations into e.g. the type of piping, weather conditions at the time of notification, how long the leak might have been occurring for, looking for a recovery against contractors, consideration of leak detection services, how might similar piping be protected from leakages etc. We caveat this here by saying this is not to suggest that these practices do not happen; however it is unclear to what extent these practices are communicated with insurers.

Insurers will typically look favourably on organisations who aim to mitigate claims trends from occurring. Of course, it will be impossible to stop all claims from occurring, and that is the main point of insurance. Yet, insurers will likely provide more competitive terms where they feel the client has a well-managed risk, and where the association is consistently looking to proactively learn lessons from each claim, as opposed to the association simply accepting they will naturally experience a number of claims.

Therefore, where proactive practices do occur, and as/when claims trends are identified, it is perhaps a good idea to communicate these with insurers as part of any renewal/tender. This will likely prove to the insurer that the association has a strong handle of their risk, and perhaps leaves some room for negotiation, if needed.

- **Positive Practices –** Tenant Engagement. 85% of the members we spoke to with property with less than 2000 houses , reported high levels of tenant engagement - having frequent resident engagement meetings, with some members knowing a majority of their residents on a first name basis. Of course, the housing officers (or similar role), at each association will play a crucial role in this engagement and in developing relationships with tenants, and what was clear from the research is that due to this close-knit relationship, most incidents were reported in a swift manner.

From an insurance perspective, this is perhaps a driver for the relatively small number of Property Owners/Public Liability claims which associations face, once compared to similar size associations in the UK (based on Gibbs Laidler data). The point here, similar to point above, is that these are great practices that deserve extensive communication with insurers. From the research which Gibbs Laidler conducted, liability premiums are typically the second or third biggest spend for associations, and therefore it is crucial to communicate these types of positive engagement practices to insurers so that they can see the "whole picture", rather than simply just seeing e.g. the claims record of the association which may be viewed negatively by insurers.

- **Keep Options Open.** As part of any renewal/tender, terms will typically be based on the existing programme/excess. A majority of the members which were consulted as part of the project, cited having the same excess for perhaps the last 5 years. This is not necessarily an issue and appeared to have some major benefits to the association, such as: all staff being clear on the excess levels, so that they can understand at which financial point an incident might become an insured loss.

However, from many of the interviews, members suggested that they would have considered additional options from their renewal, such as an increased excess, but these were not explored during the most recent renewal. This could indeed be for a number of reasons, however, it is perhaps worth associations asking to see different options (where available) from their insurance providers, and assessing the associated premiums and resourcing that would be required for these alternatives.

It could be the case that the existing structure is the most beneficial to the organisation, however, it is perhaps worth undertaking a cost-benefit analysis of any available alternatives to prove best value to key stakeholders, and to allow others to understand what the options for the association might look like.

- **Future Of The Association.** As is typical with insurance contracts in the social housing sector, these are typically organised as Long-Term Agreements, usually on a 3 year + optional 2 year basis. As part of this, insurers are not only signing up to insure the association on day 1 of the contract, but will potentially be the insurer for the association across the next 5 years.

As an example of how these long-term relationships may change across a 5 year period, upwards of 85% of the associations Gibbs Laidler spoke to mentioned that they foresee Scottish rules on Net-Zero changing the profile of their property stock in the long-term. Different associations had separate ways of looking to achieve these aims, however each will come with their own insurance implications. As an example, one association suggested that they were looking to explore modular properties as part of their net-zero targets, and had brought-in some modular stock. The specific insurer had then suggested that an additional premium would be required to cover these properties, as these units materially changed the profile of stock that had been declared to them

The point here is that associations may very well look different in 5-years' time than they did at their last renewal. Therefore, for an insurer to understand the journey which each association is on, and therefore to be able to indicate accurately where premiums might be in the future, it is perhaps helpful to provide a short business update at each renewal to help outline the upcoming plan for the association.

A Word On Ancillary Policies

Whilst the premium for the property stock was the largest expenditure for members, they also reported that there are a number of other policies where they have seen changes from their insurance providers.

As per the table of markets, we have picked the top 3 ancillary policies that were raised as points of concern for members:

1) Liability Policies (Property Owners, Public, Employers)

From speaking with members, a number of members had noted seeing increased liability premiums. Many members cited that these premiums had jumped up, despite them only making a relatively small number of claims on these policies.

For most, natural growth (increases in wage roll, turnover etc) will account for much of these premium increases. In addition: some uncertainty surrounding court award costs, large claims within the entire social housing sector, and additional claims regarding areas such as damp & mould have all caused insurers to reassess the rates at which they are underwriting liability properties.

2) Motor Fleet

The insurance market for motor fleets have started to become more volatile.

Fleet policies are largely underwritten based on the claims experience, so those fleets that are unfortunate enough to experience large volumes of claims, will to some description be open to market pressures at each renewal. In addition, the average cost of a motor claim, according to the Association of British Insurers rose 8% to some £4,800 per claim. There are many potential reasons for this however, some key justifications include:

- More drivers on roads (delivery drivers etc)
- More complex vehicles requiring more specialist parts during repairs
- Increases to labour costs
- Shortages of available parts

The result of this, is that insurers have had to increase rates, and in turn many members have started to receive largely increased premiums. On average this looked like some 35% for poorly performing risks.

Yet, for those well-performing risks, Gibbs Laidler noted that a number of fleet policies may offer premium rebates to members, resulting in some associations receiving lucrative rebates at the end of the policy year.

3) Cyber

The cyber insurance market continues to be difficult to navigate for the entire social housing sector. Insurers have taken significant losses in recent years, with some major incidents reportedly running into the millions of pounds. The sector is now unfortunately in a position where underwriters wish only to competitively underwrite the "best risks", where security systems are most durable, and some associations are still on a journey to provide the required level of security.

For a cyber policy, coverage typically may be arranged on either an "any one claim" or "aggregate" basis:

- **Any one claim** - The full insurance limit is provided for each and every claim within the policy year
- **Aggregate** – Each claim erodes at the total insurance limit, which is then "re-set" at the start of the next policy year.

For those associations who might not yet have been able to integrate all of the insurer's required security systems, some members, along with comparable cases throughout the UK have either:

- Had to now accept an aggregate policy structure, where once they had arranged cover on an any one claim basis
- Are limited in the amount of A-rated cover any one claims cover that is available from the insurance market.

How Will The Insurance Market Change?

For the most part, we have explored the current position of the insurance market for housing associations. However, each member that was interviewed asked for some comments on how the insurance market might change in the foreseeable future.

This is of course a purely speculative topic, and will be dependent on some key factors such as:

- The frequency of unpredicted claims which occur within the sector (such as the Grenfell tragedy)
- External geo-social factors which continue to impact the insurance market (Weather risks, government policy)
- The appetite of prospective insurers to underwrite social housing property risks

Yet, there are some initial signs that the next 24 months might bring some positive change. A small proportion of members reported seeing very similar premiums to their existing levels, with some tenders returning three or four quotes, where perhaps two proposals might have been considered a pleasing result.

Some insurance professionals might now also say that as rates and premiums have now increased, these might eventually be lucrative enough for prospective insurers to join/rejoin the market, bringing some degree of competitive pressure back into the market. However, it is generally accepted that this can take time to happen, and the positive effects might take up to 24 months to be felt holistically by the sector.

Should We Be Considering Alternative Risk Transfer Mechanisms?

During our research several associations asked if now was the time to consider alternative insurance options such as:

- Greater levels of self-insurance
- Protected Cell Captives
- Not insuring certain elements of the property stock

This was in view of the hardening market conditions causing increasing premiums and cover restrictions.

As with any type of alternative risk transfer, this comes down to what we might call the central issue:

"In order for alternative risk financing to be beneficial, you must be able to fund all of the loss costs, as well as all of the ancillary costs, and protect your organisation against unexpected losses and future liabilities, for less than the amount which you would pay for conventional insurances."

For the majority of associations, there will be a lending/funding agreement in place for their properties; therefore this might initially restrict the ability to explore some of these options, and might perhaps then only lend itself to higher excesses.

In addition, claims by their very nature are unpredictable. Therefore, if for example, an association was to choose not to insure certain elements of their stock, they run the ultimate risk of having a total loss of a property which is not insured, and therefore the whole cost will be borne by the Association. For those associations with large accumulations of properties, a storm, flood, or fire might create a costly event, which if not budgeted for correctly by the association could come with major financial impact.

Therefore, given our experience of the insurance market for social housing risks, the conventional insurance market appears competitive enough for the majority of members to satisfy the central issue. However, we would advise that each association be aware of these alternatives, in the case that they appear feasible and can be moved to as part of a long-term strategy.

Closing Words & Contacts

To summarise, Gibbs Laidler's research with members would suggest that the last two years have proved to be a turbulent time for most insurance programmes, with many associations seeing increased premiums and/or restricted insurance cover. This is indeed no different to the experience of other housing associations across the UK, and are underpinned by similar issues and insurer behaviours.

Yet the insurance market is not impossible to navigate, and although currently this is relatively small with regards to the number of providers, there are some positive stories amongst members which we hope will increase in the foreseeable future. However, for now at least, it is perhaps important for associations to keep their options open, and paint the clearest picture of their risk to both their incumbent and prospective insurers using the data they provide.

We hope you find this report to be a comprehensive summary of our research and findings. If there are any questions, please do not hesitate to contact one of the below:

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