



Renewal of leaseholders' buildings insurance contract, frequently asked questions.

January 2023

Below is a set of frequently asked questions and answers which will provide you with further information on the proposed renewal of leaseholders' buildings insurance.

Why has the premium increased?

Premiums have increased due to a number of reasons. These being index linking, inflation, the current building and labour material cost along with the hardening of the insurance market.

I am worried about the cost of living. Where can I find guidance on financial support?

Please find this link for assistance: www.lambeth.gov.uk/community-solutions/cost-living-money-debt

Why should I be penalised for an increased premium due to claims history when I have never made a claim?

The cover obtained does not include any enhanced reduction (no claims bonus) for not making a claim as it would for an individual policy i.e., motor policy. This is a combined policy with blanket cover for all leaseholders included.

What is the excess of the proposed new contract?

The excess is £500. An excess is the first amount of each claim that you, as the leaseholder, must cover before insurers pay out. The proposed policy excess will be £500 (£1,000 for subsidence damage). You will have to pay the first £500 for every claim. Subsidence claims have an excess of £1000 per property and £2,500 per block. If there are more than two leaseholders in a block, the £2,500.00 excess will be split between them providing it is the same incident.

Why have an excess?

An excess reduces the level of the premium to be paid as it reduces the number of claims. Small claims are also costly for insurers to administer.

What documents are available to view online?

- Insurance Cover Summary 2022
- Tender Response

The following document 'Insurance Policy Wording' is available upon request to S20Consultation@Lambeth.gov.uk

How does my premium compare to the other councils in the Insurance London Consortium?

All have increases to their premiums.

Has accidental damage been included for properties that sublet?

No. Lambeth Council invited suppliers to quote for accidental damage cover for leaseholders who sublet their properties and no bids were received. Due to this accidental damage cover remains excluded from the policy whilst the property is lent, let, or sublet (in whole or part) to someone other than the owner.

What do I do if I want to sublet my property?

You must notify Lambeth Council and complete a sublet form located here: www.lambeth.gov.uk/housing/leaseholders/council-leaseholders-insurance/subletting-your-property. You must also contact the Risk and Insurance section at Lambeth via here: www.lambeth.gov.uk/housing/leaseholders/council-leaseholders-insurance/leasehold-insurance-enquiries.

If you sublet your property, you are responsible for ensuring the let conforms to the Lambeth Council lease agreement.

Will my premium change if I let my property?

No. Subletting your leasehold property will not affect your premium.

How many suppliers put forward a bid?

Lambeth received bids from two suppliers.

Why do you refer to Arthur J Gallagher and NIG Insurance?

AJG is the broker within an economic operator as per the tender response document.

Below are the names of group of economic operators

- Arthur J Gallagher – Insurance Broker
- Pen Underwriting Ltd – Managing General Agent
- NIG Insurance – Insurer

Why was Arthur J Gallagher/NIG Insurance chosen over the other supplier?

A combination of price and quality made this bidder a clear winner.

Who was the other supplier?

This is commercially sensitive information and cannot be disclosed.

How many suppliers put forward bids to other councils within the Insurance London Consortium?

Two councils received only one bid and the others received two bids.

What does the unit cost include?

The unit costs include Insurance Premium Tax currently at 12%, the inflation factor to the sums insured currently at 20%, and the administrative costs from the Risk and Insurance Team, frozen at £15 per annum.

An inflationary figure will be provided annually based on advice from an independent body, the Royal Institute of Chartered Surveyors, and our Insurers. Whichever insurer we choose to enter into a contract with will have to apply this inflationary factor to the sums insured, and therefore the premium, and this would have applied irrespective of whether we were tendering for a new contract or not.

The annual inflationary factor has typically been around 4% to 8% over the last few years. As building costs have increased above the shop price index (SPI), currently at 7.3%, this has caused a significant increase in the insurance inflationary factor for the forth coming year. For 2023-24, the inflationary uplift to the sums insured is 20%.

Why can't I get my own buildings' insurance?

Your lease agreement states the building's insurance is automatically provided by the Lambeth Council.

My mortgage lender has advised I should insure the building through them, is this possible?

In your lease agreement it states that the building's insurance is automatically provided by the Lambeth Council. You cannot have another provider for your building's insurance.

Where can I view this contract on the 'Find a Tender' service?

The procurement opportunity is located here: www.find-tender.service.gov.uk/Notice/027751-2022

Why couldn't I nominate an insurance company?

European legislation states contracts over a certain amount must be tendered through the 'Find a Tender' service. More information can be found here: <https://blog.tendersdirect.co.uk/2019/11/28/new-public-procurement-thresholds-2020-2021/>

Where can I obtain a copy of my current building insurance cover?

You can request a copy of your building insurance schedule from Lambeth's Risk and Insurance website: www.lambeth.gov.uk/housing/leaseholders/council-leaseholders-insurance

What will be the sum insured amount for my property?

The sum insured amounts for all leasehold properties in the new contract will be up to a maximum of £612,853. This sum is not related to the market value of your property. The building sums insured is used for insurance purposes and is based on the cost of rebuilding your property, it has no link to the market value. The sum insured can be increased if a request is made in writing along with relevant documentation outlining your reasons. We will always seek authorisation from NIG if the sum required is more than the maximum stated above.

How has the premium cost per property been calculated?

The following information was provided at tender stage:

- The re-instatement rebuilding cost per property by bedroom.
- The number of leasehold properties
- The total number of bedrooms
- 5 years claims history of the leasehold stock which included the number of claims and their related costs.

Using this information Lambeth Council were provided with a premium per number of bedrooms. The method of calculation is confidential to each bidder and Lambeth Council, nor the Insurance London Consortium is privy to this information.

Why are you using number of bedrooms rather than rateable value to calculate my premium?

Rateable value has no direct relevance as to how leaseholder insurance is procured. Industry-wide insurance is procured by either bedroom size or sum insured and not by rateable value.

In Lambeth's case, we procured the contract based on the number of bedrooms of our leasehold stock and therefore the premium is based upon a contract procured on number of bedrooms policy. The insurer provides the allocated premium per bedroom to Lambeth and not by the rateable value. Lambeth in-turn applies this cost per bedroom and not via rateable value. The council accepts the manner in which the insurance element of the day-to-day service charge is calculated is not strictly in accordance with the terms of the lease. What needs to be clarified is the reason we do not take the 'building' cost and apportion it by the aggregate of the rateable value of all the flats in the building and then multiply the resultant amount by the rateable value individual of the Flat(s). There is no building (or block) cost to enable Lambeth to relate to the rateable value of the flat in relation to the block's rateable value. The rateable value 'building' cost would have to be an amalgamation of the (1) leasehold

policy, (2) the freehold policy (3) the self-insured provision which Lambeth undertakes and (4) any associated costs for the claims handling function and loss adjusters required from third parties. Further to this, it would be unreasonable to calculate the block cost as

- We would be using a combination of costs for a commercial insurance policy and a domestic insurance policy.
- Each type of policy comes with a distinctly separate set of covers and a different level of services.
- All elements are procured on different terms.

Lambeth considers that given the way in which the insurance industry lets contracts of this nature, there is no true 'building' or block cost which can be calculated fairly, and so invoicing and recharging the insurance premium by the bedroom number is a reasonable method.

Lambeth has not taken the decision to deviate from the terms of the lease (in respect of the calculation of the insurance element of the day-to-day service charge), we are constrained in the manner in which the insurance industry lets such 'leasehold' policies, and we are charging the costs in the most reasonable manner.

How long will the contract last?

The proposed contract is from the 1 April 2023 to the 31 March 2028.

Who am I insured with now?

The current provider is NIG Insurance, and this contract remains in place until the 31 March 2023. If you need to make a claim, you can call the Claims Team on 0800 051 0233 and quote the current policy number of 5884011 and your full address.

What will affect the premium payable over the course of the next five year?

The premium is linked to the following:

- Annual changes to the property re-building costs which is arranged by the Royal Institute of Chartered Surveyors the inflation factor to the sums insured is currently at 20% for 2023/2024.
- Insurance Premium Tax, currently set at 12% is paid to the government. This tax has already been factored into the premium.
- The number and costs of claims each year on the policy.

Can the annual premium increases be capped?

No

What are the next steps?

Details of the proposed successful contractor will be presented to the Procurement Board for approval. Taking account of the Find a Tender Standstill Period and the Contract Award Notice. The name of the successful contractor will be published

upon conclusion of the standstill period required under regulation 87 of the Public Contract Regulations 2015.

Who do I contact about the current service providers?

You can request a copy of your building insurance schedule by calling Lambeth Risk and Insurance on 020 7926 9330.

Where can I find further information about the current contract that expires on the 31 March 2023?

Further information can be found here:

<https://beta.lambeth.gov.uk/housing/leaseholders/council-leaseholders-insurance>

Where can I make an enquiry or an individual request e.g., request a sublet form?

For individual insurance related queries not in relation to the proposed tender you can fill out an enquiry form here: <https://beta.lambeth.gov.uk/form/leasehold-insurance-enquiry-form>.