



Renewal of leaseholders' buildings insurance contract, frequently asked questions

1 August 2022

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. Any updates to this document will be recorded.

Why have I received this Section 20 notice?

The London Borough of Lambeth will be tendering for the provision of leaseholders' buildings insurance. You have received a S20 notice because you are a leaseholder and will incur future service charges in respect of the costs of buildings insurance which Lambeth will seek to recover.

If we do not consult with you, we are not able to recharge our full costs. Please do take the time to watch a short (5 minute) film which explains what a Section 20 notice is and what this means for you: <https://bit.ly/S20Film>.

The current long-term agreement was entered into in 2018, when a five-year deal was agreed, following a full tendering exercise, with the present insurers Arthur J Gallagher/NIG. The 2022/23 insurance year is the last year of the current contract, so we are obliged to retender this policy on behalf of Lambeth leaseholders, with the new arrangement to start on the 1 April 2023.

Why do we need a buildings insurance contract?

As your landlord, we are required to provide buildings insurance as per the terms of your lease.

Will I be required to pay for the buildings insurance?

Yes. This is charged as part of your day-to-day service charges.

How will you calculate my individual insurance charge?

Every leaseholder's individual buildings insurance charge is based on a rate set by the insurer, rather than by the London Borough of Lambeth. This will be based on the number of bedrooms within your property meaning it will be a bedroom rated insurance policy.

Can I opt out of having this insurance policy?

No. As your landlord, we have an obligation under the lease to insure your property. This consultation does, however, give you the opportunity to share your views on the proposed contract award.

How will Lambeth obtain a new contract?

Lambeth Council is a member of the London Insurance Consortium. The Consortium is made up of 5 London boroughs set up with the joint aim of improving risk and obtaining better value for insurance and related services for its corporate needs. As a result, the Council has seen an improvement in both rates and cover. For this tender it is proposed that a joint tender with the four other boroughs is now used for the benefit of leaseholders.

Who are the Consortium members taking part?

- London Borough of Camden
- London Borough of Croydon
- London Borough of Islington
- London Borough of Tower Hamlets

What are the benefits of a joint tender?

We see the potential benefits of the joint tender as follows:

- a) greater buying power leading to better rates
- b) improved insurance cover
- c) improved service levels particularly for claims

We believe that Lambeth leaseholders can benefit from the greater buying power of the consortium overall rather than through an individual tender.

The benefits of a joint tender are not just limited to more competitive premiums. The greater buying power of the consortium can potentially help us secure more comprehensive cover for leaseholders and improved service levels particularly in the event of claims.

What happens within the Consortium?

The Consortium will undertake a tendering exercise for the participating Councils in accordance with the Public Procurement Regulations. Bidders will then be evaluated on a combination of price, policy coverage and quality of service. This means that, whilst we are very mindful of the requirement to help with household budgets and hence a competitive premium needs to be secured, this will not be at the expense of comprehensive policy cover, with quality of service needing to be maintained or enhanced. This is in line with the Consortium's approach to evaluation of their own tenders, however, whereas their winning bid is based on a 'winner takes all' scenario, the winning bids for this tender will be assessed on an individual borough basis.

Will Lambeth leaseholders end up paying more because of other borough's claims experience?

The short answer is no. Insurers when tendering will be required to quote a price for each borough individually based on its own claims experience and, as appropriate, insurance policy requirements. So, for example, all insurers will be required to quote on a bedroom rated policy basis for Lambeth, based on the claims experience of Lambeth leaseholders and no one else's claims experience or policy requirements. This is the reason for the winning bids for this tender being assessed on an individual borough basis.

It is the clear intention of the council to obtain the best deal they can on behalf of their leaseholders. The approach will be very much on a 'partnership' basis (again, as this works well with the Consortium) to counteract the adversarial stance that has sometimes been shown by insurers in the past, and almost led to withdrawal of facilities. We will be looking to balance cost against cover/service based on our existing terms of a bedroom rated policy with the existing policy excess £500, (£1,000 excess on subsidence claims), the council will be requesting lower excess options from the insurance market, although this is dependent upon the underlying claims experience. There will be a rate 'guarantee' for future years being tied into claims experience (both up and down).

Are there any risks/downsides of a joint tender?

We don't believe so. Lambeth Council's experience to date, as part of the consortium, has always been positive, and we see no reason why leaseholders should not experience the same results. It is, nevertheless, our intention to consult with the marketplace (prior to tender) to ensure that there are no unforeseen issues that could adversely impact on the result for Lambeth's leaseholders.

How will the Tender be Evaluated?

Evaluation will be points based, with the bidder scoring the highest number of points winning the tender. Firstly, total premiums will be rated between bidders with lower premiums scoring more points than higher ones. Additional points will then be allocated for 'quality' items offered by individual insurers. These quality items could include beneficial improvements to policy wording, rate guarantees, or enhanced service levels.

What will the policy cover?

The contract provides buildings insurance cover for all the leasehold private dwellings across the borough under one blanket policy. The proposed policy provides cover for specified perils including, but not limited to, fire, lightning, explosion, earthquake, collision by aircraft, storm, flood, escape of water, theft, malicious damage, accidental damage, subsidence, and terrorism. A fuller

description of the insured risks and exclusions can be found in the current building insurance policy, which is available on the Council's website using the link below <https://beta.lambeth.gov.uk/housing/leaseholders/council-leaseholders-insurance>

Does the policy cover contents?

No. Contents are all personal belongings such as furniture, carpets, curtains, televisions, and items not permanently affixed to the structure of the building.

What is an excess and how does it work?

An excess is the first amount of each claim that you, as the leaseholder, must cover before insurers pay out. The current policy excess is £500 (£1,000 for subsidence damage)

Why have an excess?

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

How long will the agreement last?

It is proposed to appoint a contract on a five-year long-term agreement.

Does the procurement of new a contract affect the current buildings insurance contract?

No. There is no impact upon the current contract.

What are the next steps?

The next step is to consult with you about our intention to procure a new contract. Once the Observation period is closed (5 September 2022) and all observations have been responded to with due regard, Lambeth will proceed with the Consortium in the tender exercise.

When the tender exercise is complete and a proposed winning 'bidder' is selected, you will receive a further Section 20 notice detailing why Lambeth would like to enter into a contract with this insurer.

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 details of the current contract e.g., policy wording?

Further information can be found here:

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

Where can I make an enquiry about the current contract and an individual request e.g., 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>