

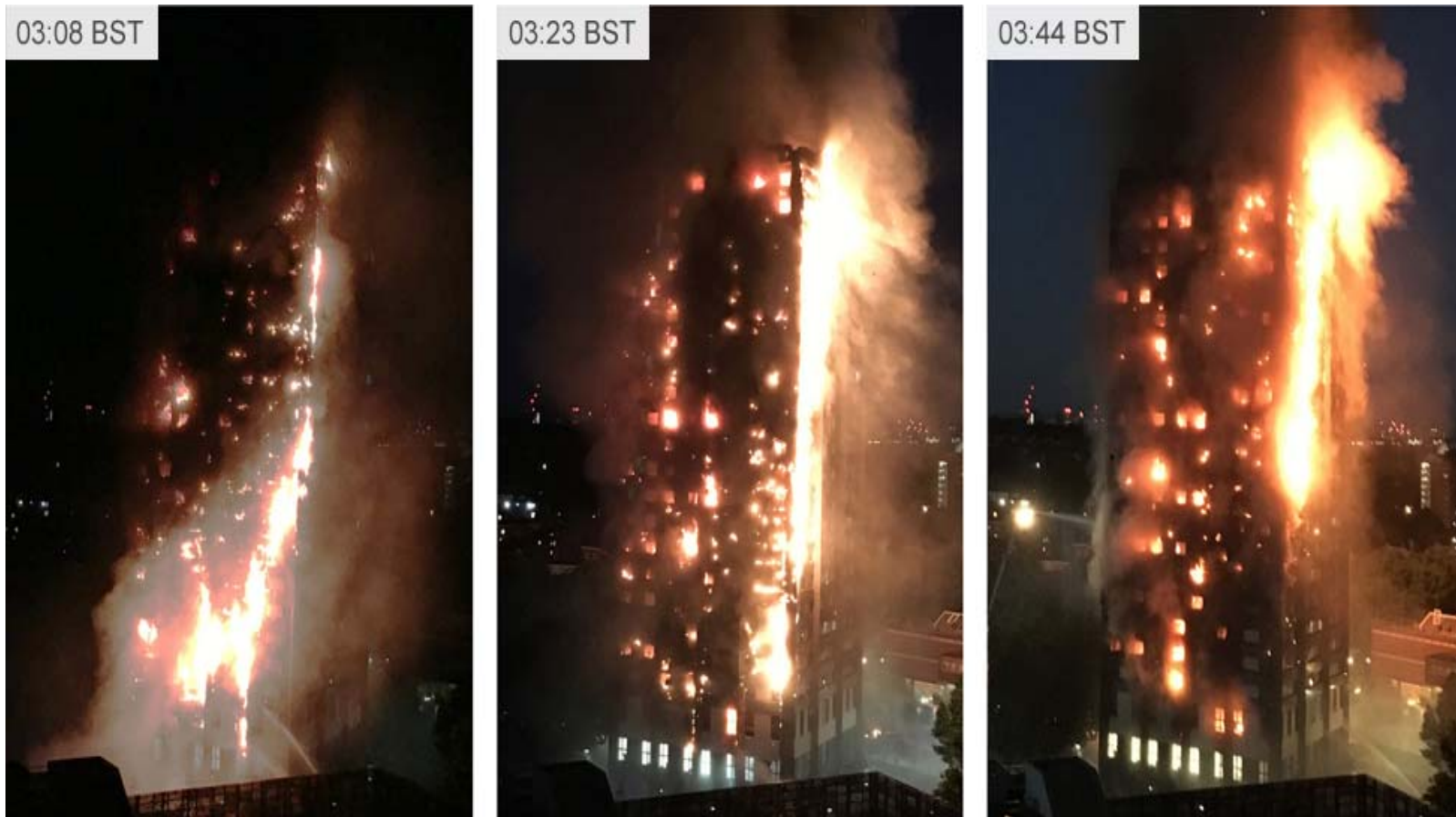


**Grenfell Tower**  
**Consequences for Insurers**  
**Chris Hanks, FPA Chairman**



**RISK INSIGHT, STRATEGY AND CONTROL AUTHORITY**  
Reducing insurable risk through research, advice and best practice

# Grenfell Tower 14<sup>th</sup> June 2017



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# Introduction and Agenda

- What Insurers DIDNT DO
- Immediate First Aid
- Short Term Actions
- Medium Term Activities
- The Burning Issues
- The Longer Term Game Changer

# Introduction

- The most Tragic of Events
- Almost entirely foreseeable and preventable
- Years of neglect and dumbing down
- Widespread culpability
- Many questions for Government, Politicians, Civil Service, Architects, Builders, Councils and Insurers
- Anonymised Insurer information
- Independent View
- Workshop later



# What Insurers Didn't Do

- Panic.....well most anyway!
- Change Underwriting Strategy
- Withdraw capacity
- Decline business



# Immediate First Aid

- Is it our Building? If not.....who?
- Who else could get dragged into this (PI, Construction). Search Liability Data Base
- Identify all High Rise risks on books
- Identify similar risk characteristics on their books
- Update risk assessment . Re-Survey or Desktop
- Re-consider EML/PML
- Search for clues and understanding
- Advice to Policyholders/Brokers

# What Did They Find

- Problem identifying similar risks (incl non high rise)
- Significant lack of detailed construction info on 30%+ of risks
- 25% of risks required additional underwriting action ( re-class, change EML etc)
- Some risks in the estate were outside risk appetite
- Need to update underwriters on guidance for HRB and Construction
- Lack of technical skills and capability to understand these risks
- Poor understanding of Building Regs and their flaws
- Testing regime woefully inadequate. “Perfect Build” Tests no relation to real life
- Confirmed intuitive feel that UK Plc has, over a long time neglected Property Protection



# What Medium Term Actions have been Kicked Off

- Need for much improved training and expertise in construction types, methods, combustible materials etc
- Better collection and use of risk and construction data
- Revision of rules and calculation of EML for HRB
- Revision of retention limits and reinsurance purchase
- Realigning of rating and acceptance rules for building with certain characteristics
- More stringent controls for Property Owners/Managers
- Effectiveness of Fire Alarms (95% false)
- Overriding need to share information and act more collectively as an industry

# FPA and ABI Leading

- Immediate representation to Government
- Submission to Enquiry Terms of Reference
- Participation in Enquiry and Expert Panel
- 14 Research Themes. These range from reviewing Building Regs to Standards to Data to Sprinklers. These will be led and directed by Insurance experts like you.
- Significant funding from ABI to FPA
- Several new Testing Options emerging
- After 15 years of banging head against a door on combustible material in the built estate, fire engineering, focus only on life, dumbing down.....at last this is our moment for change

# The Burning Issues



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# The Burning Issues

- Sadly it takes a tragic event to force a change
- As Insurers, and good citizens, we have questions to raise of others and of ourselves
- If Insurers don't worry about Property losses, who does. Aren't we custodians of the built (and about to be built) environment.
- If so why have we allowed politicians to dismantle great property protection instigated after the Great Fire of London
- Why do we cut premiums and allow sub standard risks on our books
- Why have we allowed a dumbing down of standards and skills
- Has the over capacity of capital meant we write risks too cheaply with not enough attention to the technical stuff
- Would an ABI Insurer have been more use to Disaster relief

# Have we abdicated Underwriting Lead

- Historically Insurers helped Govt and society to improve risk
  - Building Regs*                      *Fire Brigades*      *Salvage Corps*
  - Hot Work*                              *Food risks*                      *Waste risks*
- WE KNEW A MAJOR FIRE, LOSS OF LIFE WOULD HAPPEN IN A TIMBER FRAMED OR COMBUSTIBLE CLAD BUILDING
- Have we been the non assertive co-pilot turning a blind eye to obvious disaster waiting to happen?
- Insurers/ABI gave up the Research and Representation budget!!
- Why have “normal” underwriting rules gone AWOL?

*Insisted on Sprinklers*    *Wedged opened Fire Doors*  
*Unknown number of residents*    *Poor emergency access*  
*Failure of fire resistant materials*    *Inadequate fire breaks*  
*Failure of Fire Alarms (97% false!)*

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# What Insurers Want

- Root and Branch review of Building Regulations
- Importance of property protection raised significantly
- Re-introduction of Local Acts (or equivalent)
- Independent, competent, reliable, robust Testing regime of components and techniques for the built environment whilst in use
- Greater use of sprinklers
- Action on False Alarms



# The Cost

- Insured loss, uninsured loss, economic loss.....  
Unknown
- Insurance Premium about £8,000
- Guesstimate. Property Loss £25m-£40m,  
Consequential Loss £200m, Liability Loss £0-£500m
- Cost to UK plc, society, families ENORMOUS
- Police Investigation

80 dead, 400 homeless, 31m Documents, 1,000  
Statements, 2,400 People of Interest, 336  
Companies.

Everyone is running for cover!

# The Future

- How could we have let Grenfell happen in 21st Century London?
- We should resolve never to let us be involved in anything like this ever again
- Insurers can probably withstand the financial impact of this type of loss, but our contribution to a better, safer society is much bigger than that.
- We have a range of initiatives, Insurers working together, underway to take this opportunity to substantially make a difference for the future
- We need all stakeholders to grasp this opportunity to make our communities safer, more resilient and better place to live.

# Grenfell Tower – June 2017

