

Appendix 1: Summary of Leaseholder Observations

Below is a summary of the questions and responses to the 1st Section 20 Consultation (Notice of Intention) for the Leasehold Buildings Insurance Procurement Exercise.

NB - The summary provides details of the observations relating to the service provision, cover specification and market but may exclude those related to non-insurance related procurement or Section 20 consultation procedural issues only.

Leaseholders Observations	Landlord's Response
<p>When reporting back on bids, please include information on how the insurance companies deal with perils which are occurring more frequently due to climate change. Please also include information on whether companies have net zero targets, and if so in what year each company hopes to achieve net zero</p>	<p>We will be considering green procurement strategies within the assessment criteria of eligible bids, which is based upon Hackney's Sustainable Procurement Strategy, accessible on the Council's website. Bidders will be invited to comment on this strategy and evidence how they meet it.</p>
<p>I recently received a consultation email around a new provider of building insurance for residents. The description I received of the contract feels to me far too expensive particularly the increased cost as per previous years and the higher excess charged. In many cases the causes of these issues (eg leaks from other flats) is out of the control of leaseholders and yet we are required to pay significant sums of money. I also believe the high cost of this insurance is due to inadequate maintenance by the council</p>	<p>The previous correspondence advised leaseholders of the requirement to secure insurance on an emergency basis, for the policy period 01/04/2023 - 31/03/2024. The current procurement that this Section 20 consultation forms part of, is to secure insurance on the best possible terms for inception from 01/04/2024.</p>
<p>I would like to know more about the tendering process, and whether leaseholders can see the tenders and comment on preferred bidders?</p> <p>Will vandalism or climate change be included in the specific wording of the intended perils to be insured against?</p> <p>I received a letter at the end of May regarding the building insurance for the financial year 1 April 2023 to 31 March 2024. Included in that letter was an explanation as to why the price has been increased as well as a copy of the Certificate of Insurance.</p> <p>I am a little confused and would like some clarification regarding the "Building sum</p>	<p>The current insurer details the sum insured in a different way to the previous insurers. Previously, the wording didn't state the sum insured. The wording was as follows:</p> <p><i>Sum Insured: GBP £350,000 or the sum insured, whichever is the less.</i></p> <p>The Protector policy words this section in a different way and actually specifies the sum insured which is where you see the value. This has no material difference on the cover provided between the insurers.</p> <p>The sum insured is calculated using a formula</p>

<p>insured" which can be located on page 1 of the certificate of insurance. In 2018/2019 the sum insured was £350,000 and now in 2023/2024 the building sum insured is £219,321.61 despite the cost of goods and services increasing dramatically this year. Please can you explain how this sum is calculated and confirm to me that the building is adequately insured.</p>	<p>that takes a number of factors into account - including: floors within the block the property is situated, the number of bedrooms, and the type of property (i.e. flat, maisonette etc). An inflationary uplift is applied to this figure in line with market conditions. We believe your property is adequately insured.</p>
<p>Please send all similar documentation to the XXXX (redacted) address (or to this email address, to save paper). Otherwise, I won't receive these notices.</p>	<p>Your comments have been noted, however, it is the Homeownership Services policy to send statutory consultation letters to the leasehold property addresses, as well as the correspondence addresses to ensure that a copy of the letter is received by the current leaseholder(s), in case they have moved from their correspondence address, sold the property or our system information is not up to date etc, we do this to cover all possible scenarios.</p> <p>If this situation of you not receiving statutory consultation letters at your correspondence address persists, I would advise that you contact your local postal delivery office.</p>
<p>The huge increase in the premium for the 2023 building insurance needs to be rectified. The council should consider increasing the 'excess' to ensure the building insurance stays at an affordable (pre-2023) level. The council should clarify to leaseholders whether the insurance arrangement, and the premiums incurred by the council, for council flats is the same as the insurance arrangement and premium for private leaseholders. If there is a difference in the arrangement or cost, the council should explain why this is. The council should ask insurers to explain the reasons why the premiums in this sector have increased, and share these reasons with tenants. The FAQs say 'Your charge for buildings insurance is determined by the overall cost of insuring the whole of our leasehold housing stock across the borough. It is not based on the particular condition, or repair/claims history, of any individual home or block'. In this respect: Council to explain why the cost is not determined by the overall cost of insuring leasehold and council flats. Council to explain whether issues affecting one estate, such as</p>	<p>All available options were considered when seeking cover for the 2023/24 period. The excess increased from £50 to £250 for all perils (other than subsidence and associated risks which remained at £1,000) which was the most comparable terms available to us. We are also mindful that the last available Section 20 consultation was undertaken on the proposed £50 policy excess.</p> <p>The Council procures two different building insurance policies. The Leasehold buildings insurance through Protector is a standalone product that covers the interests of those individual leaseholders. The other non-leasehold parts of the building that are the responsibility of the freeholder are insured via a separate policy, though with the same insurer.</p> <p>Terms are sought on a block (group) basis and the entire portfolio, it's profile and claims experience, is assessed by insurers when underwriting the risk. This is beneficial as to individually underwrite each property, or block would increase the administrative burden on the insurers and inflate costs.</p>

<p>cladding, affect the price of building insurance for other estates. If it does, should the price of building insurance vary depending on the estate?</p>	<p>It is worth noting however, that in rating the risks, insurers do assess key factors common within the stock - that of construction type, insulation, flood risks, etc.</p>
<p>It is noted that the policy to be entered in to is for the whole of the Hackney Housing stock and does not take in to account the condition or history of individual buildings. This presumably implies that the scale and security of individual blocks is not considered. Coming from a small block with separate cores, housing a maximum of 7 units, this seems a lower risk than larger blocks with external balcony access routes to a large numbers of units from one core. Additionally a block of only a few levels is surely lower risk than a high rise.</p> <p>How are the costs being considered so as not to penalise owners for lower condition or higher risk estates within your portfolio?</p>	<p>This is correct, terms are sought on a block (group) basis and the entire portfolio, it's profile and claims experience, is assessed by insurers when underwriting the risk. This is beneficial as to individually underwrite each property, or block would increase the administrative burden on the insurers and inflate costs.</p> <p>It is worth noting however, that in rating the risks, insurers do assess key factors common within the stock - that of construction type, insulation, flood risks, etc.</p>
<p>We write to express our concern at the recent hike in the Buildings Insurance premium to £170. Even considering the prevailing rises in insurance premiums generally, this particular amount is clearly excessive for the size/type of property in question and raises the concern that Hackney Council is not seeking a competitive market rate. It is also clear that you left it too late to properly research options so were forced to accept this exaggerated premium rather than leave the estate without cover.</p> <p>We await the outcome of your further research under regarding the QLTA and expect future premiums to be significantly lower than this year's.</p> <p>We note that the premium does not include loss through terrorism, which should be included in future.</p> <p>We are also concerned that there is a possibility you have not divided the premium correctly between leaseholders. Please confirm that private leaseholders such as ourselves (i.e. those who do not rent from the council) do not subsidise other tenants by paying a disproportionate amount. Please</p>	<p>Terrorism cover is procured under a separate arrangement with the council's main property portfolio, however we will explore all available market options.</p> <p>The Council procures two different building insurance policies. The Leasehold buildings insurance through Protector is a standalone product that covers the interests of those individual leaseholders. The other non-leasehold parts of the building that are the responsibility of the freeholder are insured via a separate policy, though with the same insurer.</p>

send us the full calculation showing how our premium was calculated.	
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