

Cladding cover

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Matt Farman assesses the possible fallout from the Grenfell Tower fire for professional indemnity insurance

The then Department for Communities and Local Government initiated the [Building Safety Programme](#) in July 2017, to identify buildings that posed a fire safety risk. Under the programme, testing was conducted by the Building Research Establishment to establish whether aluminium composite material (ACM) cladding samples from high-rise residential buildings meet the limited combustibility requirements of the [Building Regulations guidance](#).

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The results were damning: 266 of the 278 buildings screened in England failed the tests. Concerns are not restricted to residential blocks either, and hospitals, schools and shopping centres are expected to come under future scrutiny. The cost of fire safety improvement works on residential blocks will run into millions, with leaseholders of the Citiscape block in Croydon facing a bill of between ?750,000 and ?1m to [remove non-compliant cladding](#). The government has said it will not fund improvement works, so it is possible that local authorities will look to insurers to bear some of the cost.

Cladding exposure

Most professional indemnity insurance (PII) providers have reviewed their books to establish what exposure they have to cladding or other materials that pose a fire safety risk. At the time of writing, some have received notifications of potential claims in relation to Grenfell Tower and other buildings of concern. The number of such claims is only likely to increase over time.

If a client asks you to comment on the cladding specified or used on buildings and whether it complies with the government guidelines, current Building Regulations or standards, you should revisit your designs or specifications to identify any issues. Based on the results of that process, you can make an informed decision on whether it is something that could give rise to a claim. If you believe it could, then you should notify insurers immediately in accordance with the relevant provisions of your PII policy. Not all notifications will be accepted by insurers in the first instance, as each has to be considered on its individual merits and in accordance with the PII policy notification provisions. If an insurer feels that a matter does not amount to a circumstance, you have at least put a marker down and the issue can be revisited if there is any subsequent development.

PII renewal

At renewal, insurers are asking additional cladding-related questions of firms involved in the design, construction, refurbishment and management of buildings, and the responses given may affect the terms you receive. Insurers will typically ask for information going back 12 years, so you should pull out any relevant files well in advance of your renewal date. The fallout from the Grenfell Tower fire may affect the full spectrum of property, engineering and construction firms, from architects to property managers. Various parties could have contributed to the situation, so when claims do arise they may affect multiple PII providers.

The insurance profession is understandably concerned. While feedback from most insurers to date suggests that they are not looking to withdraw from the market immediately or change cover mid-term for existing clients involved in designing, installing or specifying cladding, they will expect detailed information on this work at renewal.

At the time of writing, we have seen few cases where the existing insurer has declined to provide renewal terms, but this may change if the number of notifications relating to cladding and fire safety increases.

Future projects

If you are asked to carry out fire risk assessments on high-rise buildings, this should be disclosed to your insurers, irrespective of whether you are undertaking the work yourselves or engaging a specialist consultant.

For any ongoing or future projects involving cladding, you must carefully consider your approach, putting in place additional protocols where you deem necessary. You should also ensure your scope of duties and responsibilities are explicit, and that your client understands them. Where possible, limit your liability under contract and ensure that you and your team are aware of the ongoing implications of any changes to either good practice or regulation made in response to the Grenfell Tower fire. The recent [Independent Review of Building Regulations and Fire Safety: Interim report](#), commissioned by the government, concluded that there need to be sweeping changes across the entire construction industry and a universal shift in culture.

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RICS Fire Safety Conference 2018

The [RICS Fire Safety Conference](#) brings together leading experts in the field to address key fire safety considerations and building regulations, identify best practice and provide expert knowledge to best advise your clients.

Further information

- This feature is taken from the [RICS Construction journal](#) (June/July 2018)
- Related categories: [Ethics and professional conduct](#)