



Department for Levelling Up, Housing & Communities

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28 January 2022

Request for the Financial Conduct Authority to review the buildings insurance market for multiple-occupancy residential buildings, in close consultation with the Competition and Markets Authority.

Since I took office, I have been extremely concerned to hear from innumerable leaseholders about the pressure they face from rapidly escalating building insurance premiums on high and medium-rise blocks of flats. I have been particularly concerned to hear of cases where insurance premiums have escalated by over 100% year-on-year, leaving residents with crippling costs. It is clear to me that the insurance market is failing some leaseholders.

The Grenfell Tower Tragedy should never have happened. I have made addressing the building safety crisis one of my top priorities, and you will have seen my recent statement to Parliament about ensuring that the small amount of dangerous cladding that remains is removed, and ensuring that the industry that created the problem pays for it. Significant amounts of investment and work are under way to identify, mitigate and remediate cladding safety defects in existing blocks (with, for example, combustible ACM cladding now removed from 85% of the high-rise blocks that were found to have it installed).

Despite this progress and the continuing decrease in the instances of fire in multiple-occupancy buildings, building insurance premiums have increased dramatically for almost all leaseholders in blocks of flats. I am also concerned to hear that many insurers seem unwilling to offer new policies, forcing people to shop in a more limited market place with more restrictive terms or less coverage; in many cases, trapping people with their current provider.

Understandably, many policyholders do not view the market as effectively delivering accessibly priced, widely available insurance. I share that view, and do not consider this an acceptable situation.

The market lacks transparency and there is not currently useful data to explain the rationale behind the increasing premiums charged by insurers and the conditions associated with the cover. The role and remuneration of brokers, managing agents and freeholders is also unclear. I require urgent advice on the scale and potential causes of the problem and what can be done to rectify these issues. My overall goal is for there to be a more affordable marketplace for buildings insurance that offers widely available and affordable cover for those who live in flats and other multiple-occupancy buildings.

Therefore, I request that the Financial Conduct Authority (in close consultation with the Competition and Markets Authority) reviews the sector, in order to:

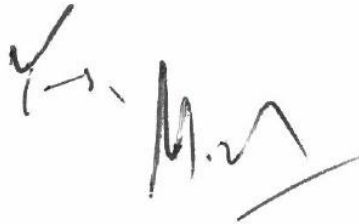
1. shed light on the underlying causes of year-on-year price increases; and
2. assess the causes of the marked restriction in coverage available for multiple-occupancy buildings.

I also request the FCA make practical recommendations for measures that industry, the government and regulators could take to achieve the goal of widely available and affordable cover.

Given the urgency of relieving the financial pressure on those affected, I would be grateful if you can provide initial feedback within three months, with a final report within six months.

Finally, I would be grateful if you would work closely with my Department so that I can be kept informed of progress. I look forward to hearing from you soon. I am copying this letter to the Economic Secretary to the Treasury.

With every best wish,

A handwritten signature in black ink, appearing to read 'M. Gove', with a checkmark above the first part of the signature.

**Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities
and Minister for Intergovernmental Relations**