

TOWER BLOCK FIRE

# Grenfell Tower: insurers may face £1bn bill

**Katherine Griffiths, Banking Editor**

June 17 2017, The Times

The insurance bill for the Grenfell Tower disaster could exceed £500 million in what is likely to be one of the most complex payouts for the industry.

Early estimates range from £200 million to £1 billion, but the total will depend on the number of deaths, whether there is litigation and whether other towers have to be improved or evacuated.

██████████ a Norwegian company with an office in Manchester, took over buildings cover for Kensington and Chelsea's properties in March. The deal was part of a five-year contract with three boroughs that it won from ██████████ by offering a far lower premium. ██████████ had been charging Kensington and Chelsea an annual premium of £██████████.

The premium agreed with ██████████ The deal was ██████████ first major foray into the UK.

The contract, which also includes Hammersmith and Fulham and the City of Westminster, is thought to cover the cost of rebuilding the block, damage to property and public liability, which includes injury and death.

In a statement ██████████ said that the building and some other costs might reach £25 million. It said that the costs would "mainly be picked up by ██████████ reinsurance programme". As is normal in the insurance world, ██████████ has reinsured the contract with other companies. They include ██████████ one of Germany's largest reinsurance providers.

Other companies may also be liable, including some in the UK, reflecting London's large specialist insurance market.

██████████ said that its own costs were likely to be "negligible". Analysts said that the final bill would be much higher than £25 million.

## My public comment in The Times

Someone's figures do not 'stack up'.

You report an annual insurance premium of £434,857 for RBKC's social housing estate of about 9700 households, about a third of which are now privately owned on long leases. This provides for an average annual premium per flat of about £45.

I have a one-bedroom ex-council flat in the borough. The annual premium recharged to me by RBKC for the current financial year of 17/18 is £201.



If my math and your reporting is correct, it would appear that the Royal Borough is profiteering from its leaseholders.

## A response by 'Kim Findley'

Yes, this is absolutely possible, my friend. Whilst I am not aware of the details of this particular insurance contract, I have experience of the commercial insurance industry, and it is a common arrangement for the property owner or managing agent to earn

significant sums of additional 'commission' based around the insurance premium. It is a further income stream, which they could argue covers all sorts of other costs. If it was the latter, in my view, it should be spelt out to the tenant in detail as to which they could argue covers all sorts of other costs. If it was the latter, in my view, it should be spelt out to the tenant in detail as to which bits are insurance and the costs that are not.

**My response to Kim Findley:**

 <https://www.thetimes.co.uk/past-six-days/2017-06-17/news/grenfell-tower-insurers-may-face-1bn-bill-h98txff5x>  <https://www.thetimes.co.uk/past-six-days/2017-06-17/news/null>

Many thanks for your comments. It has long been surmised that RBKC top-weights the leaseholders' insurance premiums but, on these figures, it appears that we are not only paying the entire premium but are providing RBKC with an additional 'income' of at least 50% of the entire social housing estate's premium.