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A Fair Presentation of Risk

In placing a building insurance policy, the information required by insurers is evolving. This information, often referred to as 'material facts' determines aspects including premium, excess and whether the insurer fundamentally wants to underwrite the policy. The disclosure requirements of this information is becoming increasingly more detailed for a number of reasons including the Insurance Act of 2015 and Grenfell.

The 2015 Insurance Act, whilst beneficial in many areas, increased the onus on property owners and managing agents to disclose all information salient to the risk. It requires the policyholder to provide a 'fair presentation' of every material circumstance which they know or ought to know. Additionally there is an increased onus on the Insurer to make further enquiries as they deem necessary to demonstrate due diligence.

This may help to explain why the level of questions insurers are asking have increased exponentially.

Some of these material facts are very obvious, for example the claims history, occupation or floor type. Even metal cladding can be obvious to spot and requires disclosure.

Other details are not so obvious, a good example of this is render. You have examples where render has been applied directly to brick or block work but you also see render applied to insulation – be it mineral wool or polystyrene. Render applied to brick or block work presents a materially different risk compared to that of render with polystyrene.

Regardless of the height of the building or whether the building has been approved from a building regulations perspective, this information needs to be disclosed to the insurer as part of the Fair Presentation'.

From a construction perspective anything that deviates from standard construction material (brick, stone, slate, tile or timber) requires disclosure.

Insurer Response In the Event of a Claim

If this nonstandard construction is not disclosed, in the event of a claim, insurers have a number of options they can pursue:

1. **Void the policy.**
2. **Proportionally reduce any amount payable,** determined by calculating the premium they would have otherwise charged (in receipt of full disclosure) as a percentage compared to that of the current premium and discount this percentage difference against the claim amount. For example if the premium was 50% less than what they would have otherwise charged and the claim was for £10,000, they will only pay £5,000.
3. **Charge the additional premium** that would have otherwise been due.

Whilst the last option would be the most preferable to the building owner or managing agent, it is the least preferred option for the insurer. Consequently it is preferable to tackle this issue at the placement stage of the policy rather than in the event of a claim.

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