

# **Code on core risk data for multi-occupancy buildings with fire risk issues**

**A voluntary code of practice for the core pieces of risk information to be systematically collected and recorded for multi-occupancy buildings over four storeys or 11 metres in height affected by combustible cladding or other material fire risk issues**

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## I. Introduction

This Code has been produced by and is supported by the Association of British Insurers (ABI) and British Insurance Brokers' Association (BIBA), with the support of industry participants.

This Code establishes a common code for the core pieces of risk information to be systematically collected and recorded for multi-occupancy buildings over four storeys or 11 metres in height affected by combustible cladding or other material fire risk issues. It has been introduced in response to a review by the Financial Conduct Authority (FCA) in 2022 of insurance for multi-occupancy buildings which recommended several measures for the industry to take to achieve the goal of widely available and affordable cover for leaseholders of multi-occupancy buildings<sup>1</sup>.

The FCA's review highlighted material issues and shortcomings surrounding the availability, accuracy, quality and consistency of data recorded by insurers and brokers involved in the insurance of multi-occupancy buildings. This presented the regulator with significant challenges when analysing the key factors affecting the affordability and availability of insurance for multi-occupancy buildings for leaseholders, who ultimately bear the costs.

This Code supports the insurance industry in systematically collecting and recording core risk information to drive consistency and transparency for users of this market. It will also support firms in evidencing that they are consistently meeting their regulatory obligations, including supporting any potential risk pooling arrangements.

Multi-occupancy buildings are underwritten as commercial property products with a complex distribution chain. The ABI recognises and welcomes the diversity in insurers' risk appetites, underwriting and pricing approaches. However, these aspects mean information is often not systematically collected and recorded in insurer's systems, particularly when cover for a building is written as part of a portfolio.

This Code has been developed to strike a fair balance between systematically recording key risk information for these buildings and to enable the objectives as described above, whilst also recognising the specific challenges for insurers and brokers in collecting and recording consistent risk information in this market.

The Code does not intend to be a comprehensive guide on all the relevant information collected for a firm's own risk assessment and underwriting processes. It is also not intended to give guidance on whether the risk information should be used for risk selection and pricing. Firms are expected to use their own judgement and expertise on taking decisions around the use of this risk information.

To achieve this balance the Code is based on five principles:

### **1. Market transparency**

This principle is aimed to meet the FCA's objective of market transparency and fairness.

### **2. Practicality**

This principle is aimed at how practical it is to both collect and record information in a systematic and commercially viable way within the timescales set by the FCA in its recommendation.

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<sup>1</sup> See Appendix 1 and [www.fca.org.uk/publications/corporate-documents/report-insurance-multi-occupancy-buildings](https://www.fca.org.uk/publications/corporate-documents/report-insurance-multi-occupancy-buildings)

### 3. Ease of implementation

This principle takes into account what is already collected and how it is recorded to ease transition.

### 4. Consistency

This principle looks at the consistency of the information available and collected by firms.

### 5. Definability

This principle looks at how data items are defined and ease of providing consistent definitions in the market.

## II. Data items to be collected

The Code outlines the core risk information which may be reasonably expected to be indicative of the risks being underwritten on multi-occupancy buildings affected by combustible cladding or other material fire risk issues. Data will be captured where an insurer or broker has been notified by a customer that a multi-occupancy building is affected by combustible cladding or other material fire risk issues. The intended focus of this Code is buildings where fire risk is the main driver of increased premiums and/or reduced coverage and the level of fire risk is significant enough to require remediation. Risk information is categorised into the following broad categories:

- Factors defining the building, which enable identification of a building in terms of location, size and risk exposure, and detailing the type of client placing the insurance
- Premium and deductibles
- General construction information (type and year), which enable firms to identify the types of buildings that may be affected by cladding and other material fire risk issues
- Construction features, which enable the identification of features such as cladding
- Remediation information, which enable firms to assess potential reduction in fire risk
- Claims information, which allow firms to understand the past impact of these risks on these buildings.

Using best endeavours, the Code sets out the following items to be **collected and systematically recorded for each building the insurer currently writes cover for, regardless of whether a policy is issued as a single unit or a portfolio of units**. For the avoidance of doubt this applies **only for multi-occupancy buildings over four storeys or 11 metres in height affected by combustible cladding or other material fire risk issues**. Where cover for a single building is written by multiple insurers, **only the lead insurer needs to collect and record the information**.

Where a building has been remediated, for example to a PAS evacuation standard, but material fire risk issues remain which drive high premiums and/or reduced coverage, then it is expected these buildings will continue to be recorded under this Code.

Q	Category	Field	Response Format	Response Selection Options
1	Defining the Building	Policy number	Alpha-numerical field	
2	Defining the Building	New business or Renewal date ( <i>use the latter for all renewals</i> )	Date field (DD/MM/YYYY)	
3	Defining the Building	Is this building insured as a single unit or as part of a portfolio of units	Drop down	<ul style="list-style-type: none"> <li>— Single unit</li> <li>— Unit in portfolio</li> </ul>
4	Defining the Building	If known, who is the insured?	Drop down	<ul style="list-style-type: none"> <li>— Directly by leaseholders as Right to Manage (RTM)</li> <li>— Freeholder / Property Owner</li> <li>— Public Sector Body</li> <li>— Housing Association</li> <li>— Other</li> </ul>
5	Defining the Building	Does a Managing Agent place the insurance for the Insured?	Drop down	<ul style="list-style-type: none"> <li>— Yes</li> <li>— No</li> </ul>
6	Defining the Building	Building's height in storeys above ground	Numerical field (must be four storeys or over)	
7	Defining the Building	Building's usage	Drop down	<ul style="list-style-type: none"> <li>— Residential</li> <li>— Mixed Usage</li> </ul>
8	Defining the Building	Declared value	Numerical field	
9	Defining the Building	Sum insured of this building	Numerical field	
10	Defining the Building	Building's postcode	Numerical and Text (Length of 8)	
11	Premium & Deductibles	Gross Premium for the building	Numerical field	
12	Premium & Deductibles	Fire deductible for this building	Numerical field	
13	Construction Features	Are you aware of any combustible cladding on this building?	Drop down	<ul style="list-style-type: none"> <li>— Yes</li> <li>— No</li> </ul>
14a	Construction Features	Are you aware of any combustible materials other than combustible cladding that materially increase the fire risk?	Drop down	<ul style="list-style-type: none"> <li>— Yes</li> <li>— No</li> </ul>
14b	Construction Features	If Q14a is yes, select which part of the building contains the combustible materials	Drop down (can select multiple options)	<ul style="list-style-type: none"> <li>— Wider structural defects (e.g. incomplete or missing fire barriers)</li> <li>— External wall system, other than cladding (e.g. polystyrene behind render screed)</li> <li>— Insulation</li> <li>— Balconies</li> </ul>

14c	Construction Features	If relevant, please provide details of any material fire risk issues not included in 14b	Free format	
15a	Remediation	Does the building require remediation?	Drop down	<ul style="list-style-type: none"> <li>— Yes</li> <li>— No</li> </ul>
15b	Remediation	If Q15a is yes, what is the status of the remediation?	Drop down	<ul style="list-style-type: none"> <li>— Awaiting further assessment</li> <li>— Awaiting funding</li> <li>— Not started</li> <li>— In progress</li> <li>— Completed</li> </ul>
15c	Remediation	If Q15a is yes, what remediation will be / has been completed?	Drop down (can select multiple options)	<ul style="list-style-type: none"> <li>— Whole building cladding remediation (to a non-combustible standard)</li> <li>— Partial cladding replacement/repair to meet PAS/FRA evacuation standards</li> <li>— Balconies</li> <li>— Fire stopping/cavity barriers</li> <li>— Internal – compartment floors/walls</li> <li>— Fire doors</li> <li>— Fire alarm upgrade</li> <li>— Smoke ventilation</li> <li>— Domestic sprinklers</li> </ul>
15d	Remediation	If Q15b is 'Completed', state year of completion	Date field (YYYY)	
16	Claims	Number of Fire claims reported for this building in the preceding annual policy period	Numerical field	
17	Claims	Incurred amount for Fire claims for this building in the preceding annual policy period	Numerical field	
18	Claims	Number of Escape of Water (EoW) claims reported for this building in the preceding annual policy period	Numerical field	
19	Claims	Incurred amount for EoW claims for this building in the preceding annual policy period	Numerical field	
21	Claims	Total incurred amount for claims for this building in the preceding annual policy period	Numerical field	

### III. Definitions

This section provides definitions of some of the key items prescribed by the Code in section II.

#### 1. Premium and deductibles

Gross Premium is written premium charged gross of reinsurance and commission.

Fire deductible for the building is required, although often this is likely to be the same one as at policy level.

#### 2. Cladding<sup>2</sup>

System of one or more components that are attached to, and might form part of the weatherproof covering of, the exterior of a building.

Note: Such systems are normally attached to the primary structure of a building to form non-structural, non-loadbearing external surfaces and can comprise a range of facing materials / cladding panels, including metal composite panels or non-loadbearing masonry, along with insulating materials, rendered insulation systems and insulated core sandwich panels. The cladding system also encompasses the supporting rails and bracketry, as applicable, to attach the cladding to the building, and cavity barriers where applicable.

#### 3. Non-Combustible<sup>3</sup>

Either:

- a) Any material classified as Class A1 in accordance with BS EN13501 – 1:2018; or
- b) Product classified as non-combustible under BS 476-4:1970; or
- c) Any material which when tested in accordance with BS 476 – 11, does not flame nor cause any rise in temperature on either the centre (specimen) or furnace thermocouples; or
- d) Totally inorganic materials such as concrete, fired clay, ceramics, metals, plaster and masonry containing not more than 1% by weight or volume of organic material; or
- e) Concrete bricks or blocks meeting BS EN 771-3:2003.

#### 4. Combustible<sup>4</sup>

Not classed as A1 or A2 in accordance with BS EN13501 – 1:2018, and not meeting the definitions for material of limited combustibility or non-combustible. Firms may also wish to refer to the RISC Authority BDM8 categories of building construction for fire or property insurance surveys.

Material of limited combustibility defined as either:

- a) A non-combustible material or product; or
- b) Any material or homogenous product of density 300kg/m<sup>3</sup> or more, which, when tested in accordance with BS476-11, does not flame and the rise in temperature on the furnace thermocouple is not more than 20°C; or

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<sup>2</sup> PAS9980: 2022; Page 4

<sup>3</sup> PAS9980: 2022; Page 6

<sup>4</sup> PAS9980: 2022; Pages 4, 6

- c) Any product with a non-combustible core of 8 mm thick or more, having combustible facings (on one or both sides) not more than 0.5 mm thick; or
- d) A material or product classified as Class A2-s3,d2 in accordance with BS EN 13501-1:2018, when tested in accordance with BS EN ISO 1182 or BS EN ISO 1716 and BS EN 13823.

## 5. Remediation Standards

The ABI and BIBA recognise that firms' approach to risk assessment and pricing is based on total loss, as opposed to loss of life. Successful remediation for the risk of loss of life does not necessarily equate to remediation of the issues in terms of fire risk to the building and the potential for total loss. This means it would be useful for firms to define the standard of remediation a building has undergone.

The Code defined options are lifesaving standards ('Life Saving Standards') such as PAS9980, a different standard for mitigation of risk which the insurer considers more stringent ('Enhanced Mitigation Standards'), or both.

The ABI is also convening a Remediation Working Group with surveyors from relevant firms, early in 2023, to agree on a standard of remediation that would be sufficient to ensure the protection of the building and not just protection of life from catastrophic fire risk, in turn improving availability and affordability in the high-rise and mid-rise residential insurance market.

## 6. Gross claims incurred

The Code requires gross of reinsurance amounts on an incurred claims basis for notified claims only.

# IV. Questions and answers regarding this Code

### *i. When does the Code apply?*

This Code will begin to apply from 28 May 2023.

This Code will not be applied retrospectively, and the expectation is that accurate information will be collected as policies are written and at renewal. The ABI recognises that as a result the transition period of collecting all relevant market data will be 12 months.

### *ii. To which firms does this Code apply?*

Compliance with the Code is voluntary for firms who provide insurance cover for multi-occupancy residential buildings with combustible cladding and other fire safety defects. This includes firms who sit outside of ABI membership. Whilst it is voluntary, compliance with the code is encouraged as the FCA's recommendation was for all industry participants to follow a common code for the core pieces of risk information to be systematically collected and recorded for multi-occupancy buildings affected by combustible cladding or other material fire risk issues.

This Code does not constitute a replacement of a firm's underwriting expertise and it is expected that firms will not limit themselves to the data items required by this Code when considering providing cover for multi-occupancy buildings affected by combustible cladding or other material fire risk issues. Equally, firms are not expected to use the Code's core pieces of information for underwriting and



rating, should they determine these factors bear no relevance to the risk. Firms are expected to use their own judgment and expertise in taking decisions around how the use of this data for risk assessment and underwriting, while remaining compliant with industry regulation.

This Code is a voluntary agreement and its content is not legally binding.

*iii. To what types of insurance does the Code apply?*

The Code applies to **Property Buildings insurance which covers multi-occupancy buildings over four storeys or 11 metres in height affected by combustible cladding or other material fire risk issues.** This is intended to include blocks of flats which are residential and/or part of a mixed-use building with, for example, shops or offices below. For the avoidance of doubt, the Code does not apply for non-residential properties.

*iv. What type of building information/risk data should be collected?*

As defined in section II on data to be collected for each individual building.

*v. How are firms expected to record this data?*

This Code does not prescribe a mechanism for recording and collecting information. The ABI and BIBA appreciate that regular extraction and systematic capture and storage of this data over time may be eased by automation, but expect firms to exercise their own judgement with regards to designing a suitable recording solution and/or potential integration with their systems.

The ABI and BIBA further appreciate that given the proposed date for implementation of this Code, it may not be feasible for firms to systemise or automate the collection and recording given this data is currently largely recorded manually. Under the principles of practicality and ease of implementation, ad-hoc recording solutions applied by firms are considered compliant with the Code. A firm may choose to cross-link information, for example an insurer may link to its normal claims data system as opposed to duplicating claims information in a spreadsheet. To assist with implementation, the ABI have made available on their website an example spreadsheet for the collection and recording of the information.

*vi. How often are firms expected to record this data?*

This data is expected to be recorded on an ongoing basis as new policies are written and at renewal.

*vii. What is expected in terms of quality of data?*

The data should be recorded consistently across the market in the details noted in section II on the data that should be collected.

We expect firms to have adequate controls in place to ensure the quality and consistency of the data.

*viii. How will the code be kept up to date?*

The ABI has developed this Code in a way that balances insurers' interests in obtaining relevant information to assess risk, whilst recognising the specific challenges in this market. This Code needs to be kept up to date to remain effective and relevant, so that it can align with the most recent

legislation and guidelines as well as reflecting the evolving state of the insurance market. This is particularly important as some of the information to be collected and used for risk assessment are significant drivers of increased prices, and which will remain relevant throughout the coming years as remediation work is undertaken to reduce the fire risks identified in these buildings.

It is for this reason that the ABI expects that the Code should be reviewed every two years, this may be done more frequently if there are relevant changes in the legal or regulatory environment. This Code can also be withdrawn, for example if there are legal or regulatory developments that are in conflict with any aspect of the Code.

However, the five principles stated in the introduction of this Code are fundamental to the Code and would not be changed at such reviews unless there was a fundamental rethink of this Code.

The ABI will publicise on their website the date of the next planned review. Any changes that may be made to the Code through the process of a review will take effect immediately upon publication, unless specified as part of the review.

*ix. How will compliance with the Code be monitored?*

The ABI and BIBA will not enforce monitoring rules but expect firms that have agreed to the Code to be able to self-certify compliance with the Code.

## V. Terms of Reference

### Scope

As defined in Introduction.

### Responsibilities

It is the responsibility of the ABI to ensure the Code of Practice is reviewed and released every two years.

### Document Control

Step 1: Review current in-force document.

Step 2: Discuss draft document with the stakeholders.

Step 3: Seek ratification of draft document with industry stakeholders (insurers and brokers).

Step 4: Publish ratified document.

### Version Control

V1-7 – Draft Versions (December 2022-February 2023)

## Appendix 1 – FCA’s recommendation

In their report on insurance for multi-occupancy buildings published in September 2022 the FCA recommends that *“the ABI and BIBA work with industry participants to establish a common code for the core pieces of risk information to be systematically collected and recorded for multi-occupancy buildings affected by flammable cladding or other material fire safety issues.”*<sup>5</sup>

## Appendix 2 – Useful information on PAS 9980:2022<sup>6</sup>

This Appendix includes some useful information on Publicly Available Specification (PAS) 9980:2022. This does not constitute part of the Code but it is included here for ease of reference.

PAS 9980:2022 provides a methodology for the fire appraisal of external wall construction and cladding of existing multistorey and multi-occupied residential buildings. This PAS was sponsored jointly by Department for Levelling Up, Housing and Communities (previously MHCLG) and the Home Office. Its development was facilitated by BSI Standards Limited and it was published under licence from The British Standards Institution (BSI). It came into effect on 31 January 2022.

This PAS is not to be regarded as a British Standard. It will be withdrawn in the event of its being superseded by a British Standard.

The PAS process enables a code of practice to be rapidly developed in order to fulfil an immediate need in industry. A PAS can be considered for further development as a British Standard or constitute part of the UK input into the development of a European or International Standard.

This PAS is particularly intended for use by competent fire engineers and other competent building professionals tasked with advising on the fire risk of external wall construction of existing blocks of flats. However, it is expected that the key outputs of this appraisal will also be useful to those for whom such appraisals are carried out and those who make decisions based upon the outcome of the appraisal. Typically, this will include insurers.

The approach set out in this PAS is intended to determine the need for any risk-proportionate actions in relation to external wall construction required to protect occupants of blocks of flats, including residents and their visitors, anyone working in the building and people in the immediate vicinity of the building.

This PAS addresses the risk from fire spread over the external walls of multistorey blocks of flats of any height.

It addresses situations in which there is a single wall type or a mixture of different wall types. It also addresses buildings that are partially clad, as well as those that are fully clad, in combustible materials. Wall build-ups within the scope of this PAS include, but are not limited to:

- 1) external walls incorporating a rainscreen cladding system, with or without insulation within any associated cavity;

<sup>5</sup> [www.fca.org.uk/publications/corporate-documents/report-insurance-multi-occupancy-buildings](https://www.fca.org.uk/publications/corporate-documents/report-insurance-multi-occupancy-buildings)

<sup>6</sup> [knowledge.bsigroup.com/products/fire-risk-appraisal-of-external-wall-construction-and-cladding-of-existing-blocks-of-flats-code-of-practice/standard/preview](https://knowledge.bsigroup.com/products/fire-risk-appraisal-of-external-wall-construction-and-cladding-of-existing-blocks-of-flats-code-of-practice/standard/preview)

- 2) external thermal insulation composite systems (ETICS), particularly those comprising rendered insulation;
- 3) composite panels, including insulated core (“sandwich”) panels;
- 4) glazed façades with infill/spandrel panels;
- 5) substrates or backing walls, including concrete blockwork, brick, steel framing systems (SFSs), timber framing and structural insulated panels (SIPs); and
- 6) curtain walling.

It also covers attachments to the external walls of buildings.

This PAS does not address spread of fire from one building to another, the performance of external walls in terms of fire resistance, or the ability of the walls to maintain structural stability. It is not applicable to new buildings.