



Gallagher

Insurance | Risk Management | Consulting

## Sector Claims Overview (Period: 1 January 2016-31 July 2021)

We were asked by many housing associations when COVID-19 first struck what impact it may have on claims, specifically fires, thefts and water losses, would these reduce or increase due to people working at home?

We have compiled an analysis of the social housing sector claims for Property and Liability which have been handled by Gallagher to provide insight into how claims have performed over the last five years, with a specific focus on claims pre, during and post COVID-19.

Over the last five years, we have handled almost 32,000 property and liability claims, which produces an average of over 5,000 claims a year.

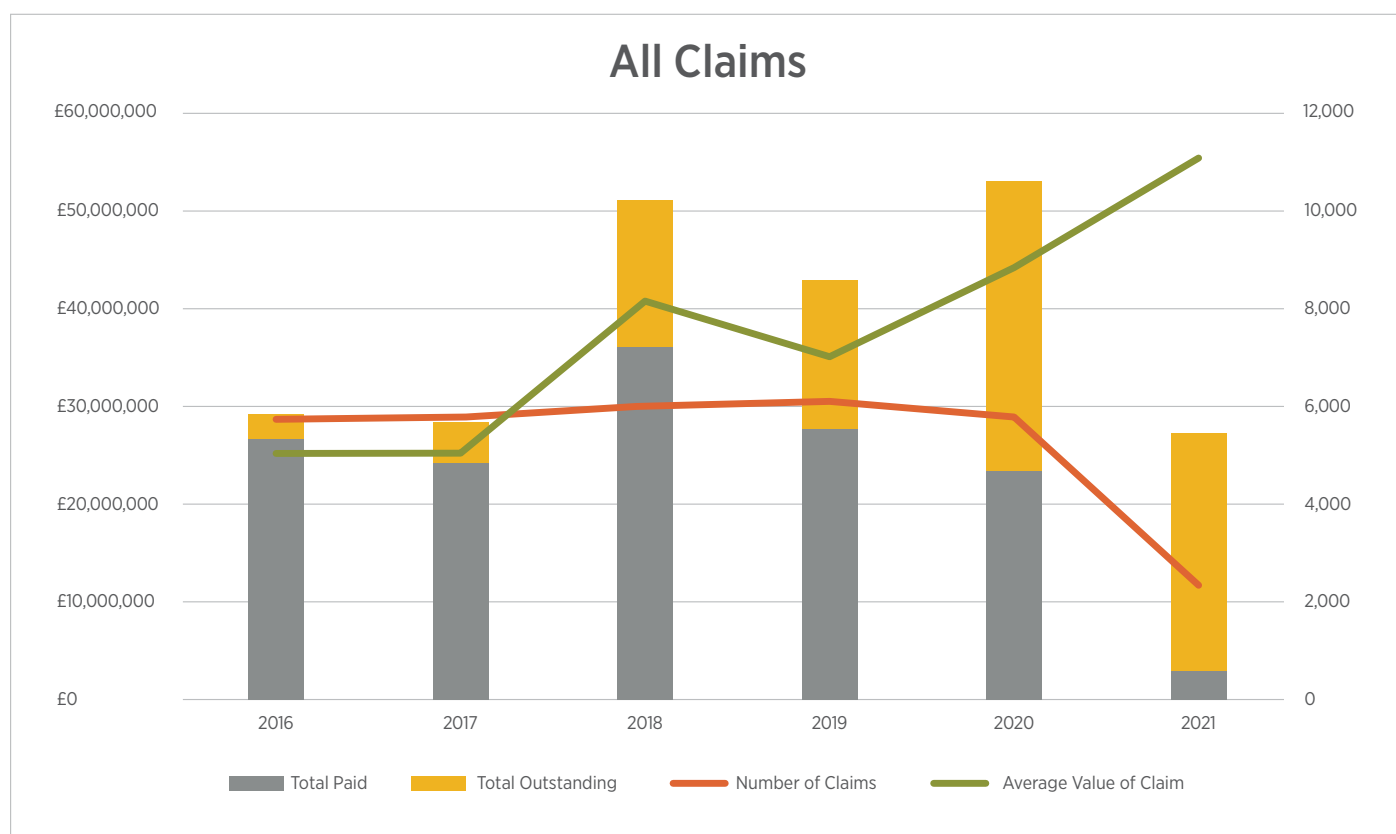
We observed that there was a 6% reduction in claims notified in the 2020 period, and our projections anticipate this to further fall

by at least 20%. This is based on the number of notifications already received in 2021 and a projection of this trend continuing.

The total claims costs for all losses in the last five years was £223 million, with the average claims year being £37 million. Over the five-year claims period, this gives an average loss value of just over £7,000.

The worst affected year in terms of claims costs over the analysed period is 2020 with a total incurred of £51 million, with 2017 being the lowest claim year at almost half with £27 million.

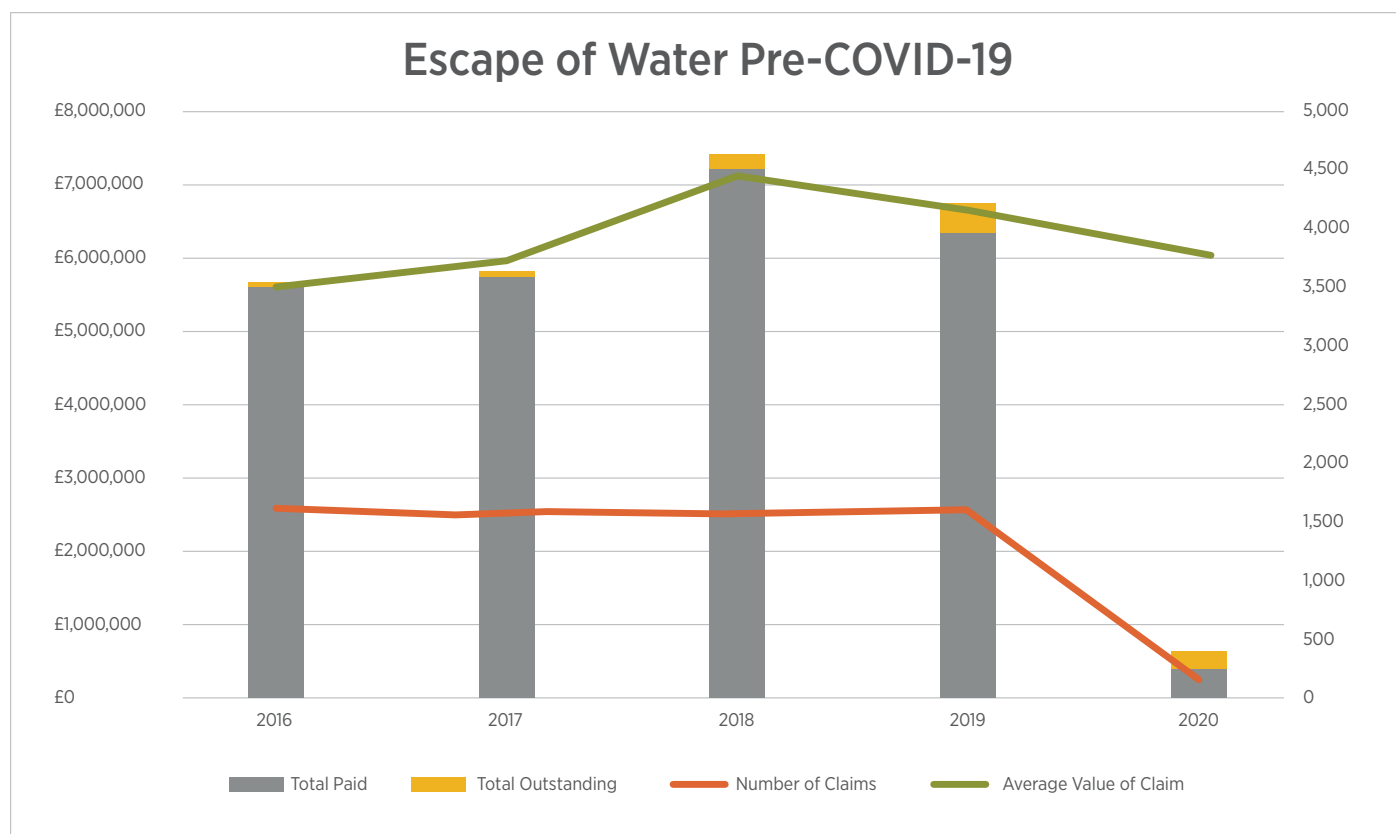
Throughout this period we managed three high-value losses, which account for 11% (just over £6 million) of the overall costs. These three claims were liability injury losses due to defective premises and each have a value of around £2 million.



<sup>1</sup>Claims period: 01/01/2016 till 31/07/2021

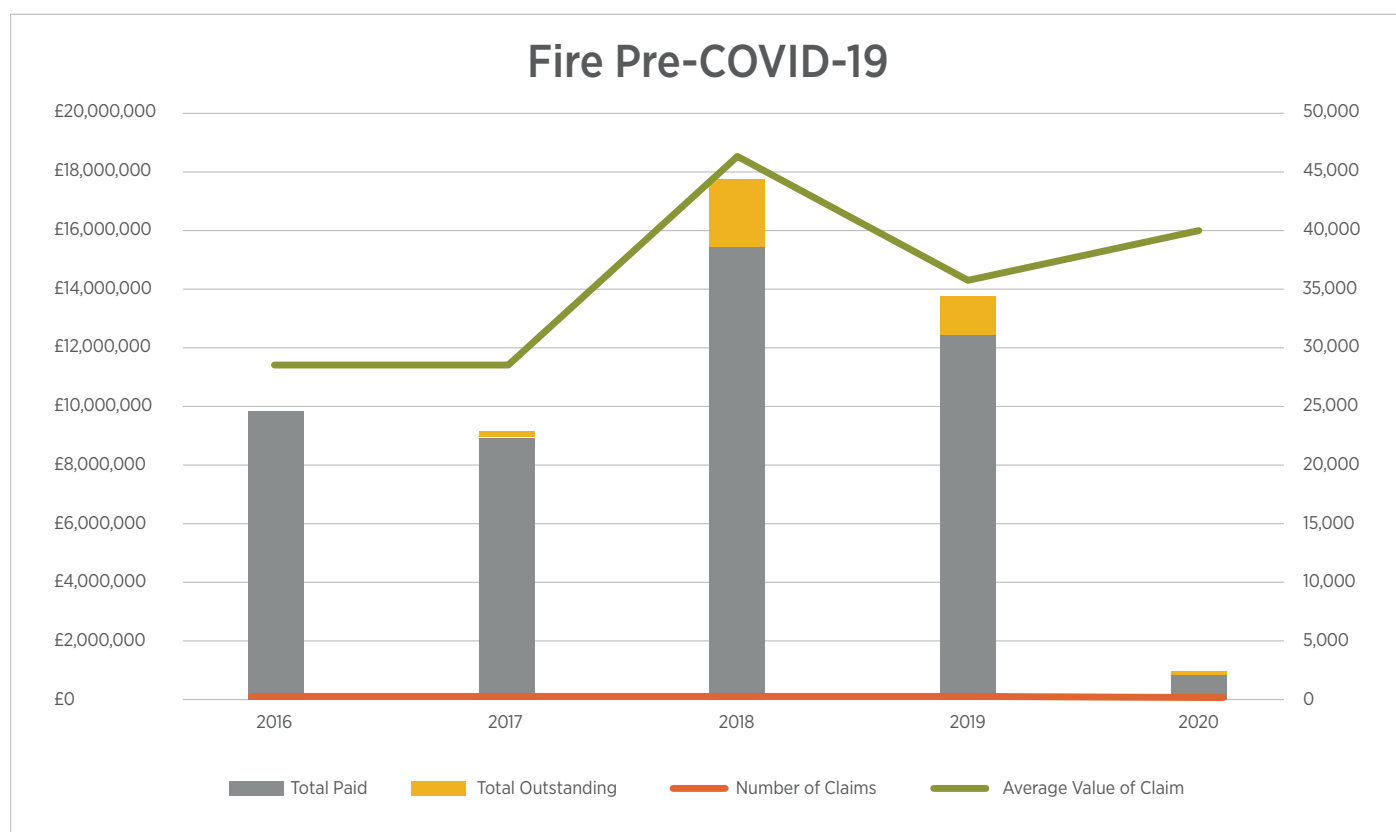
## Pre-COVID-19

Between 1 January 2016 up until the first lockdown on 26 March 2020, Escape of Water, Fire and Liability claims were the main classes of peril affecting the sector.

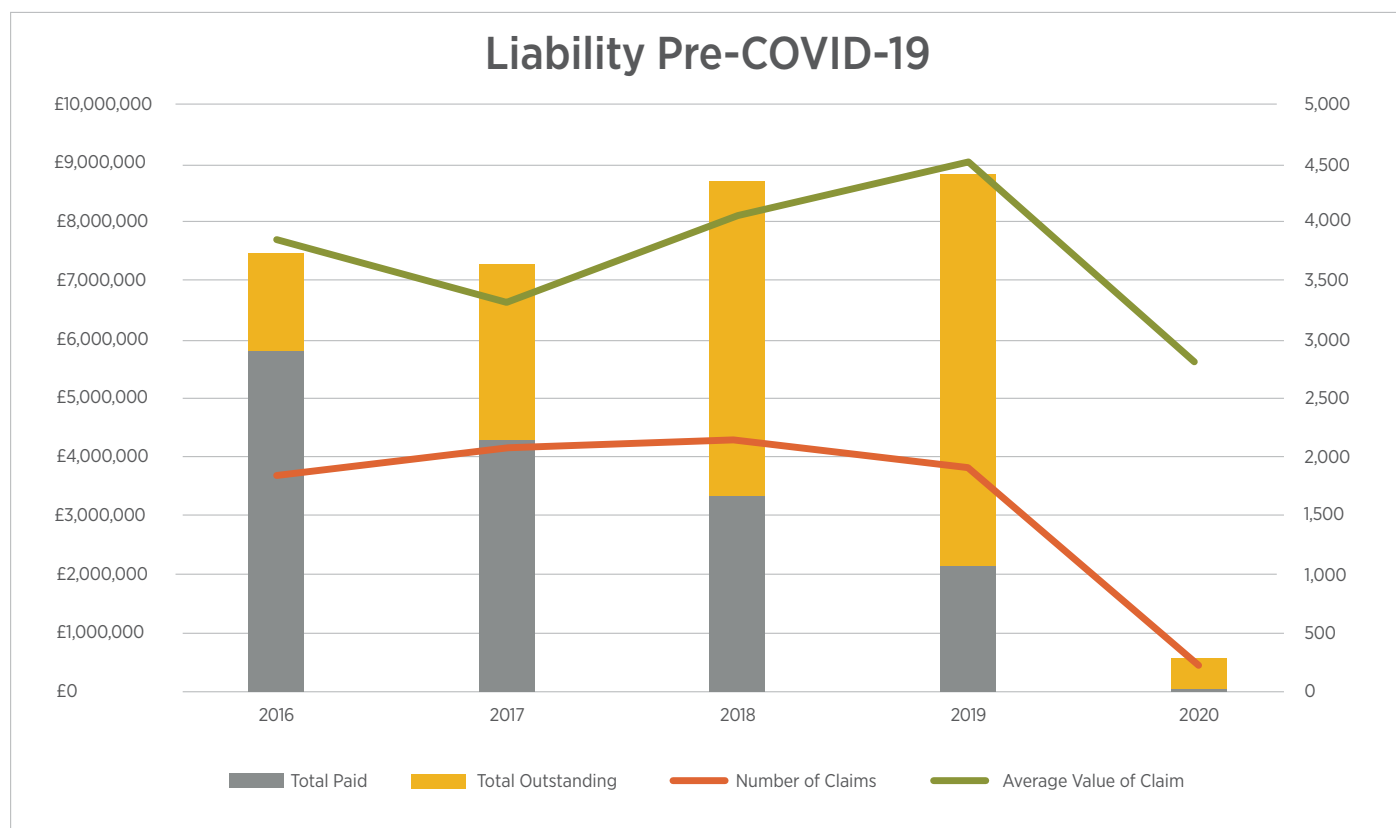


**Escape of Water** claims account for 28% of notified losses and 18% of costs incurred. During this period, we managed over 6,500 claims, with an average value of just under £4,000.

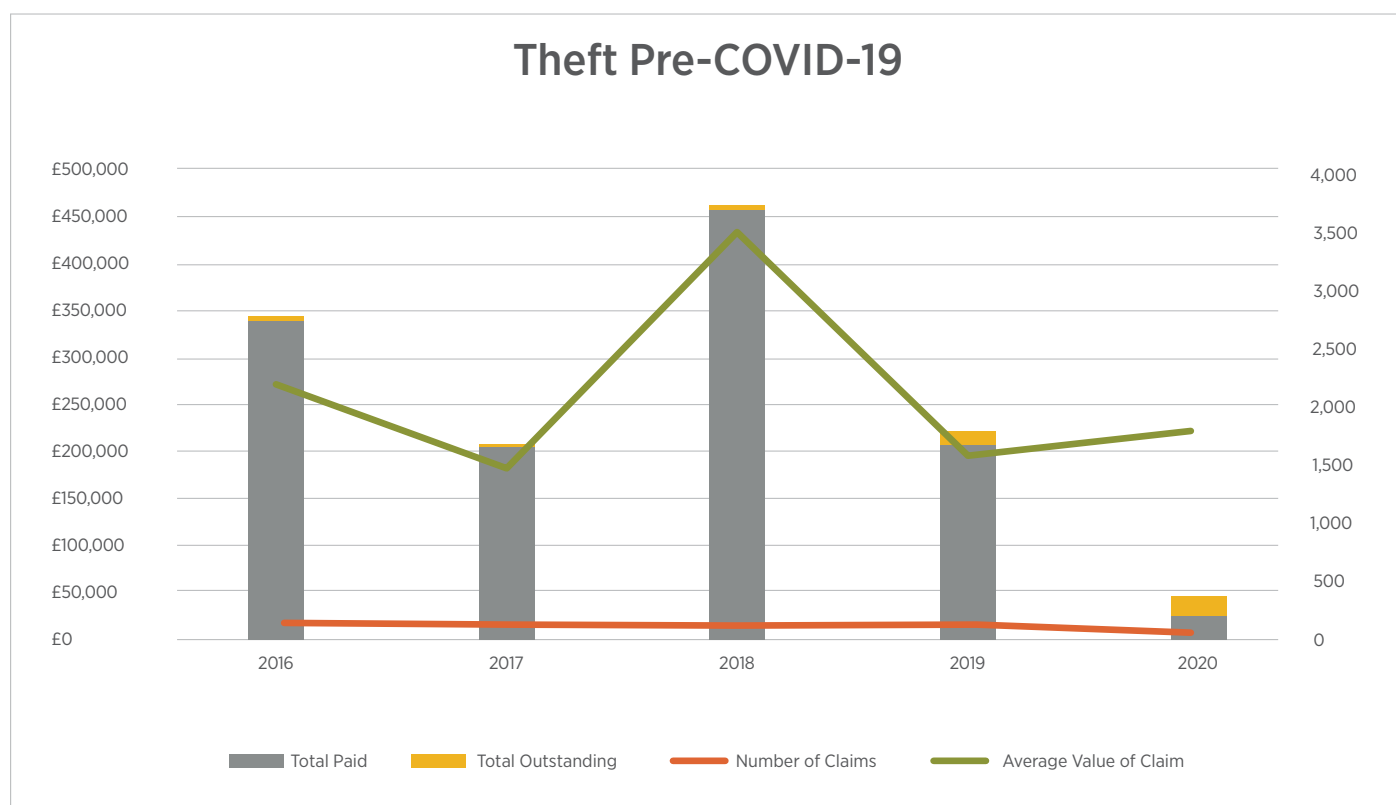
The highest value loss during this period was from a hot water cylinder in a large block of flats with a claim value of £470,000.



**Fire** claims account for 6% of notified losses and 36% of costs incurred. During this period, we managed nearly 1,500 claims with an average claim value of £35,000. The highest value claim in this period was £2.1 million.



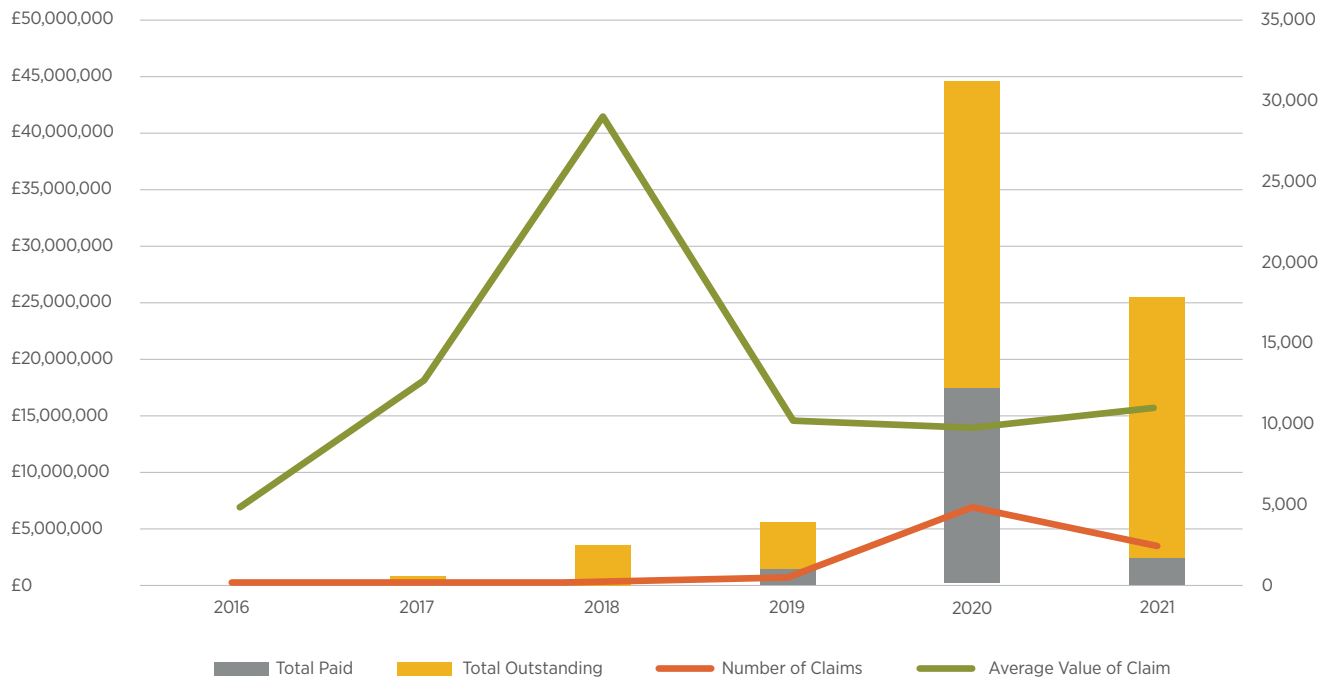
**Liability** claims account for over 30% of notified claims and 20% of costs incurred. During this period, we managed a total of 8,000 claims with an average claim value just under £4,000. We handled three large losses pre-COVID-19 which account to £6 million.



**Theft** claims account for 3% of notified claims and 1% of costs incurred. During this period, we managed a total of 600 claims with an average claim value of £2,000.

<sup>2</sup>Source: Claims received by Gallagher Social Housing

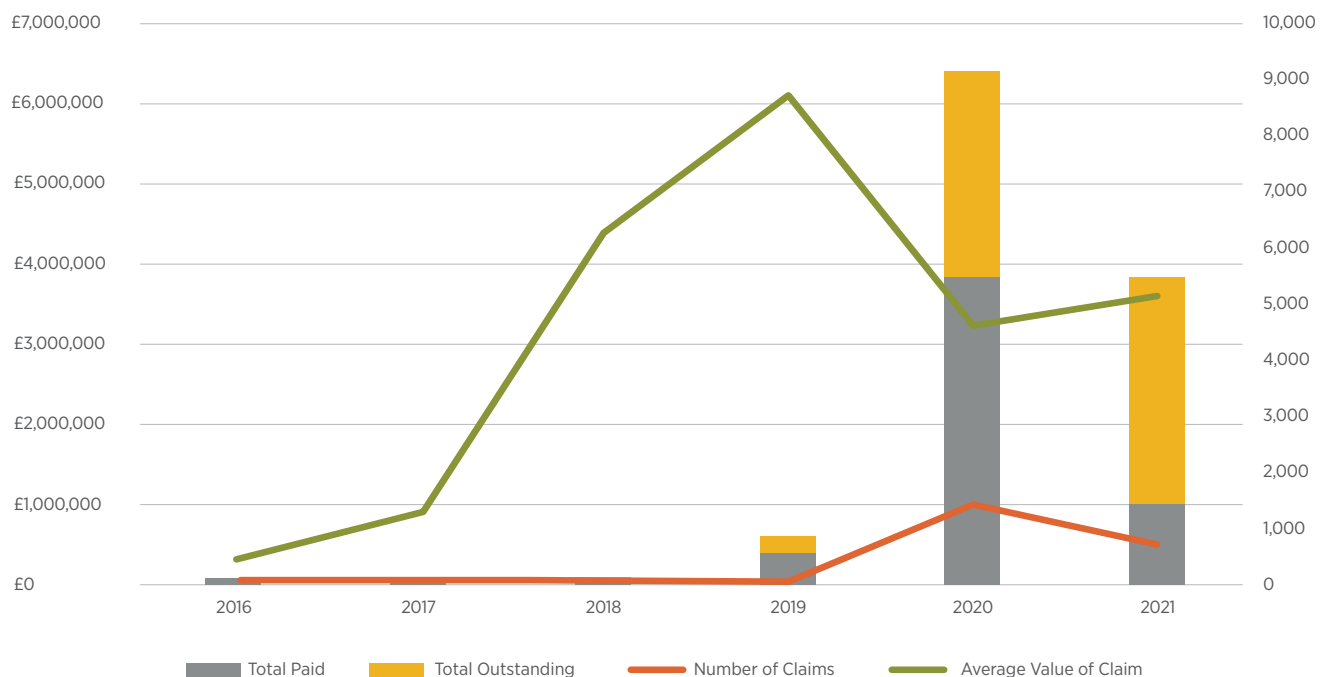
## During COVID-19



### During COVID-19

During COVID-19 (26 March 2020–19 July 2021), we handled just over 7,500 claims, which represents a 15% reduction compared to the pre-COVID-19 period. Overall, these losses account for nearly £80 million of claims costs with the average cost of claim pre-COVID-19 at £6,098 and this increased by 73% during COVID-19 to £10,565.

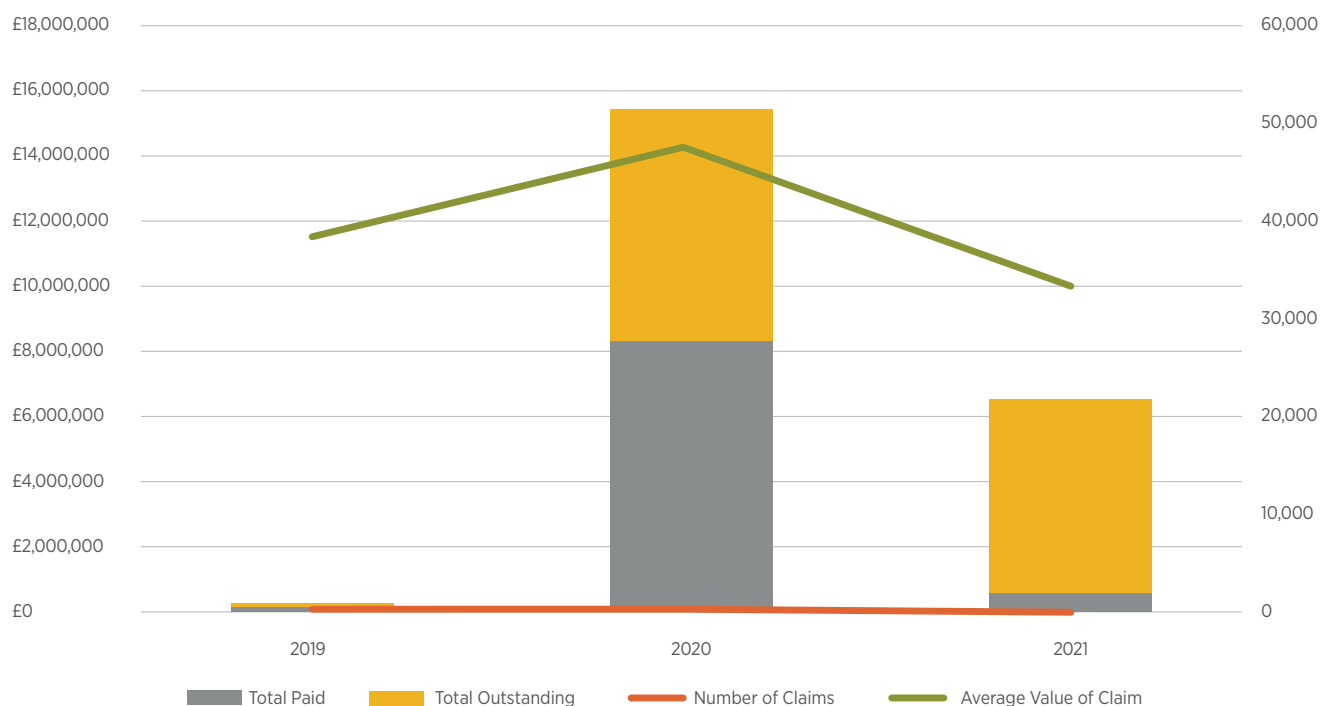
## Escape of Water During COVID-19



**Escape of Water:** During COVID-19,<sup>3</sup> water claims accounted for 29% of claims notified 14% of claims costs. We handled 2,276 claims and the claims frequency reduced by 7% against pre-COVID-19.

The total claims costs were £5,548,284 and the average claims cost was £4,706. This is a 17% increase when compared with pre-COVID-19.

## Fire During COVID-19



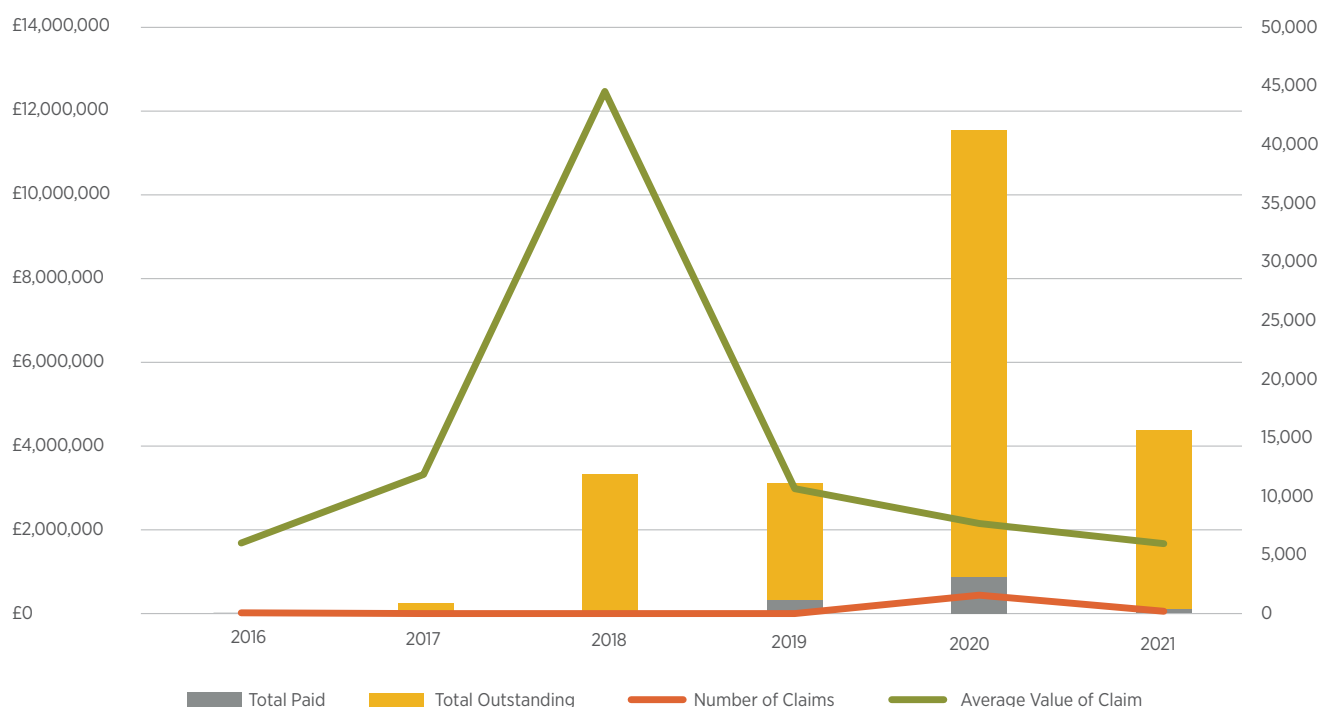
**Fire:** During COVID-19, we handled over 500 fire claims, which is 15% more than pre-COVID-19. Fire losses during COVID-19 accounted for 7% of claims notified and 28% of claims costs producing an average claim value of £42,000.

When compared to pre-COVID-19 there has been an 8% increase in the average cost of a fire. We believe this has been mainly influenced by the delays and increased cost of materials and labour.

In this period, we handled two major fire losses, both of which were £500,000.

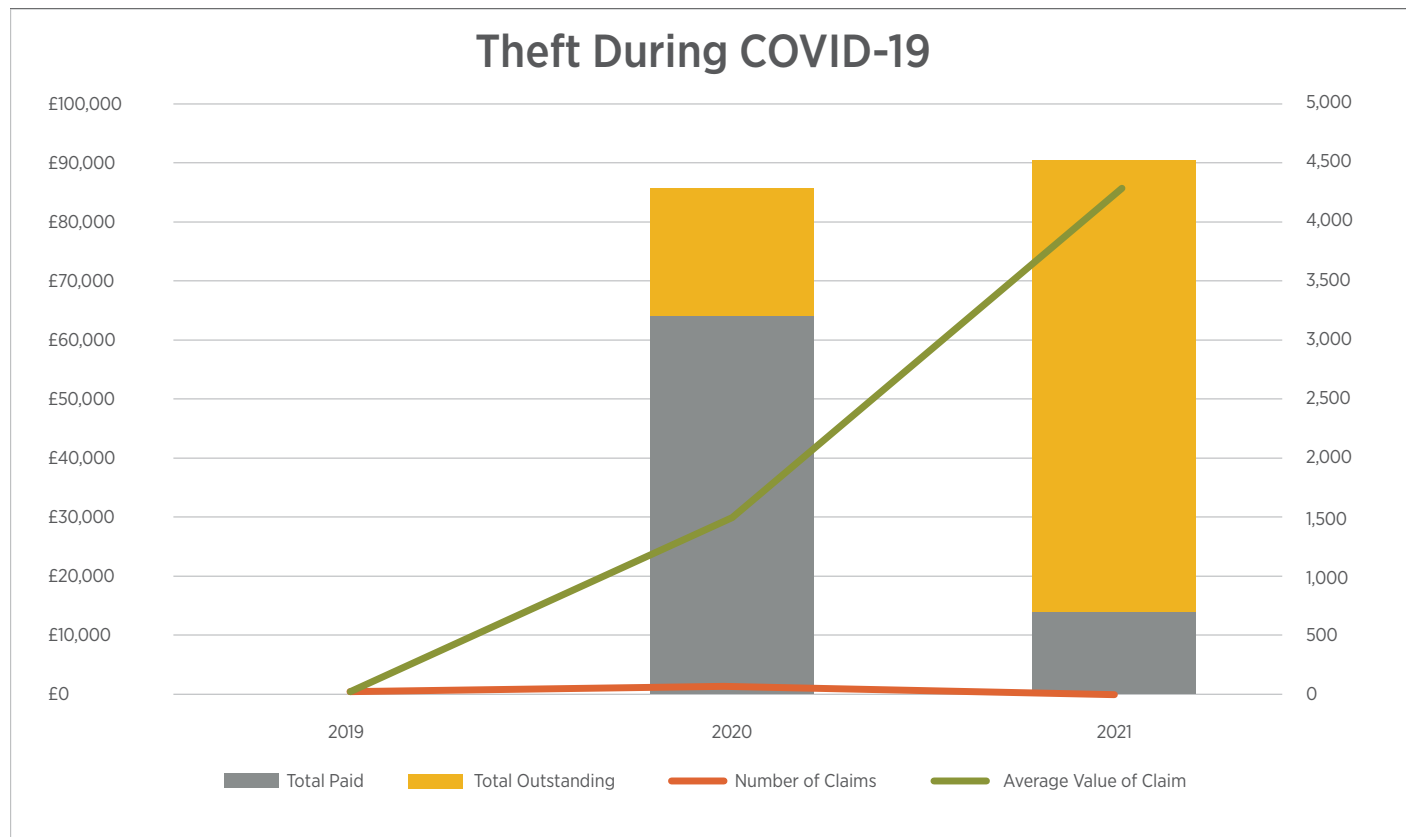
The cause of these claims were careless discarding of a cigarette.

## Liability During COVID-19



**Liability** claims account for 33% of claims notified and 27% of costs. During this period, we handled 2,500 claims which represents no change when compared to the pre-COVID-19 period. The average cost of a liability claim in this period was £8,500, which is a 120% increase from pre-COVID-19 average losses at around £4,000.

The highest claim handled in this period was just over £350,000.



**Theft** claims account for 1% of notified claims and less than 1% of costs incurred. During this period, we managed just under 100 claims with an average claim value £2,100. When comparing this with pre-COVID-19 losses there was a 50% reduction in both notified claims and claims costs.





# Summary

**Fire** - The frequency of these losses increased by 7% during COVID-19, with the average cost of fire increasing by £7,000. We believe this was due to the cost of materials, labour and people being out of their homes longer, increased alternative accommodation and loss of rent costs.

**Water** - The frequency of these losses reduced during COVID-19 by 7%, however, the average claim increased by over £1,000. Similarly to fire losses we expect that the challenges with obtaining materials and the increased costs played a vital part in this increase.

**Liability** - The frequency of these losses didn't change during COVID-19, however, the average claims cost almost doubled going from £4,500 to over £8,000.

**Theft** - The frequency and cost of these losses reduced during COVID-19. With the majority of people working at home due to agile working we expect this trend to continue.

# Prediction

As a result of COVID-19, we have seen a large shift to working from home, with the increased use of home facilities such as water and waste supplies. We are expecting to see a rise in the frequency of Escape of Water and Accidental Damage claims as a result. Whilst an increase in frequency is likely, we suspect the severity of these losses will be lower as it's likely someone will be home to mitigate a potential large loss.

Many residents across the UK are feeling the strain of the UK Economic Situation. The cost of day-to-day living has increased significantly due to COVID-19 borrowing, energy prices hikes and the global uncertainty surrounding events in Ukraine. These financial pressures may lead to an increase in liability claims being made against housing providers, as residents may see this as an options to obtain additional money.

There is a definite concern that fire claims may increase with energy prices sharply increasing in April and October, residents may turn to unconventional methods to heat their homes instead such as camping heaters, candles, open fires which pose a higher fire risk. You could be concerned that housing associations may be targets by increased criminal activity, individuals looking to raise funds quickly may turn to the theft and sale of plant and tools, development sites or staff vans could pose high-risk targets.

We have also identified a significant increase in large losses following claims from flooding specifically surface water and will be producing a separate detailed analysis of our findings soon.

We hope you find this analysis of interest, should you wish to be compared against the sector or your peers, please get in touch.