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About Clear

Clear is a Chartered Broker and proud to be a Top 30 Independent Insurance Broker in the UK.

Our considerable experience in the property sector gives us the capacity to design bespoke and exclusive insurance solutions for the whole property market.

The Known Unknowns

Modern methods of construction bring distinct advantages to builders but present unknown risks to insurers—manufacturers will need to find ways to reassure them.

The growing prevalence of using modern methods of construction (MMC), such as timber frames, over more traditional techniques, such as with bricks or concrete blocks, to build properties quicker, cheaper and more efficiently has seen a substantial increase in the use of MMCs in the past decade or so.

These new technologies are used in the construction industry on all manner of buildings from small blocks of flats to education, health and leisure centres, all the way up to the latest major construction projects in London.

With the UK construction industry currently enjoying an upturn in fortunes following the lean years of the financial crisis, there is a growing interest by many within the industry to use these materials that allow for a quicker and sometimes cheaper build. There is also a decent amount of kudos to be gained from using eco-friendly materials in the construction of major projects.

However the increasing use of MMC in construction is causing uncertainty across the insurance industry as underwriters wrestle with the new risks posed.

Insurer Concerns

Top of the list of concerns among insurers is how underwriters can assess the risk for the new and innovative methods which are being adopted by MMC. In particular the new materials being used in MMC makes underwriters feel very uncomfortable. Worryingly

for underwriters, there is evidence to show that some materials used in MMC pose greater fire risk and others are more susceptible to water damage. Underwriters work on a basis of trying to understand and forecast the likelihood of risk. So they need to know as much information about the actual fire performance of materials, their vulnerability to arson, the propensity for fire containment.

After a major fire at a site under construction in Basingstoke using timber-framed methods, the chief fire officer questioned the fire resistance in MMC buildings, saying: “When these buildings catch fire, the actual structure burns. It often leads to total collapse and that puts the safety of our firefighters at risk.”

So the insurance industry is confronted with the uncertainty that a major disaster with severe loss of life may lead to draconian governmental measures. There is no doubt that MMC is causing insurers to consider the long-standing debate about life safety versus property protection, especially as regulations are currently more concerned with building performance. Against this backdrop some major insurers are now declining to quote for some buildings where MMC is used, worried by the increased prospect of a major project loss or loss of life.

What is MMC?

To clarify, MMC is a generic term for both off-site manufacturing and new site-based building techniques, and takes in a range of building processes such as modular construction, panelised systems and tunnel form methods that allow the casting of walls using concrete in one operation. For instance, modular construction, where building sections are constructed as pods and then later stacked on to prepared foundations, is becoming increasingly popular. Some MMCs introduce large quantities of

combustible materials into their designs such as wood, polystyrene and recycled materials like tyres and pallets. Using these types of materials can alter both the probability of fire and the potential scale of loss should a fire occur.

MMCs have also given construction companies the ability to build more affordable and sustainable homes with a lower carbon footprint. However their lightweight nature can make them vulnerable to potential water-related risks. What's more the ability of many MMC materials to withstand the effects of flooding is unknown in many cases. And on top of this, replacement components used by MMC are often expensive and may not be readily available, particularly if a manufacturer goes out of business.

All this means MMC represents alien territory for insurers and that is why some insurers are staying well away from it. Faster MMC methods present insurance companies with greater risk, which can impact on all aspects of the development and on overall cost. In the future, manufacturers will need to satisfy insurers about the improved fire-risk performance and better information about material used in MMC. By doing so, underwriters will be better placed to assess the risk and underwrite the project accordingly.

How Can We Help

Experienced and specialist brokers can help by asking the right questions when projects are being underwritten and making sure that everyone is comfortable with the use of MMCs, including all relevant stakeholders, architects, financiers and even local fire authorities.

At Clear Insurance Management Ltd we are specialists in the property market. If you'd like further information contact us today or visit www.thecleargroup.com/property.

Contact Us

For further property insurance advice and guidance please contact:

Kevin Donegan
020 7280 3494
kevin.donegan@thecleargroup.com

James King
020 7280 3488
james.king@thecleargroup.com