

Extreme weather leading to a rise in property claims

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Last year saw an increase in subsidence claims, with one insurer seeing the monthly claims average triple from August to September and rise by nearly half annually. In this article we look at the potential causes of that increase and the consequences for insurers.

Hot and dry weather can cause foundational and structural issues to buildings built on clay soil, leading to sinking, cracking and tilting. Further pay outs may arise due to electrical items such as refrigerators and freezers failing or reducing in performance due to high temperatures. Such electrical failures may in turn lead to further insured losses such as under business interruption policies where businesses in the food industry suffer from spoiled stock.

This month we experienced another heatwave across the UK and the on-going impact to property insurance can be seen. The Consumer Intelligence Home Insurance Price Index recorded that the average price of home insurance has risen by over a quarter in the last year, following adjustments by insurers due to a rise in claims and in the costs of repairing damage and replacing contents.

Considerations for underwriters

As most policies will specifically refer to subsidence, underwriters should review their policy wordings. They may wish to consider the conditions in their policy wordings to ensure that insureds are monitoring their buildings for cracks, sticking doors and windows and other signs of subsidence.

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