



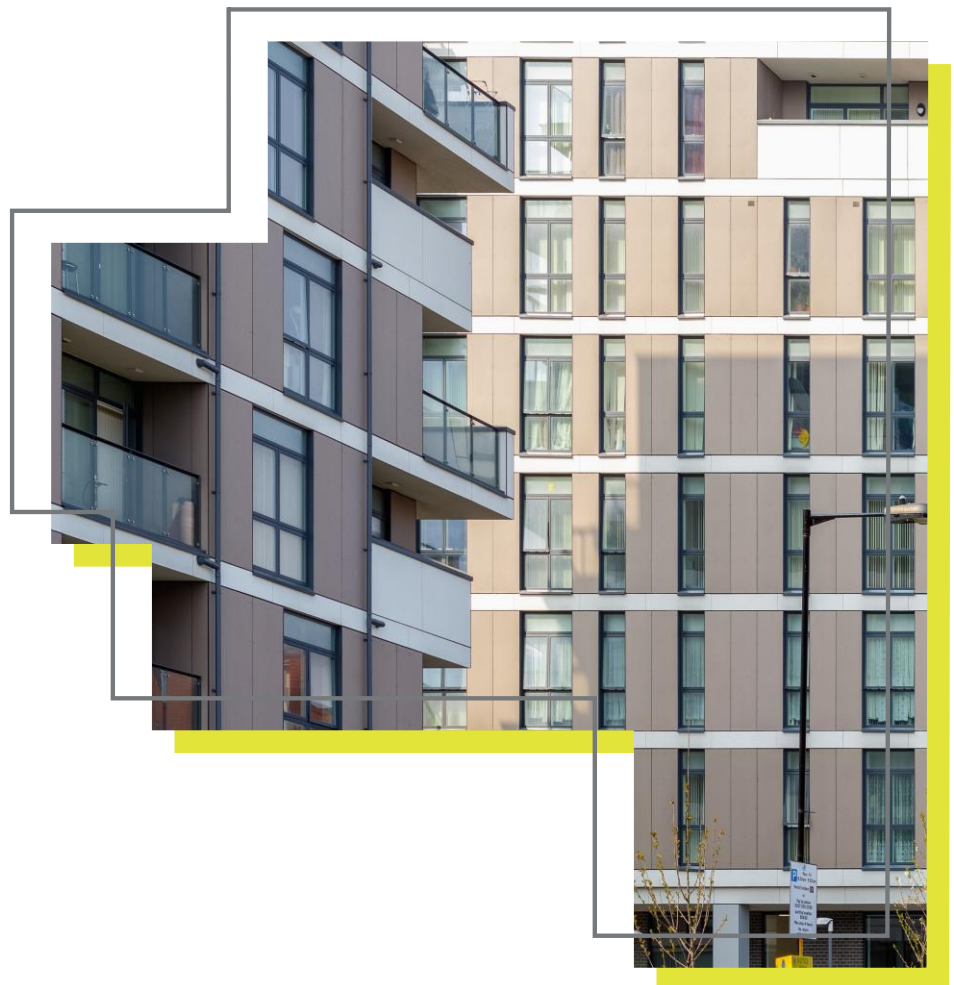
Fire Protection
Association®

*The***ABI**
Together Driving Change

Assessing the fire risk of cladding systems

An insurance perspective

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Foreword

The tragic events of the Grenfell Tower fire exposed critical weaknesses in building safety practices. Its impact has been profound, and it provided a stark reminder that everyone deserves to live in safe and secure homes, free from preventable risks. For the insurance industry, it redefined its view of building safety standards and forced the sector to re-examine how it assesses fire risks of multi-occupancy buildings.

Supporting leaseholders in England, Wales and Northern Ireland, and flat owners in Scotland, who have faced significant financial and emotional strain as a result of living in high-risk buildings has long been a priority for the ABI. This was the driving force behind the development of the Fire Safety Reinsurance Facility, and it continues to be our focus in conversations with the UK's governments as we strive for a long-term solution.

We recognise the steps that the UK governments have taken to address fire safety issues in multi-occupancy buildings. The Remediation Acceleration Plan, the Building Safety Act, and the Housing (Cladding Remediation) (Scotland) Act are additional steps towards the shared goal. However, we have concerns that remediation to a PAS 9980 standard does not adequately address the insurance industry's views on fire risk, and that the standards may not guarantee property protection. That is why we have worked closely with the Fire Protection Association (FPA) to outline a more robust framework for assessing fire risks. We urge the governments to consider this within their broader remediation strategies and in consideration alongside the UK Government's report on the economic and social cost of fire.

The insurance industry stands united in advocating for a long-term solution, one that not only meets today's challenges but also instils lasting confidence in the safety and resilience of homes for future generations. It is our hope that the insights within this report will contribute meaningfully to that vision.



Hannah Gurga
Director General
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Executive summary

The tragic fire at Grenfell Tower shocked and devastated communities across the UK. It also exposed critical failures in a building safety regime that was declared by Dame Judith Hackitt's independent review as "not fit for purpose". As an industry, we have committed to working with the new Building Safety Regulator to continue to advance our shared goal of improving the fire risk of multi-occupancy buildings. Understanding the fire risk of a building is crucial, not only for insurers but also for those who own or live in multi-occupancy buildings, and emergency services who offer front-line support when tragedy strikes.

Insurance is priced based on risk and, following the fire at Grenfell and Dame Judith Hackitt's review, the basis insurers had been pricing the risk of multi-occupancy buildings on shifted significantly. Over the past eight years, leaseholders in England, Wales and Northern Ireland, and flat owners in Scotland, have faced significant financial and emotional strain as a result of the increased awareness of the risks these buildings pose.

To strengthen the building safety regime, the UK's government worked with the British Standards Institute (BSI) to publish PAS 9980 in 2022 to assess fire risks in cladding systems. PAS 9980 is a code of practice for professionals to follow when assessing the fire risks of the external walls of an existing multi-occupancy building which has been identified to have fire safety issues, such as combustible cladding and insulation. It sets the standard for remediation efforts to make these buildings safe for people to escape from in the event of a fire – which is vital. However, whilst the insurance industry welcomes the UK Government's and the BSI's crucial progress on life safety, there are concerns that PAS 9980 does not factor in enough steps to limit fire damage to the building itself. In some cases, these standards still allow for combustible materials to remain in external walls, roofs, and balconies – while this wouldn't affect residents, it could nevertheless help fire to spread to the entire building and damage or destroy people's homes.

Working with the Fire Protection Association (FPA), we have set out how the insurance industry assesses the risks facing affected buildings, and how this may go further than the remediation work required to meet PAS 9980 standards. The UK's governments should consider these concerns in their remediation activities. Ideally, we would like to see PAS 9980 extended to factor in both life and property safety, combustible materials removed from external walls when there's a significant risk of a fire spreading, and for leaseholders and insurers to be considered during decisions on PAS 9980 assessments and the extent of remediation works.

About us

The ABI is the voice of the UK's world-leading insurance and long-term savings industry, which is the largest sector in Europe and the third largest in the world. We represent more than **300 firms within our membership**, including most household names and specialist providers, providing peace of mind to customers across the UK.

We are a purpose-led organisation: ***Together, driving change to protect and build a thriving society.*** On behalf of our members, we work closely with the UK's governments, HM Treasury, regulators, consumer organisations and NGOs, to help ensure that our industry is **trusted by customers**, is **invested in people and planet**, and can **drive growth and innovation through an effective market**.

A productive and inclusive sector, our industry supports towns and cities across Britain in building a balanced and innovative economy, employing over **300,000 individuals** in high-skilled, lifelong careers, two-thirds of whom are outside of London. Our members manage investments of **£1.4 trillion**, contribute **£18.5 billion** in taxes to the government and support communities and businesses across the UK.

The Fire Protection Association

The Fire Protection Association (FPA) is an independent profit-for-purpose organisation dedicated to safeguarding people, property, and the environment from fire-related and other risks. As the UK's national fire safety organisation, we actively seek to advance fire safety standards by working with government and regulators to facilitate best practice and make the built environment a safer place. Established in 1946, our heritage lies in sharing fire safety guidance and information with government, industry, insurers, our members, and the wider public, which we deliver through research and testing, consultancy, training, risk management publications, risk surveying, and auditing.

Current building safety standards

What is PAS 9980?

PAS 9980 is a code of practice, issued by governments, for builders, developers, architects, and engineers to follow when risk-assessing and deciding on the level of remediation work required in existing multi-occupancy buildings.

When it was introduced in 2022, the intention was not that it would fix all fire safety issues within a building, but that it would help identify those that posed immediate risks to life.

The standard focuses on people inside a building being able to evacuate in the event of a fire. It allows for a certain rate of fire spread while evacuation takes place, but is not concerned with the risk of a fire continuing to spread once everyone has been able to escape the building.

Consequently, properties assessed against PAS 9980 can still face significant damage and insured losses – which is a concern for insurers, but also the residents whose homes and possessions are at risk.

Building regulations for new builds have been updated and are stricter around fire safety. However, buildings that have been remediated to a PAS 9980 standard may still not comply with current building regulations or even those that were in force when they were built.

Despite the new tighter regulations, it remains possible for new buildings to be constructed in a compliant manner considering life safety regulations but still represent challenges for insurers due to the materials used in the construction and the potential for fire spread. This is particularly true for buildings under 18m in height, where combustible materials are still allowed. We would encourage the UK's governments to extend consideration to those buildings.

Risk factors PAS 9980 considers

To consider whether remediation is required, PAS 9980 separates fire hazards into the following risk factors:

- **Positive** – which significantly limit the scope for rapid fire spread.
- **Neutral** – which result in fire spread that is within 'normal' expectations. PAS considers 'normal' as the fire may spread through the cladding system at a rate of 15 minutes per floor and secondary fires may break out within the building.
- **Negative** – notably exacerbate rapid fire spread.

These risk factors are applied to the fire performance of materials, the façade configuration and the fire strategy.

While these factors may be appropriate for ensuring life safety, they do not consider how to protect a property from damage.

The insurance perspective

Why are life and property protection both important for insurers?

Cover for damage caused by fire is a key element of all buildings insurance policies, regardless of the materials or construction methods used. Insurance policies will cover repairs, and the reconstruction of buildings damaged in a fire. They may also include compensation for loss of rent and alternative accommodation expenses.

Overall, an analysis of RISC Authority's Fire and Flood Database revealed that fires are six times less likely to occur in buildings with non-combustible materials and, when they do occur, the cost to repair and rebuild the property is 50 times lower than that of a building with combustible materials.

The industry's understanding of risk has been built up over years of analysing claims data, incidents, and environmental factors. This knowledge allows insurers to refine their policies, adapt to emerging risks, and establish premiums based on the likelihood and impact of potential hazards.

All buildings insurance premiums are based on a variety of factors, beyond just fire risk. However, recent reviews have exposed the challenges and additional risks resulting from the use of combustible materials in cladding and insulation in external walls.

Where previously, the industry considered that most fires would be largely contained within the flat of origin, that is no longer the case. Combustible cladding in the walls allows fire to spread and could potentially damage the entire building, which presents a significant loss for insurers.

Even where PAS 9980 standards are followed, the minimisation of fire spread during and following evacuation may not have been addressed directly. It is possible therefore that despite safe evacuation, the entire building itself may still be lost to a fire. When considering the costs they may be exposed to (and, in turn, setting premiums), insurers have to factor in the cost of potentially losing the entire building in the event of a fire.

Each insurer will make their own underwriting decisions. The criteria used is informed by a number of factors – a significant one will be their appetite for catastrophic loss. Due to the potential for catastrophic loss, buildings requiring remediation already fall outside the risk appetite of many insurers, meaning that the pool of available insurers is already limited. This restricted capacity, in some cases, leads to the inability to insure a property or its full value, or offering a premium that is comparatively more expensive.

The Fire Safety Reinsurance Facility was launched in April 2024 to ease these capacity restraints and has been successful at improving outcomes for many buildings. The Facility, however, is a temporary and time-limited fix. A long-term solution would see remediation to a standard where affected buildings can secure affordable insurance without the existence of this Facility. In certain cases, absent any other material improvements to the building's risk profile, this will necessitate remediation to a property protection standard, beyond PAS 9980 requirements.

The key differences between PAS 9980 and insurers’ risk assessment

In order to protect both lives and property, insurers call for non-combustible materials to be used wherever possible in walls, cavities, and windows. To slow the rate at which a fire can spread round external walls, insurers want all materials to be supported by appropriate fire test data. Insurers also ask for enhanced compartmentation and sprinkler systems designed to limit how a fire can spread, to one flat or one floor for example, to reduce the severity of the damage to the inside of a building.

PAS 9980 aims to address the immediate threat to occupants. However, it does not consider any recommendations for protecting the property once occupants have evacuated. It also does not recommend engaging insurers when assessing risk factors or making decisions on what remediation is undertaken, for example when deciding whether combustible materials are removed or left in place. This engagement could help owners and leaseholders understand the risk-based insurance premium implications of differing levels of remediation.

Life safety vs life and property protection

Insurers understand the importance of remediating a building to a standard that protects lives. However, they also must assess the risk a fire may pose to the building itself, and people’s homes. The table below looks at PAS 9980’s remediation standards against the insurance industry’s assessment of how a fire could spread. It compares a focus on life safety to a focus on both life and property protection. The best long-term solution to reduce insurers’ potential costs (and, in turn, facilitate lower premiums) is remediation to a standard that protects both life and property.

Aspect	PAS 9980 (life-safety focus)	Insurer expectations to achieve life safety and property protection
Risk Assessment Approach	Risk-based approach; includes assessment of materials and systems without fire test data	Risk-based and prescriptive approach; assesses risk using fire test data
Fire Spread Risk	Allows tolerable rate of fire spread	Limit fire spread through the cladding system beyond the floor of origin
Cladding Systems	BR 135* allows cladding systems with 15 minutes for evacuation	Cladding must prevent fire spread to multiple floors as BR 135's 15 minutes isn't sufficient for property protection and, in some cases, for safe evacuation of all individuals
Combustible Materials	Allows combustible Class B and C** surfaces and insulation	Eliminate combustible materials in cladding systems, roofs, and balconies where possible
Inorganic Render on Foam	Considered neutral risk factor	Appropriate fire test evidence needs to be developed to show that polymeric foam insulation combined with a render (the most common cladding system involved in fires) won't pose a risk to a property or use of the material should be limited.

Fire Service Reliance	Relies on fire service intervention to manage fire spread	Fire strategy must not depend upon fire service, and must assume delayed or hindered fire service intervention
External Wall Resistance	No requirements for fire-resistant external walls	Requires compartmentation with fire-resistant external walls and protected zones
Internal Compartmentation	No positive risk factors for internal compartmentation	Enhanced compartmentation with fire-resistant construction recommended
Suppression Systems	Positive risk factors even if not property protection-standard compliant	Must conform to property protection standards (e.g. LPC sprinkler rules)

* BR 135 is a fire safety standard that outlines performance criteria and design methodologies for external cladding systems on buildings.

** Class B and Class C refers to fire safety ratings under the European Reaction to Fire classification system (Euroclass). The Grenfell Tower Inquiry determined that the European Classifications B and C are of little assistance when assessing the performance of external walls.

How PAS 9980 impacts premiums

Insurers will individually and independently calculate the premium for a building based on a range of factors, such as the type and age of a building, its previous claims history, the risk of escape of water, the fire risk and the presence of safety features like fire alarms and sprinkler systems, alongside other factors such as flood risk. Each individual approach may vary between providers. However, the standards and resulting risk assessments of PAS 9980, which lead to remediation work, can significantly impact insurance premiums for buildings with cladding on external walls.

Life Safety Focus: PAS 9980 primarily addresses life safety, ensuring that, in the event of a fire, occupants can safely evacuate before the building collapses. However, it does not adequately address property protection. Under PAS 9980, there may still be a risk of a building being completely lost to a fire which must be considered by insurers. In some cases, buildings remediated to PAS 9980 standards may still have difficulty accessing affordable insurance due to the residual potential for catastrophic property loss and the significant rebuild costs.

Combustible Materials: If a building's cladding system includes combustible materials, PAS 9980 may still consider it compliant for life safety. However, insurers have significant claims experience showing that these materials can lead to a high-risk of property damage, which exposes insurers to higher claims costs and can impact premiums.

Property Protection Gaps: By not recommending the use of non-combustible materials, robust cavity barriers, and enhanced compartmentation, PAS 9980 standards often allow buildings to remain more susceptible to severe fire damage. This increased risk impacts insurance costs.

Real-World Outcomes: Buildings with non-combustible cladding systems have better outcomes in fire incidents, resulting in fewer claims and lower costs for insurers. Conversely, buildings with combustible cladding are more likely to experience a loss and claims figures are likely to be higher, which can lead to higher premiums.

Insurability: In some cases, buildings assessed under PAS 9980 may remain uninsurable or face higher premiums due to the residual potential for catastrophic property loss and the significant rebuild costs.

Grenfell Tower Inquiry: The inquiry recommended improvements to enhance life safety, some of which conflict with the risk assessments under PAS 9980. The Inquiry emphasised the need to consider how quickly a fire spreads compared to how long it takes for people to evacuate. The Inquiry challenged the implementation of the ‘stay-put’ strategy that was implemented at Grenfell Tower which was based on the assumption that the building’s construction would contain the fire. It highlighted that in buildings where a stay-put strategy is adopted, no significant spread of fire beyond the compartment of origin should be tolerated. The Inquiry also challenged the fire test regime and the assumption that 15 minutes was enough time for people to escape from the building – this is insufficient particularly for vulnerable people.

The benefits of property protection

Case studies demonstrate that materials considered neutral or even positive risk factors by PAS 9980, such as timber cladding, timber balconies and High-Pressure Laminate (HPL), have contributed to severe fire spread and significant property losses. Recent examples include the fire at Samuel Garside House in London in June 2019, the fire at The Cube in Bolton in November 2019, and a fire at Crystal Court in London in April 2021.

Case studies from ABI members demonstrate how the different level of cladding remediation can significantly affect the insurance premium. An example building:

- In 2020/21 the cladding was tested and identified as highly combustible, so the net rate was 0.38%.
- In 2021/22 the cladding was partially remediated to a life safety standard, and the net rate was lowered to 0.20%.
- In 2022/23 the cladding was remediated to a property protection standard and renewal was proposed at a net rate of 0.08%.

Whilst remediation to a life safety standard did result in premium savings for the leaseholders with the rate charged decreasing to 0.20%, premiums decreased further to 0.08% once the property was remediated to a property protection standard. Had the second stage of remediation not taken place, the premiums payable would likely have remained at the higher level.

This is based on a building over 18m tall and is illustrative, it does not reflect standardised pricing for buildings of this type.

Economic and social cost of fire

A government report¹ estimated the total economic and social cost of fire in England, in the year ending March 2020, was £12 billion. This includes the cost to society of carbon emissions from fires, the reduction in air quality from fires, and the cost of environmental damage from outdoor fires. Reducing the impact fire can have on a building, will also have environmental as well as economic benefits.

What next?

Revisiting PAS 9980 to include property protection considerations would reduce the societal, environmental, and economic impacts of fire; the additional impacts of reconstructing a building; improve insurance affordability; and safeguard homes and businesses. We have provided a response to the consultation on the review of PAS 9980 and have responded by reiterating our fundamental concerns. We stand ready to work with government on how property protection can be considered as part of PAS 9980.

We previously suggested the UK government should include an Annex to PAS 9980 which outlines insurer's property protection considerations in assessing risk. This is referred to in [Approved Document B¹](#) and an inclusion in PAS 9980 would go some way in highlighting the insurer view of risk and the level of remediation required. However, the UK government has not taken this concept on board and rejected the inclusion of an Annex.

While PAS 9980 aims to address critical life safety concerns, its limitations in relation to property protection highlight the need for building owners, designers, developers and managing agents to take additional steps to ensure property protection. We remain concerned about building safety issues and would like to see a remediation approach that prioritises property protection and building resilience as well as life safety. This includes limiting the use of combustible materials in the external walls of affected buildings where there is risk of significant fire spread throughout the building.

Whilst we acknowledge that additional remediation has a cost to developers or building owners, remediation to enhanced standards will ensure that the property is not significantly damaged or completely destroyed after a fire. It will also better protect people's homes and belongings. Property protection standards can ensure not only the survival of occupants in the event of a fire, but also the preservation of their home and their belongings and more resilient communities.

¹ Approved Document B: Page 2, Property Protection, 0.7: "The Building Regulations are intended to ensure a reasonable standard of life safety in a fire. The protection of property, including the building itself, often requires additional measures. Insurers usually set higher standards before accepting the insurance risk." Many insurers use the RISCAuthority Design Guide for the Fire Protection of Buildings published by the Fire Protection Association (FPA) as a basis for providing guidance to the building designer on what they require. Further information on the protection of property can be obtained from the FPA website: www.thefpa.co.uk. The RISCAuthority has also published BDM01 A-Z of Essential Principles for the Protection of Buildings which recommends additional measures to protect buildings and occupants from fires.

Disclaimer

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ⁱ <https://www.gov.uk/government/publications/economic-and-social-cost-of-fire/economic-and-social-cost-of-fire#executive-summary>

