

23rd February 2022

STRICTLY PRIVATE & CONFIDENTIAL

To Whom it May Concern

Dear Sir or Madam,

Frost Architects Ltd – Professional Indemnity Insurance

We are the professional indemnity insurance brokers for Frost Architects Ltd and would comment as follows on the current professional indemnity insurance arrangements for the Insured.

The following applies to the policy period of 24th February 2022 to 23rd February 2023.

Frost Architect's current PI policy excludes cover for claims arising from or connected to fire safety or directly or indirectly arising out of the combustibility, fire safety requirements or fire protection performance of all façade materials, roof materials, cladding, insulation, glazing, balconies or any other component used on the internal or external walls or roof, as well as any claims related to the fire safety of a building or structure. This exclusion has not been applied to the policy because of specific circumstances applying to Frost Architects but has been included on the policy because of a wider market reaction to events and claims activity within the construction industry.

In order to explain the backdrop to why such exclusions are being applied, we would observe that the construction professional indemnity insurance market has constricted, with many firms operating in this sector finding that they are being faced with increased premium rates and reduced cover for their forthcoming period of insurance. Some firms are now struggling to obtain insurance terms, and in extreme cases, not being able to obtain cover at all.

In particular, the lack of availability of insurance cover is directly affecting those operating in the 'Architectural' sector. The current market conditions affecting the construction industry have arisen as a result of many years of under-pricing, significant and repeated claims, the Grenfell tragedy and the 2018 Lloyd's 'review' to highlight some of the relevant factors. These factors have led to a number of syndicates and insurers simply withdrawing from the professional indemnity market.

This has resulted in a significantly reduced appetite within the insurance market for certain classes of professional indemnity insurance business leaving construction professionals unable to secure the same amount, or extent, of professional indemnity insurance cover previously held.

For many, it is impossible to secure the same level of cover as held previously, regardless of the premium price. In particular, it is Brunel's experience that the vast majority of underwriters are no longer willing, or able, to grant cover for fire safety exposures and subsequently exclude cover for claims arising from this, particularly where the Insured is exposed to a risk of cladding claims (but in many cases the exclusions apply even where the Insured is not involved in cladding). Exclusions and restrictions relating to cladding or fire safety are widespread.

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As a broker specialising in professional indemnity insurance, we keep the market conditions constantly under review and the present conditions we are facing are some of the most severe that have been seen in over a decade.

Yours sincerely,

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Specialists in Professional Indemnity Insurance

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