

ARE CAVITY WALL INSULATION CLAIMS FILLING THE VOID LEFT BY PPI?

● With claims management companies jumping on cavity wall insulation cases to fill the gap left when the PPI deadline passes this year, insurers will need to be wary of growing claims volumes

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Last year saw a surge in cavity wall insulation-related (CWI) claims, which some believe is the new target for claimant law firms as PPI claims end.

As of September 2018, firms are not allowed to cold-call households over personal injury claims or PPI. And the deadline for PPI claims altogether is just a few months away, in August.

Most homes built after 1930 have inner and outer wall layers, with a gap between to act as an air barrier. Insulation, often carried out decades ago, involved filling this gap with millions of tiny polystyrene beads or expanding foam.

There are claims that this insulation has in some cases created damp problems, and this is what claims management companies (CMCs) look to be targeting.

There are also concerns that CMCs will be jumping on the new Litigants in Person (LiP) portal currently being built as part of the new Civil Liability Act which comes into effect in April next year.

Susan Brown, director at MedCo, who is helping build the portal, said at an *Insurance Times* Fraud Charter meeting in September that more CMCs were trying to sign up to LiP. Brown said: "It is growing exponentially, from one or two enquiries to people actually pushing to sign up."

She said MedCo is anticipating that CMCs "will become end-to-end users of the portal".

Samantha Ramen, director of market and public affairs at law firm Keoghs said at the same Fraud Charter meeting: "CMCs will go where the money goes and where the system will allow them."

But what will CMCs focus on between August 2019 and April 2020? To some, the answer lies in CWI.

According to investigation service The Cotswold Group, people living in specific areas, such as neighbourhoods where there was a large uptake of government grants, are already being targeted by cold callers. Also, it says hotspots are typically on the west coast and areas where there is high exposure to the south-westerly driven wind and rain.

Richard Houseago, head of property, risks and coverage at Keoghs said insurers are "certainly seeing a spike in these claims and considerable time is being devoted to the necessary investigations in respect of each claim".

He said: "There is certainly a suggestion that there has been widespread claims farming and aggressive sign up campaigns. We understand that further investigations within the insurance industry are ongoing."

Considering legitimacy

AXA appears to be the worst hit when it has come to CWI claims, with reports suggesting that it has seen a 1,700% increase of these types of claims over the course of one year, up from 100 to 1,800.

While, initially, these claims would come under a home insurance policy, often a personal injury claim comes with it, and not all are legitimate.

David Williams, technical director at AXA, said: "We have had a lot of cavity wall insulation claims, where people are claiming to get asthma or sick from the mould in their home. That is something quite common in Texas or Florida. Not in Blackburn."

Williams also says the source of these claims has given him pause to consider their legitimacy.

"We had about 500 of these claims in two weeks," he said. "Most from just a couple of law firms, and around 75% of the people making the claim hadn't even had insulation put in by the company they were claiming against. That's how crooked it is."

There are also suggestions that a lot of buildings have been wrongly fitted with the insulation. The Cotswold Group said: "Properties needed to be surveyed in order to obtain the government grant. In many claims, it is alleged that the property was unsuitable for CWI."



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The total number of homes wrongly fitted in the UK is unknown, but Joseph Noel, complex loss director at Sedgwick, said that he believes “between four and five million homes may have had CWI installed since the late 1990s”.

Also, Houseago says there may be a “genuine issue as to the inherent suitability of CWI in some instances”. He said: “Solid walls in particular are at risk of saturation resulting in dampness, mould and other damage affecting the property.”

This paired with the average cost of a claim, which Houseago says is between £25,000-£50,000, while some can be as much as £100,000, depending on the case, would suggest a huge cost for insurers in total; in the tens of millions of pounds.

Taking the lower average provided by Houseago and applying that to the number of claims AXA reportedly received last year (1,800) totals a cost of

£45m in one year, just for one type of claim.

This would obviously be a worst case scenario as a lot of the claims would have been thrown out under investigation, but insurers must be provided with evidence to meet the claim.

Tony Emms, former head of claims at Zurich, now with his own consultancy company Vine Grove, said: “CWI claims are evidence-based and the case needs to be proven. Expert evidence is required.”

But this costs money, and those costs build up over time.

The new PPI?

So, is CWI the new PPI? There is evidence to suggest claims companies are targeting people in certain areas with cold-calls in the hope of bringing a home insurance claim forward, with the possibility of also including a personal injury claim. But Emms says that is “where the similarities end”.

He said: “I can understand why comparisons are being drawn between PPI and CWI claims, due to the high-volume potential and the farming activities that are taking place.

“However, PPI claims are, by and large, a matter of fact, whereas CWI claims are evidence-based and the claims are far more complex and expensive.

“The potential for fraud or exaggeration is a cause for concern and an early robust stance is usually taken. The claims volumes are increasing and the legal costs are akin to deafness claims so they’re attractive to claims farmers and worthy of careful attention from insurers.” ■

► insurancetimes.co.uk/news Fraud Charter: No progress on the LiP Portal for months [07/01/19]

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