



The Renters' Rights Act: growing pressure on alternative accommodation costs

The Renters' Rights Act, due to take effect on 1 May, will reshape the UK rental market. For insurers, its impact extends beyond landlord-tenant dynamics. At a time when alternative accommodation (AA) costs are already under strain, the abolition of Section 21 (no-fault evictions) and the move to rolling tenancies will bring this aspect of property claims into sharper focus.

Background

AA has become a significant driver of property loss costs. In some cases, rehousing policyholders now costs more than repairing the property itself. Rising rents, limited supply and lengthening reinstatement timelines have all contributed. The new legislation adds further complexity.

The Act abolishes Section 21 "no fault" evictions and introduces rolling periodic tenancies as standard. Landlords will no longer be able to require tenants to leave without specific grounds, while tenants will generally be able to give two months' notice. Although intended to strengthen tenant protections, the reforms are expected to affect rental supply and landlord behaviour.

For insurers, the key question is how this will affect the availability, flexibility and cost of AA when policyholders are displaced following a loss?

Supply and flexibility

The rental market has been tightening for several years, driven by rising mortgage costs, tax changes and regulation. Some landlords have exited, reducing long-term rental stock and pushing up prices.

The Act may intensify that trend. If landlords perceive reduced flexibility, some may sell or convert properties into short-term holiday lets, further tightening supply and increasing competition for suitable stock.

At the same time, rolling monthly contracts may offer greater flexibility. Insurers and adjusters may no longer be bound to 6- or 12-month fixed terms. Where appropriate rental stock exists, this could reduce the risk of committing to longer agreements than the policyholder requires.

The impact is therefore likely to vary, with constrained supply in some areas and improved flexibility in others.

Cost and times pressures

From an insurer perspective, managing AA costs is becoming increasingly important. In high-demand locations such as central London, £300-£350 per night for serviced apartments is common. In some claims, AA spend can reach three or four times the associated material damage costs.

Policies typically include limits for AA, often expressed as a percentage of the building sum insured. As rents and lifecycles rise, those limits are being tested more frequently. Claims professionals are occasionally required to explain that AA limits have been exhausted before reinstatement is complete.

Insurers are responding by tightening policy structures and setting cost-reduction targets.

For example, some insurers are increasingly restructuring block policies so that sums insured are applied on a per-property basis, with the percentage AA limit attaching to each individual risk rather than across an aggregated

portfolio. While this approach limits overall exposure for insurers, it means AA limits can be absorbed far more quickly on individual properties than in the past, increasing the urgency of securing the right solution early for policyholders.

Reinstatement delays

Reinstatement periods are also lengthening. Modern construction methods, increased escape of water losses and supply chain pressures all play a role. For higher-risk residential buildings, Building Safety Act requirements add further oversight and delay.

Longer repair programmes, combined with constrained rental supply, result in prolonged displacement and escalating AA spend.

Rethinking the response

In this environment, AA should not always be the default response. While often necessary, it must be assessed against total claim cost and the needs of the policyholder.

Temporary kitchen or bathroom pods can allow policyholders to remain in situ while works proceed. In one recent claim, modest electrical repairs avoided relocation entirely. In high-cost areas, agreed allowances for staying with family or carefully structured stays abroad have proven more economical than extended serviced apartment stays.

For example, in one claim that McLarens acted on, following a significant explosion that rendered a flat uninhabitable, the leaseholder and partner were due to return from Australia during the disruption. Rather than incurring sustained UK accommodation costs, an approach was agreed with insurers that involved a longer stay in Australia, followed by a cash allowance to support the remainder of the uninhabitable period overseas. This pragmatic solution worked for the policyholder, while providing certainty of spend and avoiding substantially higher short-term rental costs in the UK.

In some cases, the best approach may be to simply source short-term lets via the likes of Airbnb rather than hotel stays.

Collaboration has also delivered notable results in social housing. Following a fire affecting multiple flats, interim funding enabled void properties to be refurbished and residents rehoused more quickly. In another case, engagement with a local authority unlocked unused housing stock after a major incident.

These examples illustrate the importance of flexibility, cost awareness and innovative thinking.

Early action and better insight

When AA is required, timing is critical. Securing rental options at the outset of a claim can prevent unnecessary

hotel extensions. Responsiveness in competitive markets can materially affect spend.

Strong relationships with accommodation providers, early forecasting and active oversight of extension decisions are becoming increasingly important as supply tightens.

There is also a growing demand for better data. Understanding cost per night trends, duration and the relationship between material damage and AA spend can inform both underwriting and claims strategy.

McLarens' response

In a market shaped by legislative reform, constrained supply and longer reinstatement periods, expert management of AA is essential.

In response to these factors, McLarens has developed a structured approach to overseeing AA during the loss adjusting process. This has included the introduction of a dedicated [Alternative Accommodation Lead, Nicola Burns](#), who began her career within an AA supplier. Nicola works with our adjusting teams to manage placement decisions, promote mitigation-led solutions and maintain visibility of AA spend throughout the lifecycle of a claim. Alongside this, enhanced data capture around cost, duration and material damage comparisons is being collated to provide insurers with clearer insight into AA exposure.

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