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The Rising Cost of Subsidence

Once a relatively niche corner of property insurance, subsidence has moved into the mainstream due to a combination of climate change, ageing housing stock, and the expanding risk footprint, which means the trend is set to continue. Unlike the sudden impact of a flood or the visible devastation of a fire, subsidence works gradually and, by the time it requires serious attention, the damage can be extensive, the remediation complex, and the insurance implications significant.

The implications are becoming increasingly important, and subsidence has risen from a relatively peripheral property risk that historically accounted for around 4% of home insurance claims to one of the most financially significant perils in the domestic market.

Data from the Association of British Insurers (ABI) shows that domestic subsidence payouts reached a record £307 million in 2025, representing a 10% annual rise and the highest level ever recorded in the ABI's historical data. In the first half of 2025 alone, insurers responded to claims from almost 9,000 households with an average payout of £17,264 per claim. Across the year, insurers received approximately 45,000 domestic subsidence claims, a significant increase from historical levels.

For context, UK property insurers paid out a record £6.1 billion in property claims during 2025, and in certain market segments, subsidence now represents close to a sixth of all property loss claims, and it is getting worse.

Contributing Factors

Subsidence occurs when the ground beneath a property sinks and pulls the foundations down with it. The dominant cause of subsidence in the UK is the shrink-swell behaviour of clay soils. Clay-rich soils absorb water when they expand and contract when they lose moisture during prolonged dry spells. This cyclical movement exerts tremendous stress on a building's foundations. According to the British Geological Survey (BGS), shrink-swell in clay soils is already a major geohazard in the UK that costs the economy over £400 million a year, a figure projected to rise to over £600 million by 2050 as climate-driven weather extremes intensify.

Trees and large shrubs are a significant aggravating factor, with around 70% of all subsidence problems attributed to them extracting moisture from shrinkable clay substrata. During drought conditions, the roots of mature trees, particularly species such as oaks, poplars, willows, and certain maples, extend beneath a property's foundations and draws out moisture from the soil. The resulting ground contraction can be significant, and in a drought year, those trees extend their roots further in search of water, extending their reach and the risk they pose.

Other causes include leaking drains or water mains, which can soften or wash out the ground beneath foundations where soluble rocks such as chalk, gypsum, or salt, which can dissolve to create voids, are present. Historic mining activity, particularly in former coal-mining areas where old workings may be inadequate or uncharted, can also lead to the ground being unstable and prone to subsidence.

Properties built before 1920 typically have foundations averaging less than 45 cm deep, considerably shallower than the minimum 1 metre introduced after the record heatwave of 1976 and are therefore also particularly vulnerable. These Victorian and Edwardian properties, often sited in areas with mature street trees and clay subsoil, are prominent features in most claims registers.

The Climate Connection

The link between subsidence claims and extreme weather is well-established and the insurance industry refers to periods in which sustained heat and drought conditions trigger a spike in claims volumes as ‘event years’. The sustained heatwave and subsequent extreme droughts of 1967 stand on record as the most notable historical event year, but event years have followed since then in 2003, 2006, 2010, 2011, 2018, and 2022. Each has been driven by a combination of high temperatures and low rainfall that depleted soil moisture across large areas of the UK.

The pattern is accelerating; the first-ever recorded temperatures above 40°C in the UK were recorded in July 2022, which triggered around 23,000 claims costing approximately £219 million. Spring 2025 was confirmed as the warmest and sunniest on record, with soil moisture deficits increasing across most of the country by late June and driving the surge in

claims that made the year the highest on record. Deloitte analysis estimates that weather-related property claims for 2025, which encompass subsidence, as well as floods and storms, reached £1.6 billion, more than double the annual levels seen between 2017 and 2021.

Looking ahead, PwC analysis has found that, if extreme weather continues at its current trajectory, subsidence-related insurance payouts alone could reach £1.9 billion by 2030, a potential 800% increase on 2022 levels. Using UK climate projection scenarios, the BGS has identified that the number of properties across Britain at high risk of shrink-swell could grow from around 3% in 1990 to 6.5%, affecting more than 2.4 million properties, by 2030, and to almost 11% by 2070. In addition, an estimated 1.2 million further homes across England are expected to be at subsidence risk by 2050, a 27% rise on the 4.5 million that are already vulnerable.

An Expanding Risk Footprint

Historically, subsidence has been concentrated in London and the South East, where the combination of shrinkable clay soils and high summer temperatures creates the most vulnerable environment. Over time, insurers' approach to underwriting and pricing has reflected this, with postcode-based databases and claims histories from these areas developing into advanced risk assessment tools and AI-driven insights capable of more granular analyses.

As climate change drives hotter and drier summers further north, tree root subsidence is increasingly being reported in parts of the country that have not previously been significantly affected. This geographic expansion poses a challenge for underwriters working with historical data sets, as pricing and exposure models calibrated against established risk patterns may understate the exposure in regions moving into a new climate regime, leading to mispricing and material consequences.

Furthermore, the risk is not confined to the existing housing stock, and the government's ambition to build 1.5 million new homes over the current parliament raises questions about where those homes are built and how their subsidence risk is assessed and managed. For example, the BGS's analysis highlights a concern for the Oxford and Cambridge arc, a major centre of the UK's high-tech manufacturing and research industries and where significant housing development is expected, but where many areas sit on shrinkable clay geology.

Implications for the Insurance Sector

The data presents insurers with challenges in managing claims, as rising claim frequency and rising average settlement values create upward pressure on loss ratios in the property market. Unlike other weather perils, subsidence claims are rarely quick to resolve and involve a lengthy process involving monitoring, investigation, and remedial works. The possibility of heave, the swelling of soil during rewetting, can considerably extend claim lifecycles and cause implications for reserving.

Regarding underwriting, insurers already use postcode-based databases of soil type, past claims data, and climate projections to assess risk at the point of quote. However, as the risk footprint expands geographically and event years become more frequent, maintaining accurate and current data is increasingly difficult. Properties with a history of subsidence already attract significantly higher premiums, averaging £545 per year compared with £227 for an unaffected property. In some high-risk cases, insurers may consider whether cover remains viable, with the possibility of parts of the market becoming uninsurable, something the insurance sector, regulators, and government must seriously review.

The Legal Dimension

Data shows that 70% of subsidence claims involve tree root influence, and when third-party trees are found to be the cause, it gives rise to questions of tortious liability in nuisance or negligence and complex cases for legal professionals. The key legal test, established through cases concerning local authority street trees like *GA Berent v Family Mosaic Housing and Islington London Borough Council* [2011] EWHC 1353 (TCC), centres on reasonable foreseeability and whether the tree owner knew or should have known that there was a real risk that their tree would cause damage to the specific property in question.

In incidents where sub-soil is known to be clay-based and trees are close to residential properties, courts have found that those with relevant expertise, including local authorities, are, or ought to be, familiar with the risks. If so, a duty arises, and emphasis then shifts to whether the tree owner was in breach of that duty through failure to manage the relevant trees appropriately, including through a reasonable cycle of pruning or crown reduction.

Subsidence also raises several questions for conveyancers, with buyers increasingly alert to the risk of subsidence, and surveyors and property lawyers in certain areas advising the request of significantly more detailed reports as part of due diligence. A property with a history of subsidence that has been properly remediated and has all the necessary documentation can retain much of its value. One that has not been properly addressed may be difficult to insure and sell and may be subject to ongoing structural issues.

Adapting to Shifting Grounds

The rise of subsidence as a major property risk is not a temporary anomaly but a product of structural forces, such as climate change, an ageing housing stock, a broadening geographic footprint, and the cumulative effect of decades of urban tree planting in clay-heavy areas, that will continue to apply upward pressure on the volumes and severity of claims in the long term.

To keep pace, insurers will need to invest in data quality, geospatial risk assessment tools, and claims management capabilities to handle the extended lifecycle of a subsidence claim. Legal practitioners must ensure alignment with an evolving body of case law, appropriate due diligence at the point of property transaction, and a capacity to navigate the interplay among insurance, property, and tortious liability commonly presented by subsidence claims.

The professionals best placed to serve their clients in this environment are those who recognise the scale of the issue and have the necessary plans in place.

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