



7<sup>th</sup> August 2013

Flood insurance consultation  
Department for Environment, Food and Rural Affairs  
3<sup>rd</sup> Floor, Zone C, Nobel House  
17 Smith Square  
LONDON SW1P 3JR

Dear Sir/Madam

**Re: Consultation on securing the future availability and affordability of home insurance in areas of flood risk.**

## Summary

This response is from Community Resilience UK cic (CR), a not for profit company which supports helps many organisations prepare for and handle emergencies. In particular, it encourages the use of business resources to mitigate emergencies. CR also works with the charity Business in the Community, specifically to manage BITC's programme to help SMEs badly affected by wide area disaster. CR supports the concept of "Flood RE", but is concerned that this should not divert attention from the need for effective community and personal preparation and response. CR is also very concerned that SMEs – a critical and very vulnerable part of local communities – can be poorly served by the response of insurance companies to their needs in the aftermath of a disaster. The proposed MoU must address this important issue.

## Details

This response is from Community Resilience UK cic, a not-for-profit social enterprise that supports individuals, public organisations, the voluntary sector and business prepare for, respond to and recovery from emergencies. We work with a range of organisations and partners, encouraging business and the voluntary sector to release their resources and expertise for the public good in an emergency. We also engage in debate and consultation to help drive change that will support communities' emergency preparedness, response and recovery.

We welcome this consultation, and our specific responses are these:

1. We welcome any approach that will galvanise and support communities which need flood insurance. We recognise that such arrangements must be affordable by all stakeholders, and your "Flood Re" proposal seems eminently reasonable.
2. However, we wish to stress that community protection must remain the key focus of support for these areas. Our team includes some highly experienced response personnel who have all seen the devastation flooding brings. Therefore, new support for insurance must not alter a strong overall focus on community needs, through good risk mitigation, personal preparation and effective response and recovery.

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3. Our third concern – and perhaps the most pressing – is the need to recognise the devastating effect of flooding on SMEs, and the knock on effects on communities. We also work closely with HRH The Prince of Wales charity Business in the Community ([www.bitc.org.uk](http://www.bitc.org.uk)), and act as a lead advisor for their business emergency recovery capability – a charitable service. This service deploys to areas where communities have been hit hardest by events such as wide area flooding to help SME recovery by offering support and advice to those worst affected. We did this in response to the severe flooding in 2012 in St Asaph, North Wales, and Braunton, Devon.

Our experience has shown that the dialogue between the insurance industry and affected SMEs can be ineffective at times, and this adds greatly to the stress of individuals trying their hardest to cope with clean-up, business resumption and loss adjustment liaison. Whilst loss adjustment must be appropriate, there is a vital need for government to ensure that the MoU addresses the need for sensitive customer service in respect of SMEs when they are their most vulnerable.

## Question Response

In response to your question “Do you have any evidence of small businesses experiencing difficulty with the availability and affordability of property insurance due to the risk of flooding?” we have conducted some research in the areas we have supported and can report the following.

### St Asaph, North Wales

We have found evidence of businesses experiencing difficulty with the availability and affordability of property due to the risk of flooding. A Total of **15** flood affected SME's were approached on the 6th August 2013. From these, 11 provided responses as follows:

**2** Reported that although they could get flood insurance cover, they faced higher premiums than last year and 'massive' excesses - in the region of **£30,000**. This has led to these SME's deciding that flood insurance is not a viable option and they will operate without it.

**1** Reported that flood insurance premiums and excesses are so high that sadly they are looking to close down and relocate the business away from the known flood area. The outcome is likely to be an empty business unit.

**1** Could not afford flood insurance in 2012, and believes that this was the key to their recovery and survival following the 2012 floods, as they were able to manage their own recovery without the perceived delays insurance claims would have caused.

**3** Reported that their flood insurance premiums had only shown a marginal increase

**4** Reported that they had not yet received their 2013/2014 flood insurance renewal quotes

In addition to this, we wish to report that one multiple occupier business premises has lost 4 tenants as flood insurance premiums have risen and are no longer an economic option.

### Braunton, North Devon

We approached a local Insurance Brokers who we established a dialogue with around the time of the flooding in December 2012. The following is an overview from the broker's perspective

Of the 8 SMEs the broker supports there were two typical responses by insurers. These were either reasonable or unreasonable according to the broker.



**Unreasonable:** 2 are currently unable to renew their flood insurance through their previous provider, being flatly refused the cover without an option of increased excess. This was put down to a level of risk of future flooding and the close proximity to the river, hence have been deemed uninsurable. Other insurers seem not to be taking on such cases. Both are currently continuing their business without flood cover as no other insurer appears willing to insure them (even with high excess).

**Reasonable:** In the remaining 6 cases, there are similar threads to their narrative - these SME have remained 'loyal' to their insurers for between 5 - 10 years. Previous claims history does have an effect on the premium and compulsory excess offered.

In most cases it appears that compulsory excess has increased, for example. 15% of the total claim or £2000 excess, whichever is the greater. This may seriously impact on business resumption and could make insurance cover for flooding pointless if such excesses are demanded.

**Case study:** We were also kindly provided with a renewal case study from this broker to further illustrate this point. An initial renewal estimate of £19,000 per annum with a £10,000 excess was quoted recently to a local SME. Although this local broker managed to get this price down to £5,500 with a £2,500 excess on grounds of loyalty (10years+ with same insurance provider), before the 2012 flood, the excess was £500 and overall yearly premium was approximately £2,500.

We hope that the response provide is of use and helpful, and welcome an opportunity to discuss further should you wish to.

Yours faithfully

David Cloake MSc MEPS MICPEM  
**Chief Operating Officer**