

DEFRA consultation: Securing the future availability and affordability of home insurance in areas of flood risk.

Comments of North Somerset Flood Risk Action Group

NSFRAG regrets that it does not have the technical expertise to provide detailed answers to the questions posed in the online survey form. It makes the following general and specific comments:

General

1. NSFRAG welcomes the fact that after a long period of uncertainty proposals are now on the table.
2. NSFRAG is broadly in favour of the Flood Re approach. It is agreed that the Flood Insurance Obligation is a fall-back position only, to be legislated in broad terms and focus the insurance industry's efforts on Flood Re. To that extent it is supported.
3. NSFRAG looks for an absolute guarantee that insurers will continue to abide by the 2008 Statement of Principles until Flood Re is operational.

Specific

4. The maximum prices charged under Flood Re are not entirely clear. What is the meaning of "end prices"? Will amounts rise *to* or *from* the amounts in Table 2, and over what period of time? Are the technical flood components (line 1, Table 2) *necessarily* linked to the sum charged for combined cover (line 3, Table 2) as appears to be the case? If they are indicative only, and the premium for combined cover is much higher, or lower, (there are many reasons why this could be the case), will the technical flood component be raised or lowered accordingly? If so, and the end prices given are merely a projected average, this should be clearly stated.
5. The question of excesses is left open. Flood insurance which is itself affordable could easily be rendered unaffordable by huge increases in excesses. We know of one instance locally where the premium was raised by "only" 25% but the excess from £60 to £2500. This is unacceptable, and there must be some mechanism for curbing such penal increases in order to avoid adverse impacts on both individuals and on the housing market.
6. How flexible and responsive to individual circumstances will Flood Re be? How can insurers be effectively deterred from always charging the maximum, irrespective of other considerations? There should be, for instance, considerable discounts for installing flood resilience equipment – otherwise there will be little incentive for owners to do this.
7. NSFRAG is concerned that the capped sums per council tax band should not increase by more than the CPI. The current levy equivalent is less than the proposed £10.50, therefore a suitable reserve will be accumulated over the first few years of the scheme.
8. NSFRAG is very concerned that the EA's response to householders' requests for Insurance Related Reports is still on an area basis rather than being site-specific. If the policy objective is to be a gradual transition to risk-reflective prices then policies must be based on robust evidence of local risk. In this area (the North Somerset Levels and Moors) large areas are mapped by the EA as having the highest level of flood risk, but there are important local variations in contours within these areas that mean that actual risk is very variable, with some properties prone to repeated flooding and others not having flooded in centuries. It is fundamentally unjust that properties in the latter category should be assessed in the same way as those in the former. This is what often happens now; underwriters tend to ignore

local topographical variations and flood history and rely solely on the EA maps. Property level risk assessments cannot come soon enough – otherwise the situation will be no different under Flood Re.

NSFRAG / laa / 5 Aug 2013

*Note:*

*NSFRAG is an umbrella organisation for a number of organisations including around 10 town and parish councils in North Somerset all of which have significant areas of land at risk of flooding.*