

WRAYSBURY PARISH COUNCIL

Response to the Department for Environment Food and Rural Affairs Consultation

Securing the Future Availability and Affordability of Home Insurance in Areas of Flood Risk

Q1. Do you have any evidence of small businesses experiencing difficulty with the availability and affordability of property insurance due to the risk of flooding?

Our experience is that local businesses do not experience difficulty in obtaining flood risk cover. In part we consider that businesses will be underwritten by commercial lines insurers rather than personal lines where the risks to be considered are somewhat different. Also, many of the small shops in the parish are located in the lower risk flood areas.

Q2. Do you agree with the Government's policy objective for flood insurance?

We agree with the approach that there should be a gradual transition over time to more risk reflective prices. In order to achieve this, householders need to install flood resilience measures and the Government needs to put in area flood defences.

Q3. Do you agree with the approach taken to analysing the different potential solutions in the Impact Assessment?

No comment

Q4. Do you agree with the evidence presented in the Impact Assessment?

No comment

Q5. Do you have any further evidence which has not been considered in the Impact Assessment?

No comment

Q6. Do you support the Government's proposed approach?

Yes.

Q7. If the remaining challenges associated with Flood Re prove too difficult to overcome, what factors do you think should be taken into account ahead of any decision on whether or not to introduce the Flood Insurance Obligation?

Q8. Do you agree that setting the eligibility thresholds according to council tax bands (or their equivalents in the Devolved Administrations) will help ensure Flood Re support is

targeted towards those households who need it most, without requiring significant administration? Is there a better method?

Council tax bands are an imperfect measure of affordability. In particular there are many in the retired population who are asset rich and cash poor who will find additional costs hard to bear. However, a scheme based on council tax bands is relatively straightforward to administer and we therefore agree that eligibility thresholds should be based on council tax bands and we do not think there is a better method.

Q9. Do you have any views on the proposed initial “eligibility thresholds” within Flood Re which would effectively cap the flood risk premium paid by high risk households?

To us these thresholds seem reasonable although it must be pointed out that this parish does not have many properties in the lower council tax bands.

Q10. Do you agree that the following should be excluded from Flood Re:

(a) Band H properties?

Yes, although there may be some who are just within the band who may find the exclusion expensive.

(b) New homes built after January 2009?

Yes.

(c) Genuinely uninsurable properties?

Yes.

If so, how would you define these in a consistent way that insurance companies can apply?

Factors would include the claims experience and the flood excess. Post code zoning can help but even within a particular zone some properties will be insurable and some not. A register, as mentioned below, would help.

Q11. Should other exemptions apply?

It is very important that householders of properties at high risk of flood should be encouraged to take appropriate resilience measures including air brick covers, flood guards and non-return valves on the sewage system. It seems reasonable to have the power to exclude these properties.

Account should also be taken of the presence or absence of flood relief schemes for the area and whether or not there are any plans for schemes in the future.

Q12. Do you agree that Flood Re should apply to both building and contents?

Yes. If it were to apply only to one, the cost of insuring the other may be too high for some policyholders.

Q13. Do you have any comments on this proposed way of managing Flood Re's exposure to large losses?

It makes eminent sense to reinsure exposure to large losses even if the risk of that loss is low. Should that risk crystallise it would be very expensive to Flood Re if it were not reinsured.

Q14. Do you think a levy equating to around £10.50 per UK household, which the ABI estimate is equivalent to the current cross-subsidy, is acceptable to help address the problem of securing affordable flood insurance for high risk households?

In an ideal world, the levy would be unnecessary. However, as it is necessary, it is pitched at a level which should not cause any hardship to the policyholders who pay it nor is it of such a size as to be objectionable. Also it reflects current practice.

Q15. Do you agree that flood Re will secure the availability and affordability of household flood insurance in the UK?

Yes. It seems a reasonable balance between public accountability and the running of a private sector scheme.

Q16. Do you agree that the Flood Insurance Obligation has the potential to meet the policy objective?

Yes it does.

Q17. Do you agree that the Secretary of State should have that power to exempt some firms operating in the UK domestic insurance market from the Obligation, e.g. those with market share below a de minimis?

Yes. It is reasonable to exempt small operations which might not have the expertise to underwrite high flood risk cases. Also, it would remove a barrier to entry into the market.

Q18. Do you agree that at this stage Ministers should have the option of applying the Obligation to both buildings and contents insurance?

Yes, so long as householders have access to affordable cover for both buildings and contents.

Q19. Do you agree that the Environment Agency should be granted powers to act as a "lead administrator", working with the devolved administrations to compile a UK-wide register that lists by address each domestic property at high risk of flooding?

It is important to compile a register of properties that are at high risk of flooding and the Environment Agency is best placed to do this. It is also very important that all involved are

consulted. This will include the insurance companies, the local authority and parish councils, where they exist, as they will have detailed local knowledge.

Q20. Do you agree with the broad duties envisaged for the regulator? Is anything missing?

We agree with the broad duties envisaged and believe they are sufficient.

Q21. Which of the above approaches to supervising compliance with the Obligation do you believe is best suited to delivering the policy objective whilst minimising the burden on businesses and consumers? Is there another approach not considered here?

We believe that the hybrid scheme would be best because it gives the regulator the flexibility to treat each case on its merits and give enforcement action appropriately. We think this covers the main approaches.

Q22. Which of the above approaches to imposing sanctions for non-compliance with the Obligation do you believe is best suited to delivering the policy objective whilst minimising the burden businesses and consumers? Is there another approach not considered here?

We believe that the hybrid scheme would be best because it gives the regulator the flexibility to treat each case on its merits and impose sanctions appropriately. We think this covers the main approaches.

Q23. Do you agree with our preference that the Financial Conduct Authority should supervise compliance with the Obligation and be responsible for taking regulatory action against insurers who fail to meet their Obligation, or should it be the Environment Agency?

We believe that the Financial Conduct Authority has the appropriate expertise to undertake these responsibilities.