

Written evidence submitted by The Association of British Insurers (ABI) (0092)

About the ABI

1. The Association of British Insurers is the voice of the UK's world-leading insurance and long-term savings industry. A productive, inclusive and thriving sector, our industry is helping Britain thrive with a balanced and innovative economy, employing over 300,000 individuals in high-skilled lifelong careers, two-thirds of which are outside of London.
2. The UK insurance industry manages investments of over £1.7 trillion, pays nearly £12 billion in taxes to the Government and powers growth across the UK by enabling trade, risk-taking, investment and innovation. We are also a global success story, the largest in Europe and the fourth largest in the world.

Industry response to Flood Statement and National Strategy

3. The ABI welcomes the opportunity to provide additional input into the EFRA Committee's inquiry into Flooding. As set out in our previous response to the inquiry, the insurance industry is committed to working with customers, the Government, Local Authorities and other stakeholders to support those affected by flooding and we fully support initiatives to reduce the impact of flooding and increase public awareness of flood risk.
4. The Defra Flood Risk Management Policy Statement and the Environment Agency (EA) National Strategy have been welcomed by the insurance industry. They outline a number of overarching commitments that will help to manage and reduce the flood risk across England, including the need for sustained long term investment in flood defences, recognising the importance of property flood resilience measures (PFR) and the need to reform the planning framework and property development procedures to ensure no inappropriate developments are built in high flood risk areas.

Additional Government investment is required to manage the increasing flood risk in England

5. The Government's commitment to invest £5.2 billion over 6 years in flood defences is a good step in the right direction, but it still falls short of the investment required as set out by the Environment Agency's long-term investment scenarios report (2019). This states that without sustained investment, future flood damage to properties and infrastructure in England will significantly increase. The EA estimate an average annual investment of £1 billion will be necessary up to 2065, but that £1.2 billion will deliver "very high" levels of protection, provided climate change targets are met.¹ The Environment Agency's own National Strategy also states that in the long term an average of over £1 billion a year will need to be spent, a minimum of £50 billion over the next 50 years, to avoid the flood risk getting worse.² As outlined in our previous response to the Committee, we are asking the Government to commit to a long-term, increased investment in flood defence capital and maintenance spending - investing at least £1.2 billion a year - to help protect communities up and down the country from the increasing risk of flooding.

¹ <https://www.gov.uk/government/publications/flood-and-coastal-risk-management-in-england-long-term-investment/long-term-investment-scenarios-ltis-2019>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/899498/National_FCERM_strategy_for_England.pdf

6. Following our initial evidence to this Inquiry, we have conducted a second data analysis to ascertain the full impact of Storms Ciara, Dennis and Jorge which occurred between February and March of this year. These weather events resulted in both storm and flood damage to properties and motor vehicles. Our latest figures show that insurers expect to payout over £543 million in claims. This includes emergency payments of £37.8 million made to customers to help them deal with the immediate aftermath of the storms and flooding. In relation to flooded property claims only, insurers expect to pay out £305 million, with the average cost of repairing a flood damaged home estimated at £33,600. These figures demonstrate the support insurers have provided to those affected by the flooding and the importance of long-term, increased investment in flood defence spending to help protect communities from the costly effects of flooding.

The Government should continue to promote the uptake of property flood resilience measures

7. The insurance industry has and will continue to be fully supportive of effective resistance and resilience property-level protection measures for homes, businesses and local communities. We are pleased therefore to see the importance of property flood resilience measures recognised in both the Flood Statement and National Strategy. The commitments and measures outlined by the Government and Environment Agency will help remove some of the barriers limiting the uptake of property level protection measures. However, barriers will still exist, such as psychological reasons why people do not want constant reminders of a flooding incident in their property and the difficulty in ensuring the measures introduced are holistic and can protect the whole property. These barriers could be reduced and community resilience would be strengthened significantly if buildings were built or refurbished in a resilient manner. To achieve this, one suggestion is for Government to review and reform building regulations to ensure an appropriate level of flood resilience is built into properties as standard. We believe this is the most effective way for PFR measures to be established for all at risk properties and would provide a level playing field for insurers repairing all properties.
8. We welcome the Government's aim to ensure the right incentives and financial products are available to encourage property flood resilience installation, including collecting robust data about the value of resilience measures within properties and making this data available to insurers and householders. To help insurers recognise the effectiveness of these property flood resilience measures and take them into account, evidence on how the measures reduce the level of damage and associated costs (including the cost of repair, need for alternative accommodation and reduction to business interruption costs) would be beneficial. This type of data should be shared in a useful format to enable insurers to access and underwrite accordingly.
9. With Flood Re due to end in 2039, it is increasingly important for homes to become more flood resilient. Following Flood Re's quinquennial review a number of proposals have been put forward to allow Flood Re to enable the uptake of property flood resilience measures, for example, by making payments to flooded homes to 'build back better' and offering premium discounts where property flood resilience measures have been installed. The insurance industry supports measures that will continue to allow households to access affordable flood cover and we will work closely with the Government, Flood Re and other key stakeholders during consultation on these proposals. Their future success however will still be dependent on continuing to address the barriers to uptake of flood resilience measures.

10. The Government's Property Flood Resilience Recovery Support scheme, which has been available in response to recent major flooding events, could be made more efficient in order to increase the uptake of property flood resilience measures. We are pleased to see that the Government has committed to evaluate the impact, administration and timescales of the most recent Support Scheme, including reviewing the criteria to ensure that future applications encourage the installation of cost-effective resilience measures.
11. It is essential that these schemes are available as soon as they are announced so resilience can be incorporated into the repair process. This would avoid the situation where repairs are delayed while people await establishment of the parameters of the scheme. Delays and complex processes will clearly disincentivise those eligible for applying as their primary intention will inevitably be to get back in their repaired property as soon as possible. Developing a centralised system, which is coordinated and managed by central Government, would likely help to overcome this inevitable and predictable customer inertia, and would enable some insurers to help their customers complete these applications, avoiding haphazard approaches in different Local Authorities.
12. Flood Re is currently advocating for the use of Flood Performance Certificates (FPCs) as a means to remove some of the barriers limiting the uptake of PFR measures, which we are supportive of.
13. FPCs would provide a rating, which would reflect a property's flood risk and the implications should a flood occur (i.e. likely time spent displaced from the property). The Certificates would make recommendations for uptake of the most effective PFR measures suitable for that property. Information held on FPCs would be similar to that in Energy Performance Certificates and would give homeowners the ability to understand what action needs to be taken to ensure their home is more flood resilient. They would also provide information on registered and accredited PFR installation companies and indicative costs for PFR measures, in an easy to understand format. FPCs would likely increase home owner awareness and understanding of flood risk, as well as creating pressure on developers to build homes in a way that is more resilient to flooding.

Planning policy should prevent inappropriate developments being built in flood risk areas and mandate the use of sustainable drainage systems

14. The ABI has long been calling for Government to ensure there are no inappropriate developments in flood risk areas and encourage a more transparent planning application process, with clear monitoring and reporting by Local Authorities on planning decisions. This would provide reassurance to insurers and local communities concerned about the potential impacts of new developments. We therefore welcome the commitments and measures outlined that are aimed at strengthening planning policies to direct new developments away from areas at risk, improving transparency and reporting during the planning process and ensuring new developments are resilient to flooding. However, the measures could still go further. Whilst we understand the desire of the Government to build new homes for the future, this must not be at the expense of protections to ensure the careful consideration of flood risk. New homes should not be built in areas at high risk of current or future flooding. A mandatory responsibility to report publicly on planning decisions in a clear and transparent way, especially when decisions have been taken against EA advice, is required. This would help empower consumers, and their legal representatives, to make informed decisions on whether to purchase a particular property.

15. Additionally, the Government has announced its intention to review the National Planning Policy Framework (NPPF) and consider options for further reform. This presents an opportunity for the Government to close the loophole in the guidance that accompanies the Framework, which means that developers can build and sell properties in flood risk areas simply if they leave space for flood defence measures to be installed in the future. Leaving space, with no commitment, responsibility or accountability to actually install measures to alleviate the flood risk is unacceptable. We believe that this loophole should be closed to ensure the developer is held responsible for any measures that are necessary to ensure that properties are protected from flood risk to the highest possible standard.
16. Finally, we are pleased to see that both the Defra Flood Statement and EA National Strategy recognise the importance and usefulness of Sustainable Drainage Systems (SuDs) by committing to increase the provision, and promote the uptake, of SuDs. These systems can play a pivotal role in ensuring new developments are built in a way which manages surface water flood risk at the local level. However, the Government should consider going further than what is outlined in the Flood Statement and National Strategy. There is an urgent need to implement the Government's policy on SuDS under the Floods and Water Management Act 2010 to ensure mandatory installation of sustainable drainage measures in all new builds, regardless of the size of the development. We have now been waiting a decade for implementation of this policy, while the country's surface water flood risk increases and surface water flooding continues to devastate communities.
17. The ABI would also like to see evidence of clearer monitoring on the use of SuDS by local planning authorities, with a responsibility to report publicly on planning decisions in a clear and transparent way; particularly when decisions have been taken to not install SuDS within a new build property. This would help to reinforce the existing requirements within the NPPF as well as other approaches aimed at driving the increased adoption of SuDS across England.

August 2020