



HOUSE OF COMMONS

LONDON SW1A 0AA

Flood Insurance and Preparedness Team
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26 April 2021

Dear Sir/ Madam,

Response to the Consultation on Amendments to the Flood Re Scheme

I am pleased to have the opportunity to respond to the Consultation on Amendments to the Flood Re Scheme. The proposals have the potential to reduce insurance costs, encourage the take up of greater flood protection resources, supporting those who live in high flood risk areas and reducing the impact and cost of future flood events.

Since being elected in 2019 Runnymede and Weybridge has experienced multiple flood alerts and warnings and risk from river, surface water and sewage flooding. During the same period I have been actively pressing for progress on the River Thames Scheme, engaged with DEFRA, the Environment Agency, Thames Water, local authorities and numerous resident groups regarding flooding issues, as well as responding to consultations on measures to address flood risk. It is absolutely clear that this is a serious and ongoing issue and it is a personal priority of mine to press for a comprehensive and long-term strategy to minimise and mitigate flood risk to residents across Runnymede and Weybridge.

Key to this long-term approach is delivering policies which improve flood protection, are sustainable and ensure equal access to flood protection measures. This response welcomes the proposals which will help deliver this, highlighting four key policy areas: the comprehensive flood protection strategy, clear remit for Flood Re, incentivising Property Flood Resilience measures (PFR), and support for proposals to implement build back better within the flood insurance market.

Flood protection strategy

As acknowledged in the Ministerial foreword, the risk of flooding is expected to increase over the coming decades. Addressing flooding risk is a complex issue which flood defences alone cannot resolve. We need a comprehensive approach which includes building flood defences, the use of PFR and insurance, but also how to ensure households can obtain clear and accessible information on the information and support available to them.

In my response to the *Managing Flood Risk and Property Flood Resilience* consultation I welcomed the improvements being made to the flood risk strategy, especially the focus on increasing the take up of PFR. To support delivery of this strategy at the local level, I have also called for the creation of formal flood control centres in areas of significant flood risk, to provide greater awareness, support and accountability on issues of flood risk policy and response, ensure agencies work together to coordinate communications, resources and response. I believe this would help to deliver the benefits of the flood risk strategy directly within our communities.

Clear remit for Flood Re

As Flood Re is designed to manage transition to a risk reflective flood insurance market by 2039, our policies in this area should be based upon approaches compliant with that aim, with any policy changes based upon practices consistent with, and sustainable in, an open and competitive insurance market.

I agree that homes built after 2009 should not be included in the Flood Re Scheme, in line with planning policy, as this could incentivise development in flood risk areas. I also agree that businesses should not be included in the Flood Re Scheme, due to the nature of the business insurance market and the lack of evidenced need for additional business protection.

We do need to support our businesses, especially our SMEs, but rather than the introduction of a levy on all business, I welcome the action taken by the British Insurers Brokers Association to help in providing flood cover to small and medium businesses. I would welcome details of his and other schemes being publicised in areas of high flood risk to ensure businesses which may be affected have full details of the options available to them.

Incentivising PFR

I support the proposal in Flood Re's QQR report to encourage cheaper premiums to households who have installed PFR, however it is important that the mechanism used to deliver this can be supported by the insurance market in the long term. As set out in my response to the *Managing Flood Risk and Property Flood Resilience* consultation, I have also called for the extension of grant aid for PFR beyond just the highest risk bands to ensure more households can benefit from support to protect their properties from flooding.

As indicated above, I believe the key to this being a sustainable strategy is to incentivise insurers to offer discounted premiums, not Flood Re. In order for this to be effective, the insurance market needs to have confidence not only in the assessment of flood risk, but also the quality and installation of flood protection measures.

One possible solution may be the introduction of nationally recognised flood risk certificates, similar to the EPC for energy efficiency, which could provide a firm base for these assessments. The introduction of such a scheme and any possible unintended consequences on the house market will need careful consideration and I would welcome further work to investigate how this may be delivered.

At the same time, while it is important to encourage the uptake of PFR, we must also ensure its use and installation is to a quality which will deliver the intended benefits. Again, similar parallels may be drawn with the energy efficiency market and schemes to promote home insulation, ensuring those using certified products and installation receive certification for works carried out, which can be used as evidence to reduce risk and associated insurance premiums. Local flood management centres could aid in the communication of these schemes to residents in high risk areas.

Any proposal to introduce blanket reductions to premiums via Flood Re, such as reductions based on council tax banding rather than risk, are less likely to be sustainable when Flood Re leaves the market in 2039.

Build Back Better

I welcome the aim to Build Back Better in the event of a flooding incident and claim, permitting claim payments to cover resilient or resistant repair, above and beyond the core claim costs. It is important to note that Flood Re. funds are generated by a levy of all insured households, and this needs to be borne in mind when considering how to use any surplus accrued. For example, the mechanism chosen to deliver Build Back better must ensure that the scheme cannot result in situations such as tenants paying a levy via contents insurance which could be used to provide improvements to landlords' premises, resulting in commercial gain.

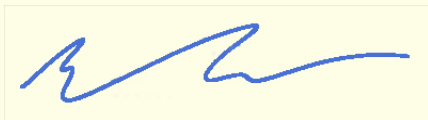
I support build back better following a claim, but I believe that to use the surplus for measures which could benefit individual households outside of a claim would step beyond the remit of the scheme.

Conclusion

I strongly believe that to deliver long term benefits policy should focus on incentivising the insurers to deliver the benefits of these policies, rather than the time limited ability of Flood Re, if the aim of transition to a risk reflective flood insurance market by 2039. Through this, and improved delivery of the strategy at the local level, I believe the policies outlines could bring significant benefits to those at risk of flooding.

I welcome the progress represented in this and the *Managing Flood Risk and Property Flood Resilience* strategies in helping deliver greater flood protection to communities and households, and would welcome the opportunity for further engagement as policies are brought forward.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ben Spencer', is enclosed in a thin black rectangular border.

Dr Ben Spencer MP
Runnymede and Weybridge