



STATEMENT *(ref 2013-06-27-insurance)*

Future plans for flood insurance welcomed

Responding to the recent [announcement from the UK Government](#) about the future shape of flood risk insurance, Philip Wright, Chairman of the Scottish Flood Forum (SFF), said:

“We welcome the decision to set up Flood Re which will cover the costs of claims from high risk homes. This will involve a levy on all insured properties of around £10 to provide a central pool enabling future premiums for households in high flood risk areas to be capped.”

“Considerable effort has been put in by ourselves and our partner organisation the National Flood Forum (NFF) to make sure that the interests of flood risk communities are heard. This proposal is a very positive step forward and should provide hope to the many who have faced uncertainty regarding flooding insurance for some time.”

He added: *“We note this is only a decision in principle. We will examine the UK Government’s proposals with communities and partners using the criteria set out at the NFF’s national conference in March 2012 and which we have also promoted:*

- 1. Affordability – flood risk insurance needs to be affordable for everyone as part of household insurance*
- 2. Accessibility – insurance needs to be accessible to everyone, especially those in high risk areas*
- 3. Social justice – we must ensure that those who are most vulnerable, because of the risk or because of their circumstances, such as age or disadvantage, are protected.*

It is essential that the final detailed agreement between the UK Government and the Association of British Insurers addresses all three criteria.”

The Scottish Flood Forum will monitor the continuing discussions between the UK Government and the Association of British Insurers to ensure that people at risk of flooding get the fairest deal possible and that the most vulnerable in society are protected.

ENDS

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Notes for editors:

- Details of the announcement from UK government may be found here:
<https://www.gov.uk/government/news/flood-insurance-agreement-reached>
- The Scottish Flood Forum is a charitable organisation dedicated to supporting flood risk communities. It helps people to recognise, understand and reduce their flood risks and also helps people to recover if they have been flooded.
- The Scottish Flood Forum provides a range of help and services. For further details visit our website www.scottishfloodforum.org or call our helpline 01738 448 411
- Flooding hits health and wealth of communities. The lack of good flood risk insurance can be financially devastating for families. The effect on the local economy, particularly housing markets and small businesses, can last for years and blight severely affected areas. Older and vulnerable people may never recover, in health or financially, and there is a significant cost to public services
- Flood risk insurance in the UK is incorporated into household insurance. Insurance is a matter reserved to the UK Government: the Scottish Government has worked closely with the UK Government in the negotiations with the ABI. An agreement in 2008 between the Scottish Government and the insurance industry, known as the Statement of Principles, is due to expire in June 2013. This stipulates that an insurer will continue to insure a householder with an existing policy for flood risk, but does not state how the premium or excess is calculated. The impact of this and the historic lack of poor data has been that there has in practice been a pooling arrangement whereby every household insurance policy contains an element of flood risk, even where flooding is not a major issue. This partially subsidises those at greater flood risk.
- Negotiations on a new framework to replace the Statement of Principles have been going on for over 2 years. Several models have been under discussion, including a levy and pool system, reinsurance and the free market approach. All have consequences, such as on the value of property, mortgage and the ability of people to move home.