

The Scottish Flood Forum welcomes this opportunity to contribute to the Select Committee's Future Flood Prevention review. The Scottish Flood Forum is a charity that provides support for and represents those who are affected by or are at risk of flooding and is funded by the Scottish Government.

The Forum wishes to bring to the Committee's attention two studies undertaken by a group of researchers at the University of Dundee on the provision and availability of flood insurance:

Ball, T. Geddes, A. Werritty, A. Black, A. and Easton, A. (2012) *Flood Insurance Provision and Affordability: Beyond the Statement of Principles: Implications for Scotland*. Available online at: crew.ac.uk/publications

Ball, T, Werritty, A and Geddes (2011) Insurance and sustainability in flood-risk management: the UK in a transitional state, *Area*, Vol. 45, part 3, pp. 266–272.

The former, undertaken on behalf of the Centre for Expertise on Waters (a Scottish Government-funded programme hosted by the James Hutton Institute), comprises a report commissioned by the Scottish Government in advance of the creation of Flood Re. The latter is a peer-reviewed article that builds on the *Flood Insurance Provision and Affordability* report and reflects further on its key findings. Whilst both publications reflect research undertaken before full information on Flood Re became available, we consider the findings still to be of relevance to the Committee's review.

In terms of the availability and affordability of flood insurance, the key findings of the *Flood Insurance Provision and Affordability* report were:

"The survey results indicated three groups that have particular potential difficulties with meeting costs of extra insurance, alone or in combination.

- Those on low incomes (below £16,000 and particularly below £11,000 per annum);
 - The elderly (over 70, and particularly over 80);
 - Non-homeowner households (particularly those in local authority and/or housing association accommodation).
- Lower-income groups, below £11,000 p.a. per household for the main earner, declared the highest difficulty in meeting hypothetical increased values for future premiums and excesses. For premiums, the typical value at which a rating of 'difficult' was noted was for an annual premium increase of £100-£200 for combined building and contents insurance, and £100 for contents insurance. For excesses, equivalent levels of difficulty were reported at a £1000 excess for combined policies and £500-£1000 for contents-only policies, among this group. The lowest income group surveyed (less than £5,500 per annum) reported that it would be 'very difficult' to meet an excess demand of £500 for a claim of £30,000, although sample size was very small in this group. All income groups reported that meeting an excess of £10,000 on such a claim would be 'very difficult' or 'difficult', findings that were reinforced by comments in focus groups.

- The lower income and non-homeowner groups were also the most likely to have no insurance at all at present, reinforcing findings from earlier research.
- Even in much higher income groups, at up to £55,000 p.a. for the main earner, large increases in premium (£500 per annum) or excess (£10,000), difficulties were reported in terms of potential affordability.
- Older people (over 70) and those in the rented sector reported generally higher potential difficulties with higher costs for both premiums and excesses, although the trend was less clear cut than for income.
- GIS analysis using the incomes index from the Scottish Index of Multiple Deprivation (SIMD) indicated that both very low and high deciles of the index were under-represented in the flood risk zones delineated by the SEPA Indicative Fluvial and Coastal Flood map (Scotland). However, numbers in the most deprived 15% still amounted to a total of over 41,000 individuals at risk. In percentage terms this works out at around 14% of all persons estimated as living in at-risk areas, a proportion which is close to the overall national percentage of residents classed as income deprived (15.1%) according to the SIMD data set. This should be regarded as an estimate based only on the most income deprived groups. The real impact of changes to the insurance market may be greater if such changes impact on groups outside the most income deprived, as the survey suggests it might. However, the extent to which there is impact clearly depends on how much costs rise, which remains very uncertain.

Focus group findings also indicated that some participants who did not require insurance – particularly those with contents-only insurance, would be willing to forgo this cover if prices went up by more than they were prepared to pay. Among homeowners, issues about the mortgageability of property as well as the lack of the freedom to move, due to the effect of the changes in the insurance market on property transactions, were voiced as major concerns.”

Further information on the questionnaire survey and focus groups conducted in the *Flood Insurance Provision and Affordability* report together with the accompanying analysis can be found in the main body of that report.

Both publications also address the issue of promoting resilience as a means of reducing future flood losses. The Scottish Flood Forum strongly supports the promotion of Property Level Protection measures as a key to promoting resilience and notes that Flood Re, as currently developed, runs the risk of undermining the installation of such measures. This could arise because householders with insurance provision covered by Flood Re will no longer have an incentive to take out such measures, especially if insurers are unwilling to reduce future premiums and/or excesses should householders install such measures. Should this prove one of the unintended consequences of introducing Flood Re, success in promoting greater ownership of managing flood risk and reducing losses at the household level will be significantly undermined.

