



Department
for Environment
Food & Rural Affairs

Rebecca Pow MP
Parliamentary Under Secretary of State

Seacole Building
2 Marsham Street
London
SW1P 4DF

T 03459 335577
defra.helpline@defra.gov.uk
www.gov.uk/defra

Business, Energy and Industrial Strategy
Committee
House of Commons
London
SW1A 0AA

25th March 2020

Dear Rachel, Neil, Philip,

Thank you for your joint letter of 4th March about Flood Re. I am replying as the Minister responsible for this policy area.

As you will be aware, the Flood Re scheme is a joint government and industry initiative launched in 2016 to improve the availability and affordability of flood insurance for households at high flood risk. Since its launch, Flood Re has been working well. Research has found that before the introduction of Flood Re, only 9% of householders who had made prior flood claims could get quotes from two or more insurers. 100% can now get quotes from two or more insurers and 99% of households with prior flood claims can now receive quotes from five or more insurers. Research also found that four out of five householders with a prior flood claim also saw price reductions of over 50%. In 2018/19 Flood Re provided cover for over 164,000 household policies, and approximately 300,000 properties have benefitted since the scheme's launch.

You are correct that Flood Re does not cover business insurance. Business insurance operates differently to household insurance – it is often bespoke, based on the individual nature of the business. There is no evidence of a systemic problem for businesses at high flood risk accessing insurance. Research in 2018 found that 2% of small businesses were not able to find suitable insurance cover for flood risk.

Flood Re is funded via a levy on UK household insurers. Expanding the scope of Flood Re to cover businesses would create a new levy on businesses, and could result in businesses across the country, and indirectly customers, subsidising profit making organisations located at flood risk. Often businesses placed near rivers benefit from their position.

For businesses in high flood risk areas they can shop around for the best insurance quote and could consider using an appropriate broker. There are already a number of innovative products being offered to businesses by the industry such as the British Insurers Brokers Association scheme to help small and medium sized enterprises (SMEs) and provide flood cover for those that are ineligible for Flood Re. Other innovative solutions include insurers who offer increased flood excess with reduced premiums, and parametric insurance which allows property owners to set the level of premium in line with an agreed level of risk.

However, it is clearly a problem for some, particularly in communities that have recently been flooded. We are working with the insurance industry and the wider commercial sector



to help businesses become more resilient to flooding, preventing water entering and speeding recovery when it does. The Government published the Property Flood Resilience Action Plan in October 2016 which sets out a number of actions that the business community are committed to taking forward, including improving standards and certification so that customers can be confident in the work being done to make their properties more resilient to flooding. The roundtable which leads this work has a working group particularly interested in how SMEs can become more resilient.

In your letter you refer to the ineligibility of properties built after January 2009. Properties built after 2009 are excluded as we do not think it is appropriate to incentivise inappropriate developments in floodplains. Amending the cut-off date would be inconsistent with current planning policy.

On 27 December the Government announced that it intends to investigate the extent to which those affected by flooding in November 2019 did not have sufficient insurance cover. We do not have an accurate picture of how many properties were uninsured or why. Therefore the review will consist of a rigorous assessment of the data about insurance cover following the November flooding, for both homes and businesses, with a view to then informing any lessons for the future. This is not a review specifically of Flood Re. Whilst this review will help us understand whether there were any issues with householders accessing policies backed by Flood Re, it will need to look more widely. For example, we need to understand whether insurance policies were prohibitively expensive because of other risks, or whether there were other reasons households were uninsured such as personal choice. Further information, including details about who will independently lead the review and the terms of reference, will be announced shortly.

The government is also currently investing £2.6 billion in flood defences to ensure they are better protected. Funding for all projects are allocated according to the rules that govern Defra's existing six-year capital programme. Funding decisions are made on the basis of a rigorous assessment of local needs and the value for money of proposed schemes. Going forward, the government will double the amount it invests in the flood and coastal defence programme in England to £5.2 billion over six years from 2021, better protecting a further 336,000 homes and non-residential properties. Allocation of this funding will be announced in due course. The government will also provide £120 million to repair flood defences which were damaged in the floods in winter 2019-20.

You also asked about what relief government will be offering. On Tuesday 18 February, government announced a major package of support for those recently affected, which included:

- Flood-hit households in affected areas can apply for up to £500 in financial hardship payments to give cash quickly to those in short-term need;
- Households and businesses significantly affected by recent flooding will be eligible for 100% council tax and business rates relief for at least three months;
- Small-to-medium sized businesses in affected areas which have suffered severe, uninsurable losses will be eligible for up to £2,500 from the Business Recovery Grant;
- Flood-hit homes and businesses can apply for up to £5,000 to help make them more resilient to future flooding; and
- A cross-Whitehall Ministerial Flood Recovery Taskforce was established by MHCLG and met on Thursday 20 February to coordinate and oversee Government's flood recovery role. Flood-affected local areas were invited to discuss what may be needed from government to support local recovery efforts. This

was the first of a series of meetings and was chaired by the Local Government Secretary of State. The second meeting was convened on the Thursday 5 March; both Flood Recovery Taskforce meetings were attended by Defra and BEIS Ministers, as well as Officials from DfE, DfT, DHSC and EA and local representatives.

Thank you once again for taking the time to contact the Secretary of State about this important issue.

A handwritten signature in blue ink, appearing to read 'Rebecca Pow', written in a cursive style.

REBECCA POW MP