Welsh Affairs Committee

4 December 2024

Hannah Gurga,
Director General,
Association of British Insurers

Dear Hannah,

The Welsh Affairs Committee is planning to hold an evidence session on December 18 examining the recent floods that occurred in Wales as a result of Storm Bert. Many regions in Wales were severely affected by the flooding and many homes and businesses suffered significant damage.

Floods are becoming a more recurrent and severe event globally due to climate change. National Resources Wales estimates that one in seven properties in Wales (272,817 properties) are currently at risk of flooding, of which 117,000 properties are classified as high risk (chance of flooding at least once every 30 years). Coastal and communities situated next to rivers are particularly susceptible to flooding and with 60% of Wales' population living on or near the coast, flooding is an ever-increasing risk for Welsh communities.

Many homeowners and businesses rely on the critical financial assistance from insurance policies in the event of a severe weather event. I would be grateful for your views on whether the current insurance landscape meets the current and future requirements of homeowners and business owners in Wales, in light of the changing climate.

In addition, I would be interested in the role insurance providers can play in helping their customers to better prepare and protect properties from extreme weather. The Committee wishes to ensure that people in Wales are not left in situations in which their homes and businesses become uninsurable, due to repeated flooding.

The Committee would be grateful if your response could be provided to the Committee by Wednesday 11 December.

Yours sincerely,

Ruth Jones

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11 December 2024

Dear Ms Jones,

Thank you for reaching out to us ahead of the upcoming evidence session on 18 December covering the flooding in Wales last month during Storm Bert. I would like to first extend our sympathies to all those affected; the impact of a flood can be devastating, and our sector's aim is to help prepare and protect properties and get people back on their feet. With further bad weather over the last week, we have also made advice available on our website around the impact of Storm Darragh and we continue to work closely with our members and all relevant departments on the flood response.

Insurers are ready to respond to any flood event and their first priority is to support their customers, begin the claims process, deal with any immediate needs and arrange alternative accommodation where this is required. To help explain this process and support those affected by flooding, we have produced a poster setting out the main steps of the repair process and what people should expect from their insurer if they need to make a claim. The ABI's 'Responding to Floods: What You Need to Know' guide also provides more information and advice. We regularly mail this out to parliamentarians and government officials ahead of the winter storm season and when weather warnings are issued, offering further support as needed.

You asked about how the market as a whole works and what the current insurance landscape looks like. To provide a more detailed picture of the overall market, the ABI publishes a quarterly home insurance claims and premium tracker. Our latest tracker shows that the average price of a household combined buildings and contents policy in Q3 2024 was £407 – £11 (3%) higher than the previous quarter and £56 (16%) higher than the same period last year. On claims costs property insurers paid out £1.3 billion during the third quarter of this year to help homeowners and businesses cope with unexpected and unwanted events like flooding, bringing the year-to date total to £4.1 billion – this represents the largest amount paid out in the first nine months of any year on record. When adjusting for inflation, the current average premium paid is comparable with prices paid in Q3 2017. Meanwhile, the equivalent average claim paid is 72% more expensive than Q3 2017. In addition, EY figures show that in 2023, for every £1 property insurers received in home insurance premium, they paid out £1.18 in claims and expenses.

We recognise that those living in flood risk areas may find it more difficult to access appropriate and affordable insurance and so as an industry we have several initiatives designed to help. Price comparison websites may not be the best option for people living in such areas, and so we would recommend using a specialist broker or the British Insurance Brokers' Association (BIBA)'s flood insurance directory that lists specialist firms that provide flood cover.

One of the main ways people living in flood risk areas are supported to find affordable home insurance is the Flood Re scheme, which the industry designed, developed and helped implement alongside government in 2016. Flood Re is not a home insurer itself; instead, it sits behind the insurance market and is designed to allow an ongoing, competitive market for flood risk homes so that consumers can shop around and more easily find suitable policies.

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Their website contains a list of insurers who use Flood Re and the eligibility criteria. To date, Flood Re has helped over 500,000 households access insurance – including more than 21,000 properties in Wales. Independent research has also shown that 98% of households with prior flood claims can now obtain quotes from five or more insurers when previously none could get five quotes before the creation of Flood Re.

Flood Re was always intended as a temporary scheme and so it will cease to operate in 2039, by which time the insurance market is to return to fully risk reflective pricing for flood insurance. Flood Re is required by law to manage this transition and in July 2024 it published its Quintennial Review setting out how insurance will remain affordable and available after its exit. It is also required to publish a Transition Plan every five years, the latest of which includes how it intends to rise to the challenge of climate change adaptation and its commitments for the next five years.

As well as having suitable insurance cover in the event of a flood, preventing or mitigating the impact of flooding ahead of time is also crucial and insurers also have a role to play in helping people make their properties more resilient to future extreme weather. One example of our sector taking action was the creation of Flood Re's Build Back Better initiative in 2022. Insurers who are signatories of the scheme can offer householders the chance to install property flood resilience measures up to the value of £10,000 when repairing their properties after a flood, reducing the impact of future flooding. The initiative now covers over 70% of the UK's residential property insurance market.

Given the increased frequency and severity of flooding as a result of climate change, the Government must take action on climate resilience too. The ABI has long called for reforms to the planning system to prevent inappropriate development in high flood risk areas and ensure new homes are resilient to climate risk and promote nature recovery. The upcoming Planning and Infrastructure Bill and updates to the National Planning Policy Framework are an opportunity to embed climate and flood resilient development into the planning system and ensure more transparency on where homes are built in flood risk areas for both homeowners and industry. At the UK government spending review next year, we also want to see an improved, long-term commitment to flood defence investment, and we will be engaging with the consultation process. Insurers welcomed the decision made by the Welsh Government in 2019 to make installing sustainable drainage systems (SuDS) mandatory in all new developments of more than one dwelling house or over 100 square meters, and we encourage the rest of the UK to look to Wales as an example and do the same.

We look forward to continuing to work closely with the UK and Welsh governments to ensure our sector's full potential is realised in making homes more climate and flood resilient. If we can be of any further assistance please do not hesitate to get in touch.

Yours sincerely,

Hannah Gurga
Director General