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Meg Hillier MP, Chair
Public Accounts Committee
House of Commons
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07 April 2021

From Tamara Finkelstein
Permanent Secretary

Dear Ms Hillier,

Forty-fifth Report of Session 2019-21: 'Managing Flood Risk'

In February 2021, the Public Accounts Committee (PAC) published a report on ['Managing Flood Risk'](#). This letter responds to Recommendation 7 of the report: 'The Department should write to us by April 2021 setting out the findings of its research into non-take up of insurance and how it is going to ensure remaining obstacles to obtaining affordable insurance are addressed. It should include what it is doing to overcome the obstacles to households implementing property-level flood resilience measures.' A response will be provided to the other recommendations in the Treasury Minute.

Government recognises that as climate change brings more extreme weather, we must increase our efforts to build a more resilient nation to ensure the country is better protected and prepared for the future.

Affordable Flood Insurance

Following the severe South Yorkshire flooding in November 2019, government commissioned an independent review into the affordability and availability of insurance in Doncaster, led by Amanda Blanc, former chair of the Association of British Insurers (ABI). The ['Independent Review of Flood Insurance in Doncaster'](#) was published on 5th November 2020. It signalled significant differences between insurance cover held by homeowners and tenants. The review found that 97% of homeowners (both flooded and non-flooded) had at least one of buildings or contents insurance, with 95% having both. 36% of tenants confirmed that buildings insurance was in place, but a further 37% did not know, which might be expected for tenants as landlords rather than tenants are responsible for buildings insurance. 45% of tenants confirmed they did not have contents insurance. The report also signalled that around 7% of insurance policies held by Doncaster homeowners did not cover floods. Amanda Blanc made 12 proposals that government is considering and will respond to formally by summer this year.

One of the proposals from the report suggests that Defra should repeat the 2018 research into the affordability and availability of flood insurance for households and small and medium sized enterprises. We are already taking this work forward. The next research project will commence in April 2021 and run until the end of May 2022. The project is the fourth in Defra's series running since 2013 to monitor the market pre and post inception of Flood Re. This research will seek to explore the disparities found in the review.

Property Flood Resilience

In the government's Flood and Coastal Erosion Risk Management (FCERM) Policy Statement, published in July 2020, we recognised that further action is needed to ensure that homes, communities and businesses are prepared so that they can respond and recover more quickly if flooding does happen. In order to increase uptake of Property Flood Resilience (PFR) we need to overcome barriers currently limiting uptake. There are a range of 'enablers' which need to work effectively to support the PFR market. These will help ensure the foundations are in place to support communities to be better prepared through the effective use of PFR.

Enabling an effective PFR market and encouraging uptake is a shared challenge. There are a range of organisations who benefit and can play a key role, ranging from central government, local government, the buildings sector, insurers, and the service and financial sectors. That is why, on 1 February, government published a [Call for Evidence](#) (CfE) seeking evidence about the key PFR enablers to help inform policy development and the action required to drive uptake. The key enablers are:

- Encouraging uptake through financing and other incentives.
- Planning policy, building regulations and standards in which the CfE will help government understand how different levers could be strengthened or consolidated to improve their effectiveness.
- Training and technical expertise of professionals and installers is a key enabler to help drive up standards and consumer trust.
- Improving ways to record and share information about which properties are flood resilient, to what degree, and the benefits they deliver in terms of reduced damages to support the evidence base to drive PFR uptake.
- Further improving communication and understanding around PFR is needed so that individual householders and businesses can be confident about the quality and accuracy of the information they access to determine their flood risk, and are equipped with the knowledge to take action and make their properties more resilient.
- The CfE also seeks evidence on whether government should expand the circumstances where the overall flood defence investment programme can be used for installing 'resistance' measures, such as flood doors, to properties and how to achieve this. The CfE closes on 29 March 2021.

On 1 February, government also published a consultation on ['Amendments to the Flood Re Scheme'](#) which explores proposals to improve the efficiency and effectiveness of the Flood Re Scheme and to further accelerate uptake of PFR measures. The consultation explores the ability for Flood Re to offer discounted premiums to households that have fitted property flood resilience measures, permitting the payments of claims which include an additional amount to 'build back better' in a more flood resilient way, and explores

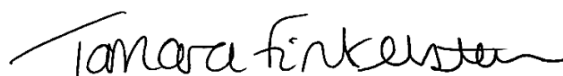
whether the Flood Re Scheme could do more to accelerate uptake of PFR, including whether Flood Re could use any surplus it accrues (above and beyond what it requires to operate and meet its regulatory requirements) on further activities to support the transition to a risk reflective home insurance market.

Government further supports the development of an effective PFR market through the FCERM Grant in Aid investment programme, the PFR recovery grant scheme, regional pathfinder projects and through the PFR roundtable.

Additionally, at the March 2020 Budget, government announced a new £200m 'Flood and Coastal Resilience Innovation Programme' to run to 2027. £150m will help over 25 local areas to take forward wider innovative actions that improve their resilience to flooding and coastal erosion, including PFR. Details of areas receiving funding through this programme were published on 28 March and can be found online at

<https://www.gov.uk/government/news/innovative-projects-to-protect-against-flooding-selected>.

Yours sincerely,



TAMARA FINKELSTEIN