

## **Briefing**

### **Flood Re/New Statesman: flooding and the Levelling Up and Regeneration Bill**

This briefing is based on a Chatham House roundtable Flood Re and the New Statesman held with senior figures of the insurance and lending industry to understand their perceptions of the Levelling Up Bill and the key things they wanted from it for flood risk adaptation.

#### **The scale and financial cost of the challenge we're facing**

- The Environment Agency's Flood and Coastal Erosion Risk Management report<sup>1</sup> shows there are 2.5 million properties at risk of flooding from rivers and the sea in England.
- In addition, over 3 million properties<sup>2</sup> in England are at risk of surface water flooding,
- Looking forward, The Bank of England Climate Biennial Exploratory Scenario 2021 (CBES)<sup>3</sup> asked the insurers and banks to assess the impact of climate change on their assets for the next 30 years using three scenarios. The CBES scenarios are not forecasts of the most likely future outcomes. Instead, they are plausible representations of what might happen based on different future paths of climate policies, technological developments, and consumer behaviour, aimed at limiting the rise in global temperatures. The three scenarios considered were named: Early Action, Late Action and No Additional Action (NAA). The NAA scenario explores the physical risks that would begin to materialise if governments fail to enact any policy responses to global warming. Under an NAA Scenario, Insurers projected a rise in average annualised losses of around 50% on UK exposures. The impact on general insurers' liabilities in terms of average annual losses has shown that surface water risk (inland flooding) will become the highest growing and most costly peril.
- The link between climate change and increased risk of flooding is increasingly understood, and this needs to be reflected in planning policy and practice. Decisions on new developments should be made based on future risk, not current risk, factoring in projections that show a huge increase in the number of high-risk areas. This risk is moving quicker than planning decisions are being made now. While there is widespread support for the Government's ambitions to extend home ownership, homes need to be insurable, not least so that they can attract a mortgage.

#### **Opportunities from the Levelling Up and Regeneration Bill**

The Levelling Up and Regeneration Bill provides the opportunity to realise a new partnership between policy makers and industry to address this challenge. Innovation within the construction and retrofitting of homes can both increase property flood resilience and support a growing industry within the UK.

Key elements of the Bill:

- The National Planning Policy Framework (NPPF) consultation gives the industry the opportunity to shape the landscape, by cutting through the binary choice of whether to

---

<sup>1</sup> [Flood and coastal erosion risk management report: 1 April 2020 to 31 March 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544444/flood-and-coastal-erosion-risk-management-report-1-april-2020-to-31-march-2021.pdf)

<sup>2</sup> [Surface Water risk figure, Speech by Sir James Bevan KCMG, Chief Executive EA, CIWEM Surface Water Management Conference, October 2018](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544444/surface-water-risk-figure-speech-by-sir-james-bevan-kcmg-chief-executive-ia-ciwem-surface-water-management-conference-october-2018.pdf)

<sup>3</sup> [Bank of England CBES Chart 4.12, May 2022](https://www.bankofengland.co.uk/~/media/102022/cbes-chart-4.12-may-2022.pdf)

build or not build and look at a holistic approach to tackling flood risk. This is vital if the Government's ambitious housing targets – which are widely supported – are to be met without exposing homeowners to an unnecessary flooding risk.

- The NPPF has the potential to introduce a long-term approach to planning that focusses on prevention rather than cure.
- The Framework could also be used to incentivise the building of flood resilient homes and the retrofitting of existing homes. This would increase the resilience of the UK's housing stock and boost a fledgling British industry.

Key asks from the industry:

- A land use framework would help realise the opportunities outlined above
- A greater focus on the infrastructure needed to support the creation of more homes
- The industry would like to see building regulations go further, with proper enforcement processes to ensure standards are adhered to.

### **Climate ready homes**

Retrofitting existing homes to make them more resilient to flooding is a key element of meeting the challenges of climate change. A lot of focus has rightly been put on retrofitting homes to be energy efficient in recent years, however there are many synergy opportunities to make homes resilient to flooding, including property flood resilience (PFR.)

Retrofitting homes requires skills and can lead to job creation across the country in new green roles – an important pillar of the levelling up agenda. Industry is leading the way on this, showcasing the possibilities to create new centres for skills across the country.

Flood Re is already undertaking a range of work to support the PFR industry and make it accessible for individuals and industries who need to improve the resilience of their homes. This includes in-depth research to create a scoring methodology of flood risk to a home and scoping work to consider the viability of Flood Performance Certificates (FPC) so that homeowners can demonstrate the efficacy of work they have had done, take action or simply be more aware of their flood risk

### **Calls to action**

Key opportunities to improve flood resilience across the country:

- Bring developers into the conversation with insurers, lenders and policy makers, and have a more holistic approach to flood risk, planning, and climate change
- Show how lived experience can help bring the problem to life for policy makers
- Discuss what more can be done to educate people about flood risk and what they can do to adapt.

### **About Flood Re**

Flood Re exists to promote the affordability and availability of home insurance for households at high risk of flooding across the UK through a reinsurance scheme. Before we existed, many at-risk households in flood prone areas faced limited access to insurance, with unaffordable premiums, potentially impacting the 5.2 million homes and businesses in flood risk areas.

The scheme launched on 4 April 2016 as an independent body that is privately owned and operated, but which is publicly accountable to the Department for Environment, Food and Rural Affairs. Since

our launch, we have made great progress in improving the availability and affordability of flood insurance, which has led to:

- Around half a million homes have now benefitting from the Flood Re scheme
- Four out of five homes with previous flood claims have experienced a price reduction of more than 50%

In April 2022, Flood Re launch its Build Back Better (BBB) scheme to reduce the impact of future flooding for households.

- BBB enables participating insurers to offer customers access to reimbursement costs of up to £10,000, over and above work to repair damage and loss caused by a flood.
- The funds, which insurers can claim back from Flood Re, can be used to pay for the installation of flood resilience measures such as raised electrical sockets, self-closing air bricks, non-return valves, along with flood resistant doors and the replacement of wooden floors with waterproof tiling and grout. The scheme also covers the cost of surveys to understand the flood risk and potential mitigation of individual properties.
- Two-thirds of the UK residential property insurance market now support Flood Re's Build Back Better initiative

For further information, please contact:

Kelly Ostler-Coyle  
Head of Communications, Flood Re  
Kelly.ostler-coyle@floodre.co.uk