



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Flood insurance and replacing the Statement of Principles**
DATE **11 July 2013**
BY **Alun Davies Minister for Natural Resources and Food**

A consultation on flood insurance was issued by UK Government on 27 June 2013 and will run for 6 weeks. It seeks views on proposals to address availability and affordability of 'flood insurance', which is buildings and contents insurance in areas of flood risk.

<https://www.gov.uk/government/consultations/insurance-in-areas-of-flood-risk>

The preferred option is a subsidised insurance pool for high risk households entitled "Flood Re", which will be funded by a levy on all buildings and contents insurance premiums and administered by the insurance industry. This approach works in partnership with the insurance industry to deliver a solution to replace the current Statement of Principles.

I support the general principle of a subsidy, helping to keep premiums available and affordable but discussions will continue on how it will operate and over what period. In time, premiums will become more reflective of the true risk and homeowners in flood risk areas should be aware of potential flooding and how to become more resilient to that risk.

My officials will continue to work with their counterparts in England, Scotland and Northern Ireland to bring forward a solution that allows people to insure their homes and not face steep increases in premiums. Whilst the previous Statement only worked on the availability of insurance, a new agreement with the insurance industry will aim to address affordability by capping flood insurance premiums, linking them to council tax bands so that people will know the maximum they will have to pay.

Access to affordable buildings and contents insurance is often cited by those at flood risk as one of their main concerns. The financial consequences of flooding can often be substantial, and where homeowners do not have adequate insurance cover meeting the costs of repairs can be difficult, compounding the emotional and physical impacts of a flood.

If the preferred option is agreed, the intention is to deliver it through the Water Bill, but setting up a new system will take time. Until the Water Bill has passed through Parliament and Flood Re is set up, industry has agreed to abide by the current Statement of Principles.

The Welsh Government remains committed to addressing flood policy through the Programme for Government and National Strategy for flood and coastal erosion risk management. I am investing over £180 million in flood and coastal erosion risk management over the life of this Government. In addition to this we will receive over £60 million from the European Regional Development Fund and Central Capital Allocation over

the period, reducing the risks for over 7,000 homes and businesses across Wales.