



PUBLIC PETITION NO.

PE01441

Name of petitioner

David Crichton

Petition title

Flood insurance problems.

Petition summary

Calling on the Scottish Parliament to urge the Scottish Government to represent Scottish interests in the current discussions between Defra and the UK insurance industry.

Action taken to resolve issues of concern before submitting the petition

I raised the issues with Michael Russell MSP and Richard Lochhead MSP because they know me from meetings I have had with them on a confidential face to face / one to one basis in the past where I have helped them to understand flood insurance issues. Michael Russell promised to forward the matter to Mr Stewart Stevenson, MSP, but I have not heard from him. I have also raised it with SPICE who I have assisted in the past but have had no response.

I have raised concerns with the “National” Flood Forum of England and Wales and also with the Scottish Flood Forum.

I have written three papers on the subject which have been published on the web site of the Chartered Insurance Institute. They are all open access.

Published April 2012. “Flood Plain Speaking.” Chartered Insurance Institute web site. Available at <http://www.knowledge.cii.co.uk/resource/flood-plain-speaking>

Published May 2012. “CII Thinkpiece 73: Is it Possible to Have Sustainable Flood Insurance without Sustainable Flood Risk Management?” Chartered Insurance Institute, London. Available at <http://www.knowledge.cii.co.uk/resource/cii-thinkpiece-73-it-possible-have-sustainable-flood-insurance-without-sustainable-flood-ri>

Published June 2012. “Climate Change and Insurance Adaptation.” Pp39-47, CII Report on Future Risks Related to Climate Change and Energy Security. Chartered Insurance Institute, London. Available at <http://www.cii.co.uk/knowledge/policy-and-public-affairs/articles/future-risk-climate-change-and-energy-security-global-challenges-and-implications/19188>

I have been invited to join the discussions with Defra and HM Treasury but the Scottish Government is not represented. These discussions could lead to a UK wide agreement with the insurance industry which will have adverse consequences for millions of Scottish citizens. I simply feel I have a duty to warn that the outcome of the Defra and HMT discussions is likely to be very much against the interests of Scotland.

Petition background information

Since 1961, flood insurance in the UK has been the subject of an undertaking by insurers to government. This undertaking has distorted the market and the current version, known as the "Statement of Principles" is due to expire on 30th June 2013. There is concern that this will mean that some 200,000 households in England will no longer be able to obtain household insurance after this date. Potentially some 5.2 million households in England will see premiums increase dramatically and many will not be able to afford to continue their insurance.

Currently the premiums of around 78 per cent of households in high flood risk areas of England are subsidised to the tune of over £200 million a year by households in low risk areas of the UK. A disproportionate share of this subsidy is paid by Scottish householders, because Scotland has reduced its flood risk dramatically since 1995. Currently 23.1 per cent of English households are at risk of flood compared with 4.5 per cent of Scottish households. There are at least 42 ways in which the flood risk in Scotland is lower than in England.

Defra has refused to contribute to the subsidy and the proposals under active consideration by Defra at the moment would see the subsidies from low risk households continuing and being extended. Scotland would continue to pay a disproportionate share of this cost. Scotland is not being represented in the discussions currently taking place and an announcement is to be made in "Spring 2012" about the subsidy. This may result in flood insurance becoming unaffordable for many low income families in Scotland, as they will have to subsidise wealthy residents of riverside properties in England.

This subsidy will enable property developers in England to continue to develop in the flood plain. 21 per cent of all new properties in London in 2010 were in flood risk areas. Scotland has not allowed flood plain development since 1995 (other than in Moray).

It seems unfair that residents in Scotland are to be forced by Defra and the Association of British Insurers in London to continue to subsidise property developers in London and other parts of England where flood plain development still takes place. Given that Scotland has worked so hard to manage its flood risk well, I propose that the insurance industry should be asked to recognise this and to treat Scotland as a different country bearing in mind the 42 ways in which Scottish flood risk is lower than in England.

Scotland currently has its own 'Statement of Principles' with the Association of British Insurers

<http://www.scotland.gov.uk/Topics/Environment/Water/Flooding/resources/membersofthepublic>
England, Wales and N. Ireland each have their own statements. In each case the statements expire on 1 July 2013.

In the Statements it is agreed that having a Statement is in itself may be problematic. "However, we recognise that the statement of principles may distort the market, hinder the development of specialist flood insurance for the more difficult cases and limit incentives for the uptake of cost-effective resilience measures to protect individual properties." And that steps set out in the Statement were to be taken forward to provide a long term solution without the need for the statement.

The steps that government were "requested" to take included:

- Stricter planning rules to control flood plain development.
- More spending on structural flood defences.
- More resilient building regulations.

In Scotland, Wales, and N. Ireland each of these conditions have been met in full. It is only England which has:

- failed to control flood plain development (which has increased) or
- failed to spend more on flood defences (it has reduced) or

- failed to make building regulations more resilient (they have been relaxed).

There is no way the insurance industry will renew the Statement with the Scottish Government because they have been let down so badly by the government in England. This would not be in the best interests of Scotland anyway.

I am not asking that the Scottish Government try to renew the Statement of Principles, I am simply trying to warn them that the likely outcome of current negotiations in London is a “pooling arrangement” under which Scottish property owners will be expected to continue to subsidise flood risks in England to enable English property developers to continue to build in English flood plains. The current subsidy is between £200m and £265m per year of which a disproportionate share is paid by Scotland.

A general principle of insurance is to spread risks, but it is also a general principle that premiums should relate to the extent of the risk. You would not expect a 19 year old with two drink driving convictions to pay the same for motor insurance as a 45 year old with a clean licence. Similarly you would not expect Scottish policyholders to subsidise the flood insurance for the Netherlands. So why should Scotland subsidise a country which persists in allowing continued flood plain development?

This will result in an increasing discrepancy between the number of properties at risk of flood in England and the number at risk in Scotland. This in turn will require an increasingly high level of subsidy from Scotland to England. Climate change will accelerate this process.

Insurers are mainly concerned about English flood risk. Once the insurance industry in London has made an agreement with Defra, that agreement will apply to Scotland, Wales and NI as well and there is not much the Scottish Government will be able to do about it. However if Scotland was to react strongly at this stage before agreements are “set in stone” – for example by stressing the 42 ways in which Scottish flood risk is lower than in England and asking insurers to underwrite Scottish risks separately on their own merits, as if Scotland was a separate country, then it may not be too late.

See also: Sunday Herald 12 Feb 2012. Revealed: how Scots are subsidising housing in English flood plains

Unique web address

<http://www.scottish.parliament.uk/GettingInvolved/Petitions/floodinsurance>

Related information for petition

For a table showing 42 important ways in which the flood risk is lower in Scotland than in England see table 7 in

<http://www.cii.co.uk/knowledge/claims/articles/flood-plain-speaking/16686>

Do you wish your petition to be hosted on the Parliament's website to collect signatures online?

YES

How many signatures have you collected so far?

0

Closing date for collecting signatures online

10 / 08 / 2012

Comments to stimulate online discussion

The petitioner

David Crichton has a number of years experience in the insurance industry, latterly as a consultant advising insurers and governments in four continents. He is a founder member of every Flood Liaison and Advice Group in Scotland. At one time these groups covered 94 per cent of the Scottish population and thanks to support from the Association of British Insurers were instrumental in putting an end to Scottish flood plain development. Now that this policy is embedded in planning strategies there is no longer such a need for FLAGs but many still meet regularly.

Crichton has advised the ABI, the Irish Insurance Federation, OECD, NATO, NOAA, USGS, and the UN. He is the author of 32 published books and 42 academic papers on insurance and climate change. He has been the sole author of the CII Flood Fact File since 2004. This is the most comprehensive and up to date book on UK flood risks, and circulation is limited to CII members. The 21st edition of the Flood Fact File was published in January 2012.

Affiliations include:

- Hon. Visiting Professor, AON Benfield Hazard Research Centre, University College London. This is the leading hazard research centre in Europe, specialising in natural disasters and insurance.
- Hon. Visiting Professor, Middlesex University Flood Hazard Research Centre, London.
- Honorary Research Fellow, University of Dundee, the home of the first UNESCO water research centre in Europe and the British Flood Insurance Claims Database (the biggest such database in the world).
- Fellow of the Chartered Insurance Institute.
- Chartered Insurance Practitioner.

Please note that this petition reflects the author's personal views and does not necessarily reflect the views of the Chartered Insurance Institute or any of the above organisations.