



Briefing for the Public Petitions Committee

Petition Number: [PE1441](#)

Main Petitioner: Professor David Crichton

Subject: Flood Insurance Problems

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

Background

It is widely recognised that flooding can have serious effects across society. Scotland does not face the same degree of flooding as the rest of the UK, due principally to differing topography.

Schedule 5, Part II, Head A3 of the [Scotland Act 1998](#) specifically reserves financial services, including insurance.

The [Flood Risk Management \(Scotland\) Act 2009](#) has introduced a new approach to flood risk management. Specific measures include a framework for coordination between all organisations involved in flood risk management; assessment of flood risk and preparation of flood risk management plans; new responsibilities for key bodies in relation to flood risk management; and a revised, streamlined process for flood protection schemes.

The [Reservoirs \(Scotland\) Bill](#) received Royal Assent on April 12, 2011. The new Act is yet to be commenced, however it will change the way reservoirs are regulated, and it includes measures to increase public protection of the risk of flooding from reservoirs. Most significantly, it moves from a capacity-based regime (currently only reservoirs greater than 25,000 m³ are regulated) to a risk-based approach.

In December 2008, the Scottish Government and the Association of British Insurers (ABI) issued a [Statement of Principles on the provision of flood insurance](#); the agreement details a range of measures which include:

- developing a long-term strategy (of over 25 years) to reduce flood risk and encourage action to mitigate and minimise the risks and costs of flooding
- reinstating flood damaged property in a more resilient way

- ensuring the planning system prevents inappropriate development in flood-risk areas
- ensuring any essential new development in medium to high-risk areas is flood resistant
- providing information about how to obtain flood insurance and promote access to insurance for low-income households

This agreement is due to finish in July 2013, and the ABI has made clear that it does not intend to renew the agreement owing to its belief that it prevents the development of a free market in flood insurance.

Scottish Government Action

The Scottish Government has been engaged in assessing the possible implications of changes to the flood insurance market following the forthcoming lapse of the [Scottish Statement of Principles on the provision of Flood Insurance](#).

According to the Scottish Government, officials have been engaged in regular (approximately monthly) discussions with DEFRA and the other devolved administrations about how to continue to ensure uptake of affordable insurance across the UK.

In addition, the former Minister for Environment and Climate Change, Stewart Stevenson, met ABI on 16 November 2011 and BIBA (British Insurance Brokers Association) on 30 May 2012, to discuss the way forward. Mr Stevenson also wrote to the then Secretary of State, Caroline Spelman, after her [statement on flood insurance](#) on 11 July 2012, explaining that there were some issues around the DEFRA proposals which the Scottish Government felt would require further discussion and careful consideration.

Relevant Publications

In order to assess the likely impact of the lapse of the Scottish Statement of Principles, the Scottish Government commissioned the Centre of Expertise for Waters (at Dundee University) to undertake a preliminary assessment of the possible implications in Scotland of changes to the flood insurance market. [Flood Insurance Provision and Affordability. Beyond the Statement of Principles: Implications for Scotland](#) was published in July 2012.

Scottish Parliament Action

The Scottish Parliament has taken no action on this issue.

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25 September 2012

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