



Flood hazard management, the changing role of insurance and some perspectives from Scotland

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Outline of presentation

- Background – flood responsibilities and spending mechanisms – England & Wales and Scotland
- Flood Appraisal Groups in Scotland
- Insurance – changing role; changing availability of cover
- How flood hazard management differs in Scotland
- Sustainability assessment

Flood responsibilities

England & Wales

- DEFRA & ODPM: policy
- Local Authorities (+Nat Parks): planning
- EA: flood prevention (inc. IDB areas)
- EA: flood warning, flood risk information
- EA: statutory consultee on planning
- EA: channel maintenance

Flood responsibilities

Scotland

- Scottish Executive: policy
- Local Authorities: flood prevention (permissive powers); channel maintenance; planning
- SEPA: Flood risk information/ assessments; statutory consultee on planning; flood forecasting (permissive powers)

Flood defence spending

England & Wales

- Flood Defence Spending Review fixed by Treasury
 - Includes funds routed through DEFRA
 - + LA contributions – not dependable
- Allocations according to DEFRA rules
- Concern (DEFRA) that spend not keeping pace with need
- Targets for housing growth → exacerbation

Flood defence spending

Scotland

- Funding split between SE + LA borrowing
- Schemes eligible if benefits > cost
- Standard of service: 100yr RI + freeboard + climate change allowance
- No scheme refused due to lack of funds
- More schemes last 4yr than previous 40
- Accountability: LA borrows + must repay

Flood Appraisal Groups

- Recommended in NPPG7 (1995)
- FAG = non-statutory informal group of stakeholders and experts (planners, building control, EPOs, police, water, developers, SEPA, SNH, insurance) covering wide range of interests
- Advise LAs – wide range of flood issues. Can discuss development plans, flood protection strategies, SuDS, contingency plans, insurance cover, biennial reports
- 17 FAGs cover 98% of inland flood-risk pop. 7

Insurance and flooding

- 1953 East Coast flood caused 304 deaths, £5b of damage at today's prices; highlighted need for property insurance
- 1961 response: guarantee of cover – unique by world standards
- But 'weather' losses for insurers have increased markedly in last 10-15 yrs – e.g. £1b losses from autumn 2000 floods

Insurance and flooding

- Increasing pressure on government: investment on defences needed to catch up and keep pace with rising exposure
- Guarantee of cover withdrawn end 2002
- ABI “Statement of Principles” imposes a stricter regime – threatens/offers to markedly change patterns of floodplain use

Changing role of insurers

- Traditionally reactive stance: flood hazard not given special attention (overall claims info adequate for rate setting)
- Climate change, land use planning and flood defence cannot now be ignored
- ABI has adopted a lobbying function

ABI Statement of Principles

- Flood insurance available for the 75 year return period, but no more cross subsidies.
- Even this guarantee depends on:
 - Flood defence expenditure to meet or better figures announced in 2002 Spending Review,
 - Full implementation of PPG 25 with full reporting,
 - England & Wales considering integrated drainage management (as per Scotland).

Implications:

- No insurance, no mortgage (CML)
- Property devaluations of 20-40% (RICS)
- ~ 200,000 properties in England & Wales uninsurable
- Residents pressure – action groups, possible lawsuits if no defences delivered

Development control in Scotland

- SEPA-Planning Authority Protocol
- SEPA must be consulted if risk of flooding identified
- System of coded responses
- Applications must be referred to Ministers if Authority minded to approve contrary to SEPA advice
- Only one case referred to date
- Planning guidelines link to flood-risk responsive building control system

Flood prevention in Scotland

- Local Authorities take decision to apply for a flood prevention scheme – direct local accountability
- Authorities *may* be held responsible for defences (Edinburgh test case)
- Relatively low benefit:cost threshold to exceed
- Advised by Flood Appraisal Groups
- No backlog of unfunded schemes

Insurance cover in Scotland

- ABI Statement of Principles applies equally as in England & Wales
- Cover therefore not guaranteed in high risk areas, and no cross-subsidies
- However, 'red-lining' problems abating, led by esure, due to high spend on defences and knowledge of FAG work
- Coastal flood risk remains a concern

Sustainability in Scotland?

- Development control working well for new build
- Red-lining will marginalise financially unsustainable existing development
- Increasing provision of defences supports widespread availability of affordable insurance cover
- Use of building standards far-sighted
- 'Rush to concrete' not necessarily supportive of broader environmental objectives