



JBA
consulting

**Flood Insurance
Pricing,
Availability and
Affordability**

FD2669

Final Report



**Department
for Environment
Food & Rural Affairs**

JBA Consulting Project Manager

Janet Spence
Salts Mill, Victoria Road
Saltaire
Shipleigh
BD18 3LF

Prepared by Steve Maslen, Director
..... Janet Spence, Project Manager
..... Lowri McCann, Research Assistant

Purpose

This document has been prepared as a final report for Defra. JBA Consulting accepts no responsibility or liability for any use that is made of this document other than by the Client for the purposes for which it was originally commissioned and prepared.

JBA Consulting has no liability regarding the use of this report except to Defra.

Acknowledgements

JBA Consulting wishes to thank Defra, the Environment Agency, the National Flood Forum, ABI, BIBA and householders consulted at various stages of this project for their contributions to the research.

Carbon Footprint

A printed copy of the main text in this document will result in a carbon footprint of 483g if 100% post-consumer recycled paper is used. These figures assume the report is printed in black and white on A4 paper and in duplex. JBA is aiming to reduce its per capita carbon emissions.

Executive Summary

The Department for Environment, Food and Rural Affairs (Defra) commissioned JBA Consulting to undertake a research study into flood insurance, pricing, availability and affordability for householders in flood risk areas. The study has gathered a snapshot of the situation in 2013 and provided a retrospective look over the three year period 2010-2013.

The research sought to provide an objective baseline report on the differentials in the cost, availability and affordability of household insurance at the time of research between those areas that were at risk of or had recently experienced flooding and those that had not. It considered in more detail whether there were differences between geographic locations and across socio-economic groups. The research tested approaches to obtaining information on the levels of insurance premiums paid by householders and identified challenges in securing this data.

Four key strands of research were undertaken by JBA Consulting to gain an understanding of the domestic insurance market. These included:

- Desk research ([Section 2](#))
- Omnibus survey ([Section 3](#)),
- Focus group in a high flood risk location ([Section 5](#)),
- Telephone survey ([Section 7](#)).

A summary of the key findings from all research stages is provided in Appendix I of the separate Appendices document.

The research was informed by a householder market testing exercise ([Section 4](#)) and consultation with members of the British Insurance Brokers' Association (BIBA) ([Section 6](#)).

Price and Affordability

The results from the research suggest that respondents living in flood risk locations paid a higher premium than respondents living in non-flood risk areas. Respondents in the telephone survey and focus group reported increasing house insurance premiums after flooding. However the results of the telephone survey are based on a simple comparison between flood and non-flood risk areas (no statistical testing was done) and therefore the results are indicative. There may be other explanations, such as systematic differences between the samples in flood and non-flood risk areas that account for the differences observed.

The research points to household disposable incomes being under particular pressures currently. The research points to a £10/month increase being a challenge for 30% of the households in Council Tax bands A and B. However, a high number of respondents in the telephone survey and focus group said they would always find a way to pay for home insurance indicating its relative importance in household budgets. Focus group respondents regarded home insurance as a 'necessity'; they also made a strong connection between being able to afford increased premium rates and being in employment.

Insurance industry evidence points to costs of household insurance being generally lower in 2013 than 2012. The telephone survey evidence across flood risk locations indicates nearly 50% of respondents saying their premiums had increased compared to the previous year. The research did not examine the potential reasons and scale of the increase with respondents.

The research investigated insurance excess figures but these figures were less well known by householders than premium figures by respondents in all surveys and the data is inconclusive.

Insurance products are becoming more varied as the insurance industry becomes more sophisticated and are now often bespoke to individual households with the addition of specific policy extras such as specific high value items and outbuildings, making price comparison difficult. Householder evidence and research with the insurance industry points to a 'pick and mix' type approach to insurance policy availability. The householder has a choice of what to include or not include in the cover and the levels of excess, making comparison of the cost and availability of household insurance difficult.

The average costs of insurance premiums derived from all research sources are summarised in the table below.

Table 1-1: Average household insurance premiums summary schedule

Average Household Insurance Premiums		
Source	Factor(s)	Combined building and contents (£)
<i>ABI (ONS) 2010 (desk research)</i>	General insurance premium average	363
<i>AA (2013) (desk research)</i>	General insurance premium average	153 – 293
<i>CREW (2012) (desk research)</i>	At flood risk	398
<i>Morpeth (2010) (desk research)</i>	Previously flooded	650
	Not flooded but in flood risk area	400
	Flood risk, Council Tax band A and B	442
	No flood risk, Council Tax band A and B	226
<i>JBA Study (2013) (telephone survey)</i>	General average for all flood risk (telephone survey)	440
	Morpeth - at flood risk	583
	Todmorden - at flood risk	433
	General average for all control locations (telephone survey no flood risk)	309
	Morpeth - no flood risk	337
	Todmorden - no flood risk	283
<i>JBA Focus Group (2013)</i>	Flood risk residents	260 – 790 396 for one individual with a flood claim history
	No flood risk resident	247
<i>JBA Householder Experience</i>	Flood risk, Council Tax band G property	450 including flood cover 248 with flood exclusion

A consultation document 'Securing the future availability and affordability of home insurance in areas of flood risk¹' was published by Government in June 2013 outlining new approaches to flood insurance, including Flood Re and the Flood Insurance Obligation. The Flood Re approach has been proposed by the insurance industry, setting an 'effective limit' on the amount that high-risk households would have to pay for the flood component of their home insurance based on property Council Tax band, with the level of excess in the event of a flood claim also controlled. It has been designed to provide cover for the properties at high risk of flooding that would find it difficult to find and secure insurance in an open market situation. The consultation document indicates a maximum price for the flood component of household insurance based on Council Tax band. The insurance premium rates are higher than figures obtained through this research study; typically the starting level (Council Tax Band A) is significantly higher than this study's findings, although it is noted that the proposed Flood Re figures are maximum end prices over a number of years for the top 1% to 2% of high risk households that would find it difficult to secure insurance on the open market.

Uptake

The survey responses in this study point to very low numbers of respondents without household insurance, which differs from desk research findings, in particular the ONS MDK flood survey with 20% of household respondents indicating that they do not hold insurance, responding that the cost of insurance was 'too high'. This research study points to householders generally regarding household insurance as being important to hold, which may be a reflection of property tenure or location. Direct correlation between previous surveys and this research study could not be made.

Over 60% of respondents in the telephone survey have held their insurance with the same company for over six years. This could be suggesting householder contentment with their existing arrangements; equally it might be a reflection of the perceived difficulties of

¹ <https://consult.defra.gov.uk/flooding/floodinsurance>
FD2669-Flood Insurance-Final 2013 Reportv4

rearranging insurance in general or some inertia in the market. It may also be due to the fact that a greater proportion of older people responded to the survey.

Joseph Rowntree Foundation evidence suggests it is in the rented sector that household insurance is lowest. The rental sector forms an increasing proportion of households in the UK, latest estimates are that 1 in 5 households will live in private rented accommodation by 2018². In the omnibus survey 35% of respondents rent their property; of this subset of respondents, 71% have contents only insurance. In the telephone survey 16% of respondents rent. This low rental percentage could be attributed to response bias in the survey, and the fact that the majority of respondents in the telephone survey were in older age groups and these groups are less well represented in the rental market than younger generations. Of the telephone survey respondents holding contents only insurance, the majority (88%) are renting their property; with responsibility for building fabric insurance resting with the property owner.

Availability

A high proportion of respondents in the telephone survey, omnibus survey and focus group held an insurance policy. This implies that insurance policies are available for respondents in flood risk and non-flood risk areas, however, some respondents in flood risk areas advised that they have found it difficult to find an insurance company to insure them. The results from the research suggest that respondents living in flood risk locations paid a higher premium than respondents living in non-flood risk areas.

There is evidence from both the telephone survey and from the focus group that people in flood risk areas use more specialist insurance brokers and act on recommendations from someone they know. This suggests that respondents are finding insurance cover through a range of methods.

² CBI January 2014: <http://www.cbi.org.uk/media-centre/press-releases/2014/01/dont-leave-generation-rent-behind-cbi/>

Executive Summary	i
1 Introduction	1
1.1 Project background.....	1
1.2 Project objectives.....	1
1.3 Research approach.....	2
1.4 Report Structure.....	3
2 Evidence Review	4
2.1 Summary of Desk Research Findings.....	4
2.2 Price of Insurance.....	5
2.3 Availability of Insurance.....	6
2.4 Affordability of Insurance.....	6
2.5 Uptake of Insurance.....	7
2.6 Desk research summary and survey approach.....	8
3 Omnibus Survey	9
3.1 Summary of Omnibus Survey Baseline.....	9
3.2 Background.....	9
3.3 Sample Details.....	10
3.4 Omnibus Survey Observations.....	17
4 Householder Experience	18
4.1 Summary of Householder Experience.....	18
4.2 Approach.....	18
4.3 Quotation Results.....	19
4.4 Quotations with online providers direct.....	20
4.5 Conclusions.....	20
5 Focus Group	22
5.1 Summary of Focus Group Findings.....	22
5.2 Attendees.....	22
5.3 Insurance Premiums/Excess Figures.....	23
5.4 Household Insurance Providers and Policies.....	23
5.5 Household Insurance Availability.....	24
5.6 Household Insurance Affordability.....	24
5.7 Flood Protection.....	25
5.8 Definition of Flooding.....	25
5.9 Advice on Insurance.....	25
5.10 Focus Group Conclusions.....	25
6 British Insurance Brokers' Association (BIBA)	27
6.1 Summary of BIBA Survey.....	27
6.2 Survey.....	27
6.3 Household Insurance Affordability.....	27
6.4 Household Insurance Availability.....	28
6.5 Property Level Protection (PLP).....	28
6.6 Specialist Brokers' and Local Knowledge.....	28
7 Telephone Survey Results	29
7.1 Summary of Telephone Survey Findings.....	29
7.2 Approach to in-depth telephone surveys.....	30
7.3 Survey Locations.....	31
7.4 Background to Respondents.....	32
7.5 Background to Respondents' Properties.....	34
7.6 Background to Locations.....	38
7.7 Insurance Companies.....	42
7.8 Household Insurance Premiums.....	42

7.9	Insurance Premiums for Flats.....	45
7.10	Point at Which Premiums Become Unaffordable	47
7.11	Household Insurance Excesses	49
7.12	Insurance Provider.....	54
7.13	Property Level Protection (PLP).....	60
References		62

List of Tables

Table 1-1:	Average household insurance premiums summary schedule	ii
Table 2-1:	Summary of desk research household insurance premiums	4
Table 3-1:	Profile of Omnibus survey respondents	10
Table 3-2:	Omnibus survey: number of respondents with building only insurance	12
Table 3-3:	Omnibus survey: number of respondents with contents only insurance	12
Table 3-4:	Omnibus survey: reason respondents do not have household insurance	13
Table 3-5:	Omnibus survey: respondents that have experienced flooding in the last three years	15
Table 7-1:	Telephone survey: interview locations	32
Table 7-2:	Telephone survey: contents only insurance premiums	45
Table 7-3:	Telephone survey: premiums compared to previous year by Council Tax band for all respondents	46
Figure 7-26:	Telephone survey: insurance premiums compared to last year, flooded in the last three years	47
Table 7-4:	Telephone survey: insurance excess compared to previous year by location	50
Table 7-5:	Telephone survey: reasons for renewing with insurance provider	57
Table 7-6:	Telephone survey: factors taken into account when choosing insurance provider	59

List of Figures

Figure 1-1:	Project Research Activity Stages	3
Figure 3-1:	Omnibus survey: household insurance type	11
Figure 3-2:	Omnibus survey: respondents holding building and contents insurance policies	11
Figure 3-3:	Omnibus survey: building and contents Insurance by tenure	12
Figure 3-4:	Omnibus survey: contents Insurance by household tenure	12
Figure 3-5:	Omnibus survey: respondents currently without insurance that would prefer to have insurance	13
Figure 3-6:	Omnibus survey: household insurance type by property tenure.....	14
Figure 3-7:	Omnibus survey: household insurance by salary band	14
Figure 3-8:	Omnibus survey: reasons why respondents think home insurance premiums have increased	15
Figure 3-9:	Omnibus survey: changes to excess over last three years by social grade	16
Figure 3-10:	Omnibus survey: property flooding in the last three years.....	16
Figure 3-11:	Omnibus survey: source of flooding.....	16

Figure 7-1: Telephone survey: age profile.....	33
Figure 7-2: Telephone survey: Todmorden age profile	33
Figure 7-3: Telephone survey: Morpeth age profile	33
Figure 7-4: Telephone survey: social grade of respondents	34
Figure 7-5: Telephone survey: property type by location	34
Figure 7-6: Telephone survey: property type Todmorden.....	35
Figure 7-7: Telephone survey: property type Morpeth	35
Figure 7-8: Telephone survey: property type by social grade	36
Figure 7-9: Telephone survey: property build date.....	36
Figure 7-10: Telephone survey: length of time living in property.....	37
Figure 7-11: Telephone survey: length of time in property by age group.....	37
Figure 7-12: Telephone survey: property ownership compared to England and Wales	38
Figure 7-13: Telephone survey: property Council Tax bands	38
Figure 7-14: Telephone survey: flooding in last three years Todmorden and Morpeth.....	39
Figure 7-15: Telephone survey: flooding in last three years all locations	39
Figure 7-16: Telephone survey: type of insurance premium held	40
Figure 7-17: Telephone survey: insurance policy by Council Tax band.....	41
Figure 7-18: Telephone survey: insurance policy by Council Tax bands A to D.....	41
Figure 7-19: Telephone survey: insurance policy by property ownership	42
Figure 7-20: Telephone survey: % of respondents and premiums (£) paid for building and contents insurance	43
Figure 7-21: Telephone survey: building and contents insurance premiums for Council Tax Bands A and B (excluding Shepherd's Bush)	44
Figure 7-22: Telephone survey: contents only insurance premiums.....	44
Figure 7-23: Telephone survey: insurance premiums for respondents in flats	45
Figure 7-24: Telephone survey: increase/decrease in premiums compared to last year	46
Figure 7-25: Telephone survey: insurance premiums compared to last year by Council Tax bands in flood risk areas	47
Figure 7-27: Telephone survey: point at which increases in insurance premiums become unaffordable.....	48
Figure 7-28: Telephone survey: point at which premium increases become unaffordable, Council Tax bands A and B.....	48
Figure 7-29: Telephone survey: point at which premium increases become unaffordable by social grade	49
Figure 7-30: Telephone survey: how excess would be paid when making a claim.....	50
Figure 7-31: Telephone survey: maximum excess affordable for £30,000 building and contents claim	51
Figure 7-32: Telephone survey: maximum excess affordable for claimants of £30,000 for building and contents losses for Council Tax Bands A and B	51
Figure 7-33: Telephone survey: maximum excess affordable for £30,000 building and contents claim by social grade	52
Figure 7-34: Telephone survey: maximum contents excess renters would be willing to pay for a £5,000 claim.....	52
Figure 7-35: Telephone survey: maximum contents excess renters would be willing to	

pay for a £5,000 claim by Council Tax bands A and B	53
Figure 7-36: Telephone survey: maximum contents excess renters willing to pay for a £5,000 claim by social grade.....	53
Figure 7-37: Telephone survey: action if excess for renters increases	53
Figure 7-38: Telephone survey: mechanism used to choose insurance provider.....	54
Figure 7-39: Telephone survey: mechanism used to choose insurance provider in Todmorden and Morpeth.....	55
Figure 7-40: Telephone survey: mechanism used to choose insurance provider in Shepherd's Bush	55
Figure 7-41: Telephone survey: did respondents in flood risk areas shop around?	56
Figure 7-42: Telephone survey: renewal with previous insurance provider	56
Figure 7-43: Telephone survey: time with insurance provider.....	57
Figure 7-44: Telephone survey: time with insurance provider - all locations	58
Figure 7-45: Telephone survey: mechanism used to change insurance provider.....	59
Figure 7-46: Telephone survey: Alconbury respondents improving property resilience following flooding	60
Figure 7-47: Telephone survey: eligibility for Government Funded Property Level Protection Measures in Alconbury	60
Figure 7-48: Telephone survey: mechanism used to choose insurance provider in Alconbury	61

Abbreviations

AA	Automobile Association
ABI	Association of British Insurers
BIBA	British Insurance Brokers' Association
CAPI	Computer Assisted Personal Interviewing
CATI	Computer Assisted Telephone Interviewing
Cebr	Centre for Economics and Research
CML	Council of Mortgage Lenders
CREW	Centre of Expertise for Waters
Defra	Department for Environment, Food and Rural Affairs
EA	Environment Agency
FCRM	Flood and Coastal Erosion Risk Management
FWD	Floodline Warnings Direct
IMD	Index of Multiple Deprivation
JRF	Joseph Rowntree Foundation
LA	Local Authority
LCFS	Living Costs and Food Survey
LSOA	Lower Layer Super Output Area
MDK	Opinions and Lifestyle Survey Module: Flood Insurance
MoU	Memorandum of Understanding
NFF	National Flood Forum
NRS	National Readership Surveys
ONS	Office for National Statistics
PLP	Property-Level-Protection
PREPARE	Programme of Research on Preparedness Adaptation Risk
SoP	Statement of Principles

Definitions

In the context of this research project, the following definitions apply:

Building	Insurance for the building structure
Building and contents	A single combined Insurance policy for both the building structure and property contents
CACI ACORN	Geodemographic system used by Ipsos MORI
Capibus	Ipsos MORI's face-to-face Omnibus survey
Contents	Insurance for property contents only
Control location	For the telephone survey (section 7) control areas were selected for householder interviews. These were in locations where the geographic area was compact, with similar property types and Council Tax bands in adjacent areas to those with properties at flood risk to provide survey comparisons.
Flood location	A location chosen for the research study that has flooded in the last 5 years or is shown as being at risk of river flooding on Environment Agency maps.
High risk of flooding	An area that is at or at a greater than 1 in 100 year risk of flooding

1 Introduction

1.1 Project background

Up to 2013, when this research project was undertaken flood insurance in the UK was provided under the Statement of Principles (SoP)³, a voluntary agreement between the Association of British Insurers (ABI) and the UK Government. The SoP does not apply to insurers that are not ABI members or insurers that entered the market after the introduction of the arrangement. The SoP set out the ABI members' commitment to providing flood insurance as a standard feature of home insurance for properties at some risk of flooding, and to continue to offer flood insurance to existing customers with properties at a significant flood risk. It has been renewed on several occasions, most recently 2008. The SoP ensured that unlike in most other countries, market-based flood insurance in the UK remained widely available as a standard feature of domestic property insurance, although it did not address affordability and did not apply to new customers. Householder premiums have historically benefitted from cross-subsidy between those at low and high risk of flooding (source ABI).

A consultation document 'Securing the future availability and affordability of home insurance in areas of flood risk⁴' was published by Government in June 2013 outlining new approaches to flood insurance, including Flood Re and the Flood Insurance Obligation. The Flood Re approach has been proposed by the insurance industry, setting an 'effective limit' on the amount that high-risk households would have to pay for the flood component of their home insurance based on property Council Tax band, with the level of excess in the event of a flood claim also controlled. It has been designed to provide cover for the properties at high risk of flooding that would find it difficult to find and secure insurance in an open market situation. The ABI has agreed that its members will continue to provide insurance under the SoP until Flood Re is fully operational.

There is a lack of data and understanding concerning the impacts of flooding on the availability and affordability of insurance in different localities and on different socio-economic groups. In order to gain a better understanding of the current situation and to inform the development of a monitoring strategy to understand the impact of any future insurance arrangement, Defra commissioned JBA Consulting to undertake a study into flood insurance, pricing, availability and affordability in May 2013. The research has used mixed market research methods, including surveys, face to face interviews, telephone interviews and focus groups with householders, local and national stakeholders. The study approach has involved preparing a baseline snapshot of the current insurance situation, a retrospective review over the period 2010-2013, and recommendations for a longer term monitoring arrangement so that trends in flood related insurance can be identified and tracked.

The work supports the Government's policy aims to ensure the widespread availability of insurance against the risks associated with flooding.

1.2 Project objectives

The overall aim of the project is to investigate the availability and affordability of flood insurance (focusing on households) across England and provide recommendations for a future monitoring strategy.

This aim has been met through the following objectives:

1. Collating an understanding of the availability of current data on household insurance differentials in terms of cost, availability, affordability and take up in different geographical areas and by different geographical areas which can be attributed to flood risk and history of flooding.
2. Implementing a research approach to provide the intelligence to:
 - understand the average price-differential in household insurance (premiums and excess) which can be attributable to flood risk as at 2013,
 - understand the availability and affordability of household insurance in areas of high flood risk (more than 1 in 75 year event at time of study commencement) and how this differs from areas with a lower risk of flooding, over the last 3 years,

³ <http://archive.defra.gov.uk/environment/flooding/documents/interim2/sop-insurance-agreement-080709.pdf>

⁴ <https://consult.defra.gov.uk/flooding/floodinsurance>
FD2669-Flood Insurance-Final 2013 Reportv4

- assess the impact of price, availability and affordability of flood insurance on its take up by a range of socio-economic groups and geographic locations and identify whether this differs between building and contents insurance over the last 3 years,
 - analyse the distribution of disposable income levels with insurance costs and levels of flood risk as at 2013,
 - assess the impact of consumer-installed resilience and resistance measures on insurance pricing and availability over the last 3 years,
 - investigate the size of the current specialist flood insurance market and its accessibility to residents in high flood risk areas as at 2013.
3. Provide a forward facing monitoring strategy which will ensure that appropriate information is collected and analysed to enable an assessment of the operation of the household flood insurance industry following the cessation of the Statement of Principles. This has been provided as a separate document to Defra.

1.3 Research approach

The research has sought to provide an objective and robust baseline reporting on the current differentials in the cost, availability and affordability of household insurance between those areas that are at risk of or have recently experienced flooding and those that have not. It has considered in more detail whether there are differences between geographic locations and across socio-economic groups. In addition to the snapshot and retrospective look across the last 3 years, the research has informed recommendations for a monitoring strategy which will enable Defra to assess the impact of new insurance arrangements on its cost, availability and affordability in the longer term.

The research has been undertaken in three distinct phases:

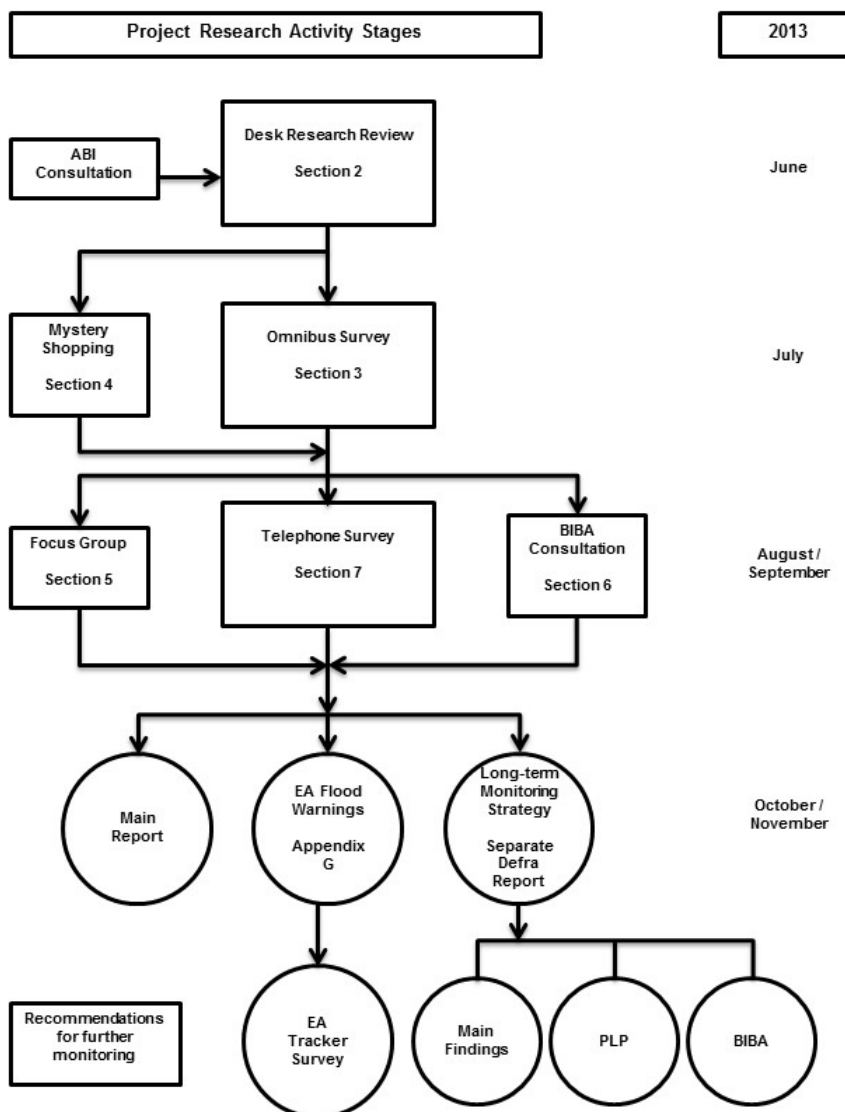
- Scoping and baseline evidence review
- Data collection and analysis - including omnibus survey, in-depth telephone survey and focus group
- Developing a long-term monitoring strategy.

The study has used a variety of mixed market research methods to gather data, including surveys, face to face interviews, telephone interviews and focus groups, with householders and national and local stakeholders.

The research methods have built on approaches used by previous surveys on home insurance in flood risk locations. Studies such as the Centre for Expertise of Waters (CREW) Flood Insurance Provision and Affordability Beyond the Statement of Principles (SoP), Morpeth Flood Action Group's Insurance Survey and the National Flood Forum's (NFF's) PLP and Insurance survey (discussed in Section 2) used survey methods that primarily included responses via postal questionnaires resulting in a self-selected sample.

The omnibus and telephone surveys took a random sample approach to provide a broader baseline of results to present findings across a range of householder circumstances and experiences.

Figure 1-1: Project Research Activity Stages



1.4 Report Structure

To gain a full understanding of the insurance market and the impacts of flood risk on insurance affordability and availability six research stages were undertaken, as illustrated in Figure 1-1 above. These included:

- Desk research
- Omnibus survey,
- Householder insurance 'shopping' experience,
- Focus group,
- British Insurance Brokers' Association (BIBA) consultation,
- Telephone survey.

Each of these stages is discussed in detail in sections two to seven.

Awareness, eligibility and benefits of the Environment Agency's (EA's) Flood Warnings Direct (FWD) Service and online Flood Maps were explored through the omnibus and telephone survey. Findings are presented in the separate Appendices document in Appendix G.

2 Evidence Review

2.1 Summary of Desk Research Findings

The desk research has reviewed a number of sources to provide baseline and background information and inform the development of the research methodology, omnibus survey and in-depth survey. The review has provided data relevant to household incomes, household ownership and insurance trends. The desk research has considered:

- Price of Insurance
- Availability
- Affordability
- Impact of price, availability, affordability on uptake
- Geographical breakdown
- Impact of PLP
- Specialist insurance providers (such as brokers with expertise in securing insurance for householders in high flood risk areas)

Data sources reviewed are summarised in Appendix A of the accompanying Appendices.

Key observations from these elements of the research are summarised below and discussed further within this section. Details are provided in Appendix A of the accompanying Appendices document:

Price of Insurance

Table 2-1: Summary of desk research household insurance premiums

Source	Building only (£)	Contents only (£)	Combined building and contents (£)
ABI (ONS) 2010	211	174	363
AA (2013)	112 – 218	63 – 115	153 – 293
CREW (2012) at flood risk households	157	243	398
Morpeth (2010)			650 if property previously flooded. 400 not flooded but in flood risk area

Availability of Insurance

- A University of Wolverhampton 2008 flood insurance study notes that the general property market is fragmented with the top ten insurance companies representing 85% of the market. The study comments that customer choices appears much wider due to rebranding of policies by insurance agents such as supermarkets and banks.
- Case study evidence points to the difficulties that some householders have in securing insurance in areas affected by flooding including; premium increases, policy amendments, excesses increased, reduced choice.
- An ONS MDK survey indicates that 50% of insured households renew policies annually with their previous insurers.

Affordability

- The AXA Insurance 2010 report 'The True Cost of Flood Insurance'⁵ indicates that the company provides insurance to 22,000 properties which are at high flood risk, with each property receiving an average subsidy of £511 to make insurance affordable.

⁵ AXA FLOODING RESEARCH THE TRUE COST OF FLOOD INSURANCE November 2010

- In an interview with an ABI representative in summer 2013 they indicated that the organisation does not define levels of householder affordability. Their impression is that 'affordability' tends to be interpreted differently by organisations, with no parameters for householder experiences,

Uptake

- ABI Key Facts 2012 includes the following:
63% of households have building insurance
75% of households have contents insurance

Disposable Income Distribution and Insurance Costs

- ASDA (2013) and AVIVA (2013) both report that discretionary expenditure and disposable incomes are under pressure. Increased outgoings on utility payments and through inflation, coupled with stagnant income are putting pressures on family budgets.
- RICARDO-AEA 2013 reports that 20% of UK households are living on very low incomes (less than £10,000/annum). The report discusses how low income households are less likely to take measures to respond to and recover from the impacts of floods.

Specialist Insurance Market

- The ABI reported that they were not aware that there had been any significant growth in new products or insurers specialising in flood risk.
- BIBA evidence indicates an increase in brokers specialising in flood risk expertise to assist householders in securing insurance.

2.2 Price of Insurance

The ONS Opinions and Lifestyle Survey Module: Flood Insurance (MDK)⁶ conducted in November and December 2012 indicates that approximately 50% of those households with building and/or contents insurance pay between £200-£400, approximately 25% pay £200 or less, 15% between £401 and £600, with around 10% paying in excess of £600.

This is supported by the actual costs of premiums paid recorded in the AA Quarter1, 2013⁷ survey which sets an average price (market summary) for combined insurance at £273.35.

The ONS MDK survey reports approximately 50% of respondents indicating that insurance costs were the same as last year and 25% of respondents that it was now up to a £100 more expensive than the previous year. In contrast the AA Quarter1, 2013 survey reports that the cost of 'home buildings, contents and combined policies continued to fall dramatically' in 2012.

The AA's 'Shoparound Index'⁸ reports that building insurance costs were down 2.5% over the quarter and down 1.7% over the year. For contents insurance these were down 2.4% over 12 months and combined 1.8% down over 12 months. The AA survey is likely to be more robust than the ONS MDK data on this price matter.

The ONS MDK surveys in November and December 2012 asked participants 'Do you have any additional cost to your insurance cover related to flooding?' Less than 1% of respondents indicated they were paying a higher premium due to flooding.

AXA report that of the 22,000 properties at risk of flooding they insure 76% of these are subsidised by between £1-£1000, with 31% in the band £501-£1000.

ABI reports⁹ that of those households at significant flood risk 75,000 are paying greater than £500 for insurance with 1,200 households paying more than £2,500.

CREW Flood Insurance Provision and Affordability July 2012¹⁰ reported an average price of £398 for combined building and contents across a sample of 157 households in flood risk localities with a recent history of flooding locally. Where a household had made a recent flood related claim the premium was between £400-£500 with an excess of £300-£900. CREW

⁶ ONS

⁷ AA British Insurance Premium Index Quarter 1 2013 25 April 2013

⁸ AA's 'shoparound' index (average of five cheapest premiums for both direct providers and price comparison sites)

⁹ City of York hosted Flood Conference 10 May 2013

¹⁰ Flood Insurance Provision and Affordability Beyond the Statement of Principles: Implications for Scotland FD2669-Flood Insurance-Final 2013 Reportv4

reported a mean maximum willingness to pay of £499.43 for combined insurance and £754.08 excess.

Morpeth Flood Action Group Insurance Survey¹¹ indicated that average premiums in 2008 for flooded and non-flooded properties were similar, however by 2010 there was a marked difference with average premiums of flooded properties increasing by over £240 and decreasing by £40 for non-flooded properties. In 2010 premiums were mainly in the £400-£900 range.

Where householders change insurance providers it is difficult to make direct policy comparisons as detail of cover may be amended by the householder in a bid to limit premium increases, or the policy Terms & Conditions may vary between insurers.

A 2008 review of Flood insurance in the UK¹² by University of Wolverhampton highlights the fact that competition in the insurance market sector reflects that it is unlikely that insurance pricing strategies will be transparent or consistent across companies. This could lead to owners of very similar properties having different experiences and paying totally different insurance premiums.

2.3 Availability of Insurance

The ONS MDK survey indicates that 50% of insured households renew policies annually with their previous insurers. About 25% use price comparison sites.

The University of Wolverhampton Flood insurance study notes that in 2008 the general property market is fairly fragmented, although the top ten insurance companies representing 85% of the market there is a multitude of smaller companies supplying insurance. The study also notes that customer choice appears much wider because many insurance agents, e.g. supermarkets and banks, repackage and rebrand other companies' policies.

The ABI reported that they were not aware that there had been any significant growth in new products or insurers specialising in flood risk.

Case study evidence (NFF PLP Insurance Report¹³) (British Insurance Brokers' Association (BIBA) Evidence House of Commons Flood Funding Evidence¹⁴), (Morpeth Flood Action Group Insurance Survey¹⁵) points to the difficulties that some householders have in areas affected by flooding in securing insurance:

- Average increase in building and contents insurance premiums for Morpeth flooded properties was 75% compared to 9% for non-flooded households
- Increasing excesses to £2500 (or higher in some examples).
- Policies amended to reduce increased premiums, e.g. accidental cover
- Lack of choice – in Morpeth nearly all flooded households renewed policies with existing insurance company, compared with 61% of non-flooded households.

The ways in which these difficulties have been overcome include:

- Onsite assessment of; property, defences in place and resilience measures.
- Subscription to Environment Agency (EA) Flood Warnings Direct.
- Updating flood risk maps following completion of defences.
- There is a growth of Insurance brokers with specialist knowledge of insurance in areas of flood risk.

BIBA provides a signposting service to assist householders who are finding difficulty in finding insurance for reason of flood risk find appropriate insurance. This is available online, via a broker helpline and iPhone and iPad app.

2.4 Affordability of Insurance

Approximately 20% of household respondents in the ONS MDK flood survey indicated that they do not hold insurance, responding that the cost of insurance was 'too high'. Other reasons for

¹¹ Morpeth Flood Action Group Insurance Survey, Results and Analysis, January 2011

¹² Flood insurance in the UK - a survey of the experience of floodplain residents. J E Lamond & D G Proverbs, University of Wolverhampton

¹³ Property Level Protection and Insurance, Main Report – 2012, Paul Cobbing and Dr Servel Miller

¹⁴ House of Commons, Environment, Food and Rural Affairs Session 2012-13, Flood Funding Written Evidence

¹⁵ Morpeth Flood Action Group Insurance Survey, Results and Analysis, January 2011

not having insurance include 'landlord pays insurance' 50% and 'don't feel need for insurance' 14%.

A majority of respondents in the AXA survey (62%) agreed that people who bought properties in high flood risk areas should have access to affordable flood insurance, even if this is priced below the real cost to the insurer.

No definition of 'affordable' is presented in any reports reviewed. The Morpeth survey comments that 'what is affordable is a matter for debate'.

Household income, gross income and disposable income has reduced over the last four years. (ASDA Income Tracker¹⁶ and ONS Living Costs Survey¹⁷).

Typical 'family' expenditure grew over 2012 and was 20% greater than November 2011. This dramatic increase was attributed to increased costs in utilities, transport and food. Unsecured 'family' borrowing has increased via credit cards (+39%) overdrafts (+26%) personal loans (+22%).

The ONS MDK data shows household weekly average expenditure on structure and contents insurance varies across the regions of England the highest being the South East (£5.80) lowest in West Midlands (£4.30). Those households with members in higher managerial and professional employment pay significantly more per week (£7.00-£8.40) on insurance than those in unskilled employment. (£3.70).

CREW reports householders in the lowest income bracket having difficulty in paying for increases in insurance premiums and with the excess. At low income levels, up to £16,000 per annum, a degree of difficulty arises at £50-£100 per year increase. The Ricardo-AEA (Programme of Research on Preparedness Adaptation Risk) PREPARE¹⁸ report highlights that ONS figures show 20% of UK households living on very low incomes (under £10,000/annum in 2006). This report discusses how low income households are less likely to take measures to respond to and recover from the impacts of floods, be less able to relocate and have the ability to take out insurance.

CREW considered a household response if they were required to pay an increase in premium beyond their willingness to pay. Around 70% indicated they would 'move insurer' approximately 40% 'would change the level of cover' 10% would 'go without insurance' 15% 'didn't know'. A small percentage would consider moving or do something else.

2.5 Uptake of Insurance

ONS MDK indicates that 70% of households have a combination of building and contents insurance and 14% do not have either building or contents insurance. This 14% figure is consistent with similar findings in Scotland (CREW).

Aviva¹⁹ report home ownership by UK families either outright or with a mortgage fell over 2012 (64% November 2011, 59% January 2013). 25% of families are now in private rented accommodation, up from 19% in November 2011.

The Joseph Rowntree study Social justice and the future of flood insurance²⁰ indicates that the proportion of all households in the rented sector (social and private) that have contents insurance is particularly low. Up to 2009 over 60% lacked contents insurance compared to less than 10% amongst owner occupiers. Uninsured householders in the rental sector will face difficulties in recovering from a flood event.

Pitt²¹ reported 1 in 5 of those on average incomes as not having home contents insurance.

¹⁶ Asda Income Tracker, Report January 2012, released February 2013, Centre for Economics and Business Research Ltd

¹⁷ Office for National Statistics (ONS) Living Costs and Food Survey 2011 Edition

¹⁸ RICARDO-AEA PREPARE - Understanding the equity and distributional impacts of climate risks and adaptation options

¹⁹ Aviva Family Finances Report, January 2013

²⁰ O'Neill, J. and O'Neill, M. 2012. Social justice and the future of flood insurance. York: Joseph Rowntree Foundation.

²¹ Pitt Review 2008. Pitt, M. 2008. Learning lessons from the 2007 floods: An independent review by Sir Michael Pitt. London: Cabinet Office

2.6 Desk research summary and survey approach

The evidence on the price of insurance seems to point to fairly small changes in average price year on year for building, contents and combined policies for 'impaired' and 'non impaired' (not at risk of flooding) properties. A small proportion of the properties at risk in England appear to be incurring and paying significant additional costs for insurance cover, i.e. greater than £500 for cover. Although the evidence from Scotland (CREW) points to this being less in a flood risk locality, at an average of around £400. Evidence from Morpeth suggests 2010 premiums were between £400 and £900.

National survey data which report average annual or weekly costs of insurance do not reflect the range of costs for those who have been flooded or at known flood risk.

On the availability of insurance the evidence points to insurance continuing to be available at a price. The evidence points to the additional efforts that householders have to take to find insurance. BIBA are making efforts to assist in this area through the 'Find a Broker' service.

With regard to insurance uptake the pressures on household budgets have increased dramatically over the last few years, however these can't be attributed nationally to increases in building and contents insurance. The evidence on price however indicates that in areas which have recently been identified as at significant flood risk this increase would put an additional strain on household budgets. Under these circumstances there is no evidence which points to how insurance is viewed by households, i.e. is it an essential expenditure item along with food, utilities and transport, or is it viewed as a discretionary expense.

The Flood Re proposals (see section 1.1) involving limiting the amount that high risk households would need to pay for Council Tax Bands A-G was a consideration in choosing the locations for household surveys and in developing the questions and analysis. Council Tax bands have been used as an indicative proxy for household income levels.

The affordability of insurance in the lower quintile of incomes is already a significant issue, with less than 50% taking out contents insurance. Irrespective of the caution expressed on price and demand elasticity for insurance the percentage of take-up in flood risk areas is likely to go down as the costs of insurance go up. This has been considered in the research protocol but sample size and the broader scale of the research has limited the results value at this lowest quintile.

The research project survey approach has considered the levels set for 'excess' and affordability, and whether this will affect the value of insurance to householders differently in different income groups. For example in the lowest income groups, the premiums may be 'affordable' but offer no value to them if the excess is higher than they can afford. The CREW research study indicates excess figures between £225 and £625 for survey respondents. JRF's Social Justice Report includes reference to a householder in Hull who after flooding at renewal had a £5,000 excess imposed for contents and building claims (i.e. £10,000 total). Benchmarking the range and types of excess across areas in and out of risk should add some useful new information into the discussion on affordability.

The field research examines these matters in more detail, including knowledge of household building and contents insurance, property ownership, any premium/excess changes, possible reasons for increased costs and any links to flooding or being in a flood risk area.

3 Omnibus Survey

3.1 Summary of Omnibus Survey Baseline

The omnibus survey design provides information to allow a greater level of understanding of existing Office for National Statistics (ONS) survey data, helping to establish a baseline to inform the in-depth telephone survey stage and long-term monitoring strategy.

General

- 6% of decision making respondents indicated that they had been flooded or there had been flooding in their locality in the last 3 years. This was substantially accounted for as flooding from rivers, drains and following severe rainfall events.
- 36% of all respondents knew about the Environment Agency's online flood maps, with 11% of this group confirming they live in an area of designated as being at risk of flooding.

Price of Insurance

- 48% of respondents indicated that their insurance had gone up over the last 12 months and 33% that it had stayed the same. Flooding was not a major reason attributed to the increase by respondents. Respondents indicated that they believe the reason for increased home insurance is due to inflation, with company profits the next highest reason chosen. However, this is the perception of the survey participants and the actual reasons for increased premiums cannot be identified from responses to this question.
- Of the respondents whose insurance has increased over the last 3 years 7 individuals suffered from a flood in their home, 15 in their surrounding area and 28 in the neighbourhood (more than 2 streets away).
- In the group of respondents living in an area designated as being at risk of flooding 28 had seen an increase in their premium and 9 indicated that their premium had gone down.

We cannot definitively state that this is the reason why the insurance has gone up as numbers are too low to draw a significant conclusion.

Uptake of Insurance

- The level of uptake in insurance was very high, those without any household insurance was 5%. The reasons for not taking out insurance presented a fairly confused picture and very few said they couldn't afford it, or found that it was difficult to get insurance. (The ONS data shows households without insurance at 10%).
- 61% of respondents hold a combined building and contents insurance policy, of which 90% of these have the insurance with one company.

3.2 Background

The first element of the project data collection phase was field research via an omnibus survey to establish a baseline of data relating to awareness of insurance costs, changes in premiums and excesses, choices relating to up-take of insurance and flood risk awareness. A mixture of closed and categorized questions were included in market research organisation Ipsos MORI's weekly face-to-face Omnibus survey across England during the period 19-25 July 2013.

Initial general questions about household insurance (building and contents) were followed by specific questions related to the cost, availability and affordability of household insurance. Respondents were also asked if they lived in or in the proximity of a flood risk area and whether they had been affected by flood events over the last 3 years. This period of time was chosen to reflect the fact that most respondents are likely to remember over this period of time and will be able to identify any positive or negative impacts on insurance premiums during this timeframe.

The survey explored availability, affordability and uptake across the sample to identify:

- % split of households with and without building and/or household contents insurance
- Property tenure
- % who have seen a 'noticeable' increase in cost or change in the policy over last 3 years
- What householders attribute any increase on change in insurance to
- Reasons for not taking out household insurance
- Experience of flooding over the last 3 years
- Awareness of Environment Agency flood warning service and flood maps

The questionnaire and results tables are included in the separate Appendices document in Appendix B and Appendix C. Question numbers used in this section refer to the questionnaire numbers.

Initial questions related to flood risk, with subsequent questions relating to household insurance, type of insurance policy, awareness of costs over the last 3 years, reasons for any increase and reasons for not taking out insurance.

Ipsos MORI's face-to-face Omnibus survey (known as Capibus) is conducted across a regionally representative sample of 2,000 randomly selected adults across Britain each week. All interviews are carried out using CAPI (Computer Assisted Personal Interviewing). The survey uses CACI ACORN²² geodemographic system in the selection process, the sample is representative of the adult population.

All information collected on Capibus is weighted to correct for any minor deficiencies or bias in the sample. Capibus uses a 'rim weighting' system which weights to National Readership Surveys (NRS) defined profiles for age, social grade, region, tenure, ethnicity and working status - within sex. Rim weighting is superior to the more common system of 'cell weighting' since it is far less likely to distort the data. This is explained further in Appendix B1 of the accompanying Appendices. Social grades are discussed in Appendix H.

3.3 Sample Details

Interviews were conducted with the main or joint household decision maker, as these individuals would be responsible for insurance decisions in their household. From the 2,000 sample of adults interviewed across Great Britain, 1,735 adults in England met the criteria of household decision maker and were included in the survey sample to respond to the flood insurance questions. The sample is representative of the adult population and has been weighted accordingly. Data is provided at a regional scale, no analysis was available in relation to whether the respondent lived in a flood risk location. Awareness of flood risk was explored in the questions.

The data used in this report is rounded up or down to the nearest whole percentage point. For this reason some tables or charts may add up to 99% or 101%. For response categories with 3 or less respondents, an asterix (*) is used.

Table 3-1 shows a profile of interview respondents by age, location and property tenure:

Table 3-1: Profile of Omnibus survey respondents

	TOTAL	AGE					STANDARD REGION				TENURE				
		15-24	25-34	35-44	45-54	55-64	65+	NORTH	MIDLANDS	SOUTH	LONDON	OWNED OUTRIGHT	MORTGAGE	RENTED	OTHER
Unweighted Base	1735	262	256	277	264	264	412	463	443	575	254	603	500	605	8
Weighted Base	1732	282	284	305	285	233	345	489	409	576	258	571	586	546	9**
Yes, sole decision maker	497	20	83	75	80	80	159	149	122	163	63	201	89	201	2
Yes, joint decision maker	946	78	145	211	192	147	174	255	212	342	137	302	386	247	3
No	290	184	57	19	14	5	12	85	75	71	58	68	111	98	4

Based on the unweighted data 39% of respondents are aged 55+, with 24% in the 65+ category. 64% of respondents own their property outright or are purchasing with a mortgage. 35% of

²² CACI ACORN consumer classification segmentation of UK population - <http://acorn.caci.co.uk/>
FD2669-Flood Insurance-Final 2013 Reportv4

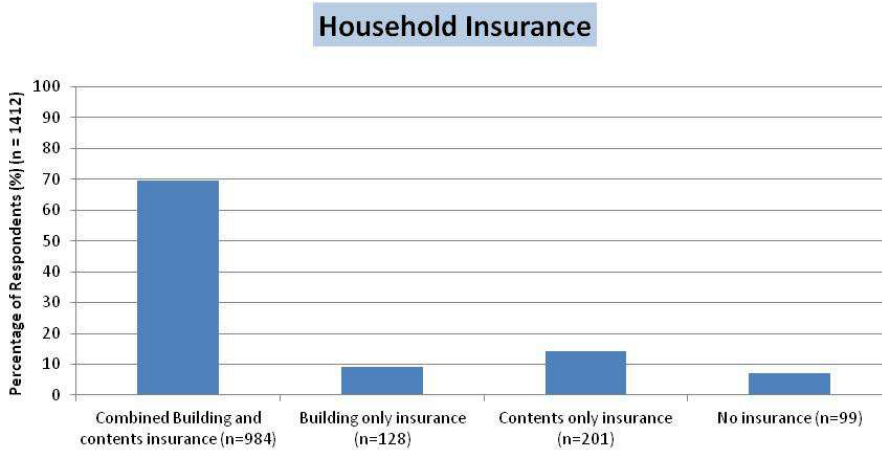
respondents rent their property, with a very small number of respondents classing their tenure as other.

3.3.1 Household Insurance

Question AO05 explored the type of household insurance held by respondents; either a combined building and contents policy or separate building and/or separate contents policy. Multicode responses on this question allow for the fact that households may hold separate building and contents insurance policies with different companies, or may hold one of these policies only.

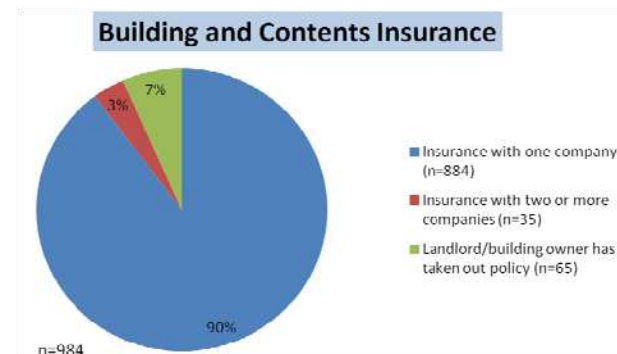
Of those decision-making respondents indicating that they do or do not hold insurance, 70% of households hold a combined building and contents insurance policy, with approximately 5% holding no insurance at all (75 respondents). This figure is lower than other surveys, the ONS Living Costs and Food Survey (LCFS) 2010 indicated that 10% of households did not have an insurance product. Small numbers of respondents are unsure of the type of insurance policy, or unsure to the question.

Figure 3-1: Omnibus survey: household insurance type



Of the respondents with a combined building and contents insurance policy, over 90% hold a policy with one company only, with 7% of respondents in rented accommodation indicating that their landlord/building owner takes responsibility for the policy and a small number (3%) have insurance with two or more companies. Reasons for taking insurance with more than one company are not explored in this survey.

Figure 3-2: Omnibus survey: respondents holding building and contents insurance policies



52% of respondents with building only insurance indicate that this is taken out by the building landlord/owner. 2% of householders in rented accommodation indicate that they pay for building insurance.

Table 3-2: Omnibus survey: number of respondents with building only insurance

Building only insurance (n = 128)	
Building insurance with one company	61
The landlord/owner of the building has taken out building insurance	67

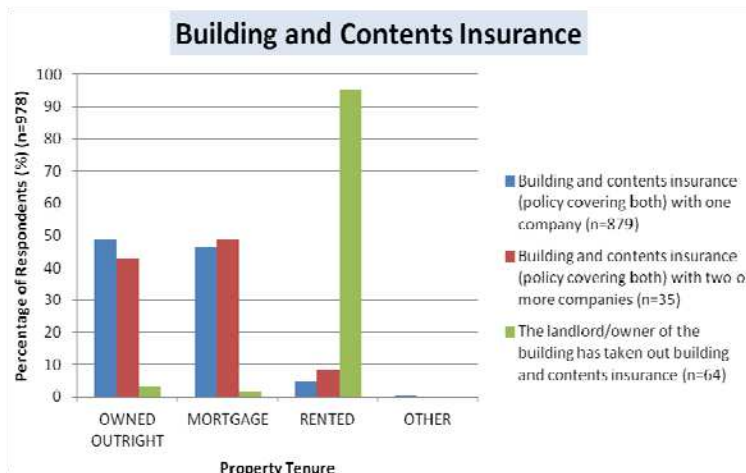
137 (68%) of respondents with contents only insurance live in rented accommodation.

Table 3-3: Omnibus survey: number of respondents with contents only insurance

Contents only insurance (n = 201)	
Contents insurance with one company	189
Contents insurance with two or more companies	*
The landlord/owner of the building has taken out contents insurance	9

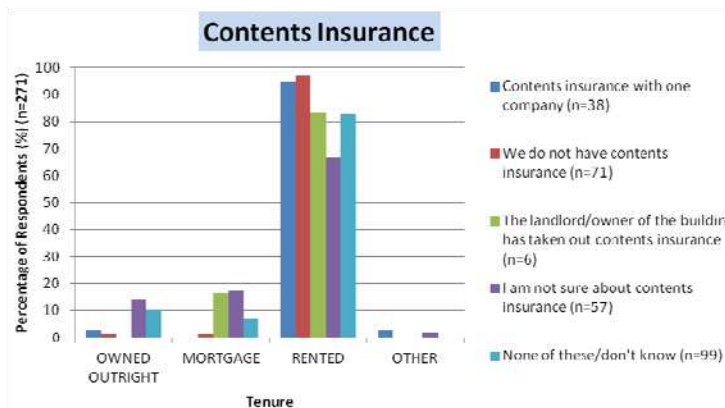
The omnibus survey did not include an evaluation of landlords and their insurance uptake.

Figure 3-3: Omnibus survey: building and contents Insurance by tenure



Building insurance for respondents in rented accommodation was principally taken out by the landlord/building owner. Respondents living in rented accommodation are most likely to hold contents only insurance.

Figure 3-4: Omnibus survey: contents Insurance by household tenure



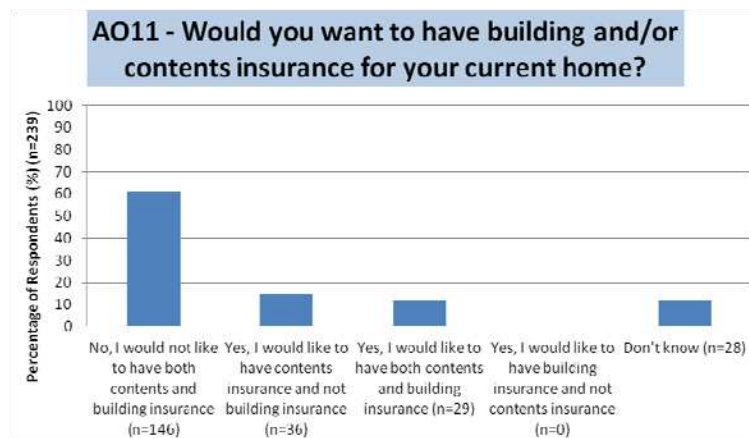
Respondents indicating that they do not have insurance were asked a follow-on question 'what is your reason for not taking out the insurance currently'? The main reason respondents give for not having insurance is that they are unsure about holding insurance.

Table 3-4: Omnibus survey: reason respondents do not have household insurance

Respondents with no insurance (n = 47)	
Landlord/Housing Association responsibility	15
I do not know whether I have insurance	13
I did not think I needed the insurance	7
I cannot afford the insurance	*
I find it difficult to find insurance	*
Other	*
None of these / do not know / refused	11

A further question to respondents without insurance asked if they would like to take out insurance and the type. Just over 60% report that they would not like to have contents and building insurance. Individuals living in rented accommodation feature predominantly in this category with nearly 90% of the respondents renting. Nearly all respondents wanting to take out contents only insurance rent their home, of those wanting to take a combined policy approximately half rent. No respondents indicate that they would wish to take building only insurance, which could reflect the fact that they do not have responsibility for the building fabric.

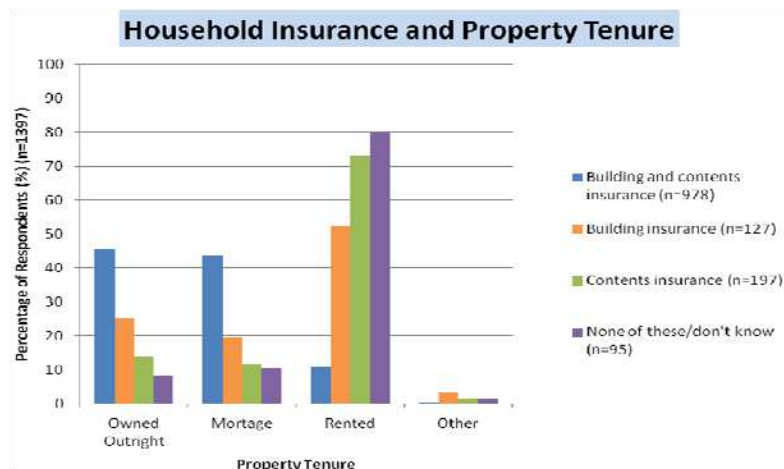
Figure 3-5: Omnibus survey: respondents currently without insurance that would prefer to have insurance



3.3.2 Respondents with household Insurance

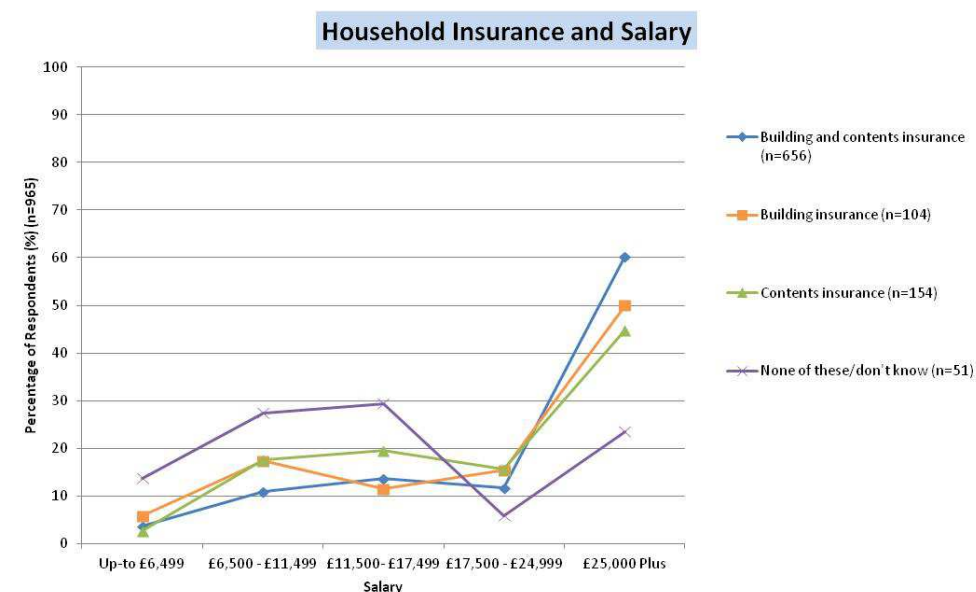
This section discusses the respondents that have taken out household insurance. These results are derived from the total of 1442 decision making householders answering question AO05. The majority of respondents that have taken out household (buildings and/or contents) insurance own their own property outright or have a mortgage on the property. The respondents that rent properties mainly hold contents insurance only (9% of all respondents, 71% of respondents holding contents only insurance).

Figure 3-6: Omnibus survey: household insurance type by property tenure



The salary range of respondents with household insurance is also reviewed, with the highest number of respondents holding household insurance in the highest salary bracket (£25,000 plus). Respondents in this salary bracket mainly have combined building and contents insurance, which is indicative of property tenure above. The majority of respondents from all salary ranges have combined buildings and contents insurance.

Figure 3-7: Omnibus survey: household insurance by salary band



The survey shows that the highest number of respondents with combined building and contents household insurance, 22%, (324 respondents) are in the social grade AB. 13% (187 respondents) are in the social grade C2 and 8% respondents (118) are from the DE social grade. The number of respondents in social group DE with a landlord/building owner responsible for combined building and contents insurance is higher than in other social categories. For contents only insurance more respondents were in the AB and C1 groups.

3.3.3 Changes in Household Insurance

Question AO06 - Has the cost of household insurance changed for your current home over the last three years? 48% of respondents indicate that their insurance has gone up, 33% that it has stayed the same, 10% has gone down slightly and 4% don't know.

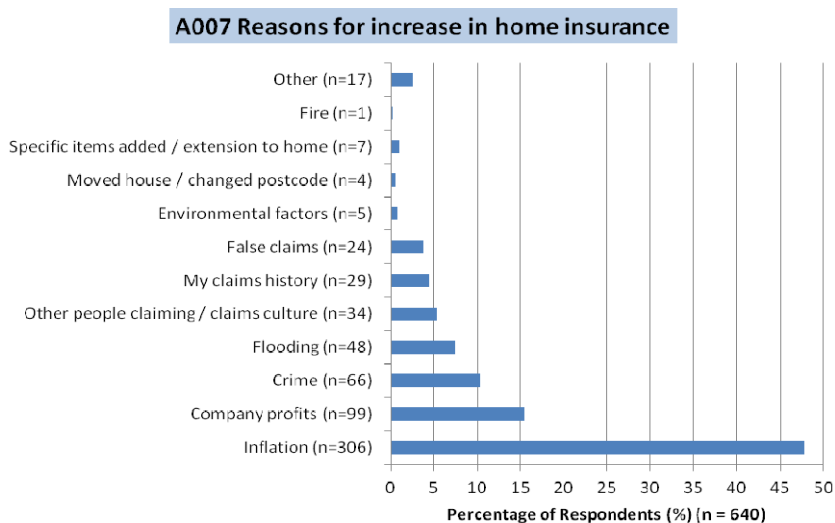
Of the respondents whose insurance has increased over the last 3 years 7 individuals suffered from a flood in their home, 15 in their surrounding area and 28 in the neighbourhood (more than 2 streets away). For both increases and decreases in cost, we cannot definitively state that this is the reason why the insurance has gone up as numbers are too low to draw a significant conclusion.

Table 3-5: Omnibus survey: respondents that have experienced flooding in the last three years

AP01 - As far as you are aware has your home or neighbouring area been flooded due to weather or any other naturally occurring events in the last 3 years from July 2010?			
		GONE UP	GONE DOWN
Decision Making Respondents	1442		
Yes - my home	15	7	*
Yes - my surrounding area (within two streets of my home)	34	15	*
Yes - the neighbouring area (further than two streets from my home)	48	28	-
None of these/Don't know	1344	491	113

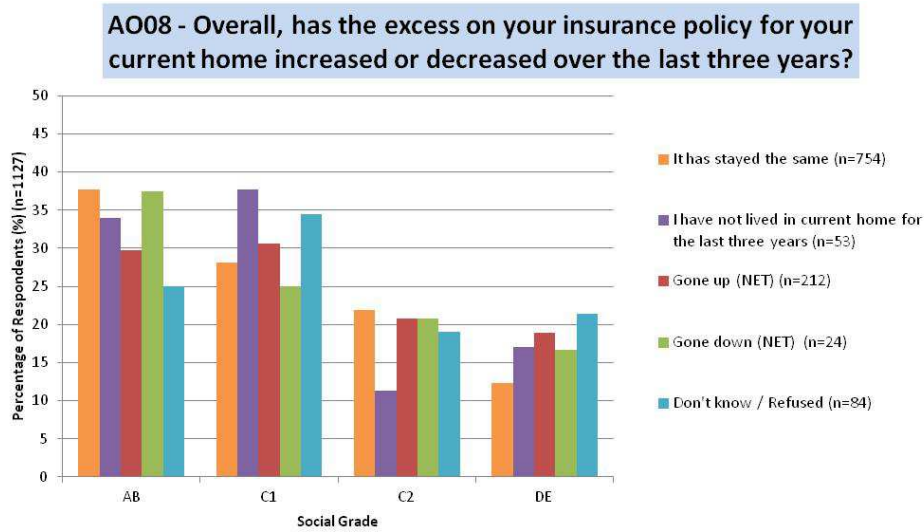
Question A007 - For what reasons do you think the cost of your home insurance has gone up? 57% of respondents indicate that they believe the reason for increased home insurance is due to inflation, with company profits the next highest reason chosen. However, this is the perception of the survey participants and the actual reasons for increased premiums cannot be identified from responses to this question.

Figure 3-8: Omnibus survey: reasons why respondents think home insurance premiums have increased



Question A008 - overall, has the excess on your insurance policy for your current home increased or decreased over the last three years?. Most household insurance policies have stayed the same across all social groups (67% of respondents to this question); 72% of respondents in social grade AB, 64% of respondents in social grade C1, 70% of respondents in social grade C2 and 56% of people in social grade DE.

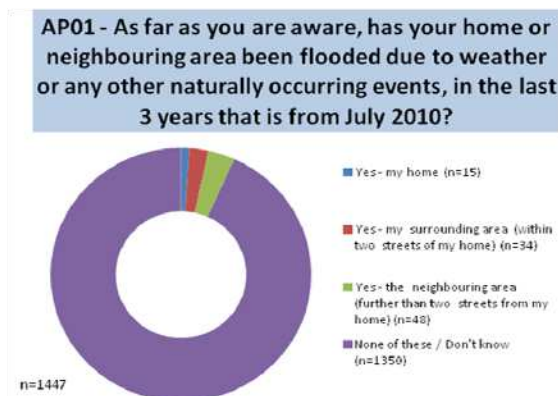
Figure 3-9: Omnibus survey: changes to excess over last three years by social grade



3.3.4 Home or neighbourhood flooded

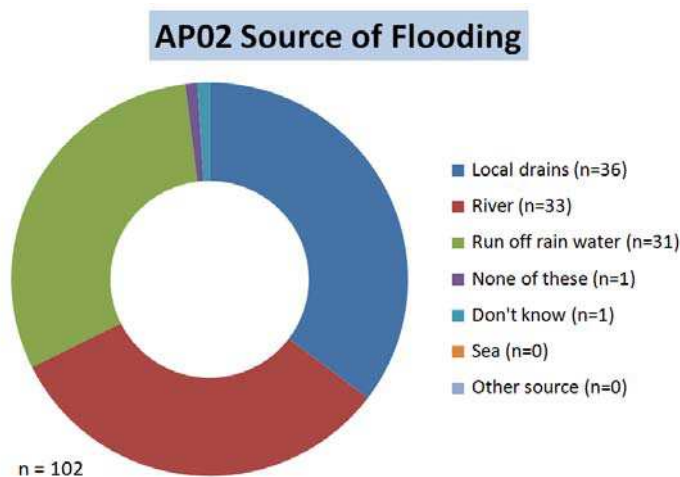
Question AP01 - As far as you are aware, has your home or neighbouring area been flooded due to weather or any other naturally occurring events, in the last 3 years that is from July 2010? Of those questioned, approximately 6% of respondents to the question have been flooded at home or within their locality.

Figure 3-10: Omnibus survey: property flooding in the last three years



The three main sources of flooding identified by respondents were local drains, river and run-off.

Figure 3-11: Omnibus survey: source of flooding



Respondents indicating that their home has been flooded in the last three years principally attribute the reason for this to local drains and run-off.

3.4 Omnibus Survey Observations

Most respondents are accessing insurance; the percentage of respondents indicating that they do not have insurance (5%) is less than the Office for National Statistics (ONS) Lifestyle Survey which indicates 10% of respondents hold no insurance. The ONS Opinions and Lifestyle Survey Module: Flood Insurance (MDK) and Centre of Expertise for Waters (CREW) Surveys indicate that 14% of households do not have insurance.

61% of respondents hold combined building and contents insurance

Premium increases are attributed to a range of factors, with inflation, company profits and crime reported as the main reasons. Around 7% of people reported flooding as the reason for price increase.

Most respondents feel that the excess on their policies has stayed the same.

Building and contents insurance is the most widely chosen type of policy.

70% of respondents with contents only insurance rent their property.

4 Householder Experience

4.1 Summary of Householder Experience

A mystery shopping approach was initially considered as a research approach that would provide impartial data on the price and availability of household insurance. Postcodes from flood risk and control locations for the telephone survey would be selected to test and compare household insurance availability and cost via online comparison websites. It quickly became apparent in applying this approach that anonymous mystery shopping could not be undertaken due to the level of detail required by these sites and in some cases a follow-up telephone call would also be involved.

A volunteer householder living in a known 'at risk of flooding' location completed this activity, seeking quotations from a range of sources. Given that this is a single case study, the findings should be treated as indicative only. Key findings from this element of research:

Price of Insurance

- For a band G house in a significant risk area the lowest combined building and contents insurance was £450, accessed through a comparison site. With a flood exclusion clause the lowest combined insurance price was £248. This could be a reflection of the 'unbundling' of insurance products or the fact that certain companies identify low risk clients.
- A major high street supermarket offered cover including flood insurance for £600.
- A broker accessed via a comparison site provided a quote for £650 with a flood exclusion clause.

Availability

- Property location, within ¼ mile of the river and 'close to the river' was a key element in determining the availability of quotes.
- The process of obtaining a quote was time consuming. There was a lack of clarity on how one should answer questions online. The use of online comparison sites often led to brokers being involved and telephone conversations and questionnaires being undertaken.

4.2 Approach

An initial web based input of postcodes for properties in flood risk areas quickly established that insurers require more specific detail prior to providing a quotation; a follow-up phone call may also be required to clarify details provided. It is not possible to provide this level of detail legitimately on a mystery shopping basis.

This element of the research has therefore examined the combined buildings and contents insurance options available for an actual householder living in a known 'at risk of flooding' location. The house is in Flood Zone 3, the householder is subscribed to the Environment Agency (EA) Flood Warning Direct (FWD) service. The home internally has never been flooded since construction in 1910, however the gardens and drive which are set at a lower level than the house have been flooded, and the last event was 2003. It is Council Tax band G. Other houses in the immediate locality have been flooded and water has entered these homes. These adjacent householders have a history of claims for flood damage in the last 15 years.

The house is standard construction, 5 bedrooms with typical for the area locks and security in place. It is set 250 meters from a river, which is the source of the flooding.

The research approach used web based and telephone inquiries with insurance companies, brokers and others.

The research involved collecting quotes and attempting to keep all matters equal in the supply of details, although it quickly became apparent this was not always possible, for example some companies classed one member of the household as a child, another as an adult at the age of 17. Also, when questioned on recent flooding history one company asked 'has your *property* flooded in the last 10 years' another asked has your '*home*' flooded. For this householder this could be an ambiguous question and typically there was no consistency of questioning on flood related risks.

4.3 Quotation Results

4.3.1 Online comparison site

Initial research used a well-known insurance comparison site, an aggregator to collect details to a set of common questions and then provide a ranked list of quotes based on cost from insurance companies. The list of questions included specifically whether the house was within ¼ mile of a river. No other flood related questions were asked at this stage.

The search for quotes was repeated twice. Once responding correctly to the question on proximity to a river and again incorrectly by stating it was outside the quarter mile distance. The information supplied was very detailed and entirely truthful with the exception of the distance from the river.

The headline results were that the lowest quote for joint building and contents was £164 based upon being beyond the ¼ mile distance, this same company increased its quote to £368 when the response stated correctly the house was within ¼ mile of the river.

In brief:

- 6 insurers withdrew from offering cover when the household was correctly sited within ¼ mile of a river. These were all in the lowest seven quotes received.
- The lowest quote 'within the ¼ mile' was £226 was pursued, see below.
- 3 companies kept quotes unchanged, the lowest of these was pursued.
- All the lowest quotes had a rebuilding cost set at a default which was low for the building construction type, later advice on the phone from a broker indicated this was considerably below (45%) the normal industry expectations based on size and value of the property.
- The lowest quote with an appropriate rebuilding cost was £450. This was unchanged by the ¼ mile distinction. This was pursued further.
- All the lowest prices underinsured the property which would significantly affect payment on claims.
- No companies asked questions relating to Council Tax Band however they estimated rebuilding costs from information related to construction type and size.

Quote One

The lowest quote was pursued further. The comparison site directed the researcher to the quote company and the details were transferred to their website from the comparison site. Details had then to be rechecked and further questions were added requiring answering. Specifically a declaration was sought on whether 'the property has been flooded within its boundary in the last 25 years?' On answering yes further detailed questions were asked;

- 'what flood protection measures had taken place since the last event'? None,
- whether 'the property was closer than 200 metres'? No,
- 'height above waterline'? 3.5m,
- when was the last event? 2003,
- were the buildings affected? No
- what depth was the flood? 0.1m.

The one off premium increased to £248 and now **excluded** loss or damage by flood. This insurance company indicated on its web site it was underwritten by one of the top 5 national insurance companies.

Quote Two

The lowest quote that had remained the same irrespective of the answer to the ¼ mile question was pursued. The details were rechecked online since the quote invited the respondent to amend details. This now included a question and declaration on whether the property was in 'an area which has been FREE from storm/flooding and has no history of damage by flooding'. The details presented had this as answered 'Yes'. Upon answering correctly 'No' the property was not free of flooding, a quote was generated which was £20 more than originally quoted on the comparison site. (It must be noted 3 days had elapsed from the research starting and probably accounted for the cost change) However it was unclear that amending the details as being

offered was being taken account of. On rechecking again the on line details had defaulted back to the original answer, 'Yes' the property was free of flooding. The process of amendment was repeated several times with the same result. The company did however send automatically 4 email responses to the online activities with the quote reference and inviting the householder to contact them on a Freephone number where a friendly advisor would look after them.

Quote Three

The quote that had remained the same irrespective of the answer to the ¼ mile question and which also correctly valued the rebuilding costs was pursued. The comparison site sent the researcher to a company site. This site presented the householder with details for checking. Only a few additional questions needed a response and no new questions relating to flooding were presented. The recalculated one-off premium was £451. This was not pursued any further since the next stage was to purchase the insurance.

4.4 Quotations with online providers direct

The second part of the research involved seeking direct online quotes with insurance providers. A mix of direct insurers and retail agents were chosen. All of these asked for exhaustive details and all but one asked question(s) relating to flooding history. Five were researched, including two top 5 ranked household insurance providers.

Only one provided an online quote and this was a major supermarket retailer who offers insurance. This quote exceeded £600.

Upon completion and processing of the quote application the remaining sites informed the researcher 'they couldn't complete online' or similar statement and asked the applicant to call them, some provided a unique code relating to the application. One said they would get a broker to call the researcher.

Upon telephoning one of the major UK insurers, they explained that the postcode used in the on line application had a block on it and so they couldn't provide a quote. They could not explain what the block related to. They did however transfer the call to an independent agent who 'might be able to find cover'. The agent was a brokerage service for numerous insurance brokers. Through this agent the researcher was put in touch with a broker who then took all the householder details again and indicated they would call back the next day since it was now approaching 5 pm. The broker did ask whether the householder was close to a 'river or quarry'. The exact distance of 250 metres was provided. The broker's comment was that this would not necessarily be a problem but would reduce the number of companies prepared to offer insurance. The rebuilding costs were agreed at £500,000.

A second major insurer promised upon online completion, but with no quote provided, that someone would contact the researcher. A broker rang the following day and took down all the household details. The broker asked a series of flood related questions relating to the property and household. These included, source of flooding, distance to river, estimated property height above river level, last event (2003), time of year of the event, extent of flooding (garden and drive but not in the house), any defences put in place since last event, whether householder was registered with Flood Warning Direct. The broker promised to come back within 48 hours which they did with an emailed quotation letter with a premium of £650 and a specific Flood Exclusion Clause. This clause excludes 'loss or damage by flood other than from the escape of water from fixed water tanks, apparatus or pipes'.

4.5 Conclusions

A mystery shopping research approach using multiple property types and locations is not appropriate due to the level of detail and personal information required by online price comparator sites and in some cases follow-up telephone calls are involved.

Shopping around for insurance is time consuming. The time spent on the research for just this one case study, including online form filling and telephone conversations was approximately one day. This was a frustrating exercise, being repetitive and time consuming, with only apparently 'two' relevant quotes being found from time spent. A lack of response when contact was promised was additionally frustrating.

There is a lack of clarity and consistency between insurance companies. The varied questions and terms used relating to flood risk are often ambiguous and open to householder interpretation.

Broker Involvement is usual even for on line quotations if flood risk is identified in on line responses.

Online quotes need rechecking to ensure relevant and unambiguous flood cover. The lowest relevant quote was £451, received online, which is lower than the existing cover on the household. However the research experience points to the need to recheck direct with the company to ensure adequate flood cover before accepting this.

Proximity to river is regarded as a risk. Insurance was restricted by many companies where a property is located within $\frac{1}{4}$ mile of a river.

5 Focus Group

5.1 Summary of Focus Group Findings

A householder focus group was held in a high flood risk town. Household attendees lived in both at risk and out of flood risk locations in the town. Attendees were asked to bring details of their insurance policies, providing an opportunity to explore in detail accurate premium and excess figures, any exclusion clauses and experiences of obtaining insurance. Key findings from the focus group:

Price of Insurance

- The group reported an increase in the costs of insurance in flood risk areas on a year on year basis. The group had seen step changes in insurance costs following flood events and policy claims. These changes ranged from £260 to over £600.

Availability

- The group generally reported that insurance was available across a range of methods from comparison sites through to a local broker.
- The group reported that insurers were not asking whether community flood defences had been put in place locally. Due to the small number of focus group attendees it cannot be inferred that insurance companies are not considering formal flood defences in establishing insurance premiums.

Affordability

- The group considered that employment income or other income was critical to making insurance affordable. Insurance costs between £500 and £700 a year were considered to be on the margin of affordability. Levels of personal income were not discussed with attendees.

Specialist insurance market

- The group reported from personal experience and experience of neighbours and friends that a local broker had been very helpful in securing insurance at a reasonable price in flood risk areas.

5.2 Attendees

Attendee 1 (A1) - has lived in property for 28 years, Council Tax band unknown, has combined building and contents insurance, pays £624.10 for building element and £166.85 for contents, £200 excess, with additional £250 for 'escape of water'. Insured with same company for 10 years. Flooded in 2000 and 2012 in cellar.

Attendee 2 (A2) - has rented property for 2 1/2 years, tax band A, contents only policy, premium £246.00/annum, excess £250, flooded in June 2012 and July 2013.

Attendee 3 (A3) - has lived in property for 16 years, tax band D, has combined building and contents policy, premium £396.00/annum, £150 excess for building and same for contents. Insured via broker since May 2011. No flooding in last 3 years, water in cellar but not house so was not recognised as flooding.

Attendee 4 (A4) - has lived in property for over 30 years, tax band A, has combined building and contents policy, premium £260/year, £50 excess; insured through a local broker for 3 years. No flooding in last 3 years, water in cellar but this was not recognised as flooding.

Attendee 5 (A5) - living in control area. Has lived in property for 41 years, tax band A, has combined building and contents policy, premium £247.99/year, £50 excess, £1,000 excess for landslip; has been insured with same company for 15 years. Property has not flooded in last 3 years.

5.3 Insurance Premiums/Excess Figures

The focus group were asked whether their household insurance premiums had increased or decreased compared to last year.

Household insurance increased for all the respondents living in the risk flood area, however, this varied considerably.

- A5 said that their insurance had increased by £10 in total over a three year period, with fluctuations during this timeframe. For the period 2011-12 their household insurance went up, however for 2012-13 it decreased by £7.
- A4's household insurance premium increased by £10 in the last year. Lived in property 35 years.
- A2 had a £7,500 claim following a flood in 2012. Their insurance premium (contents only) increased by £45 in the last year. They were initially charged more for their insurance but managed to negotiate this down.
- A1's insurance premium increased by £200 in the last year. In the previous year they had claimed on their insurance for a damaged tumble dryer following a flood event. They were unsure but assumed that their increased premium was due to the claim.
- In 2000, after a severe flood event A3's household insurance tripled to £1,000. It stayed at this level for 10 years. They had previously claimed £26,000 on their insurance. They attributed this directly to the flooding.
- After the 2000 flood event, A4's household insurance increased by £300/400 (2000-01). They had quotes of £1800. They currently have household insurance arranged through a local specialist broker. This costs £260 for both contents and home insurance. This is opposed to quotes of between £700 and 900.
- A2 found it difficult to find insurance providers that would insure their property through an online compare search engine. They attributed this to the flood event in 2000 that badly affected properties in their postcode. The cellar of A2's property floods, with sewage coming up through a drain into the cellar.

5.4 Household Insurance Providers and Policies

The group was asked about how they chose their current insurance providers.

A5 changed insurance provider because a family member recommended the company and they already had car insurance with them. If the household insurance price was to increase they would change insurance providers again. A5 would do this by looking on comparison search engines on the internet. They regularly receive insurance information by post.

A2 used a comparison search engine on the internet but found it difficult to get insurance providers that would insure their contents. A2 returned to the locality in 2011, and tried to source insurance on the internet, however when they entered their postcode they were unable to secure insurance. A2 puts this down to the fact that their postcode is in an at-risk mapped area. Their street was flooded in 2000. A2 believes their street is 'blacklisted'. Only one company was prepared to insure their property. The other companies gave quotes that were out of A2's price range. A2 checks their household insurance options throughout the year, but they still have difficulties finding insurance providers to insure her property.

A3 shopped around to find the cheapest household insurance. In 2008, they paid £700 a year; however household insurance premiums increased up to £1,000. In 2011, they switched to an insurance company via a national specialist broker because the premium was lower, nearly half the price. A3 has stayed with this company since. They commented that they would be worried about moving companies.

5.4.1 Reasons for renewing with insurance providers

A4 renewed with existing because they provide a good service.

A2 had difficulties in finding an insurance provider that would insure their property. There was very little availability and only one insurance provider in their price range.

A1 has stayed with the same insurance provider and had not noticed the increase in the premium they were paying.

5.4.2 Questions when applying for insurance

The group were asked about the questions that they got asked when applying for household insurance, in addition to standard 'have you been flooded questions'.

A3 started a new policy with a broker; they filled out an online application and then received a phone call. The broker asked questions about the property's proximity to the river and flood history. They reported that it wasn't a difficult process to move.

A5 was asked if they were in a flood risk area when applying for household insurance. They questioned what was meant by 'high risk area' as there was no definition.

A2 explained that their situation is slightly different, not what might be regarded as 'normal flooding' as a lot of the issues are due to drains and groundwater.

A comment was made that insurance companies and brokers do not ask if community constructed flood defences have been put in place.

The focus group were asked where they would go to get advice about household insurance.

- A1 said they would look on online search engines
- A4 would search on the internet
- A5 would search online as well as directly with insurance brokers
- A2 would look on online search engines as well as with insurance brokers
- A3 is a member of the local flood forum and mentioned that they could provide advice.

The group were also asked if they check their household insurance policy documents:

- A1 did not check their documents.
- A2 and A3 checked their policy documents.
- A5's insurance provider did not change the terms and conditions.

5.5 Household Insurance Availability

A2 had difficulties in finding an insurance provider that would insure their property. There was very little availability and only one insurance provider gave a quote in their price range. They attributed the lack of available household insurance cover to past flood events that happened in their postcode.

A3 offered information about flood defences they had installed in their house to insurance providers. They felt however that this was not considered by the insurance companies and that they did not want to know about flood risk measures. A3 commented that if they had a small flood with minimal damage they would not notify the insurers or claim.

5.6 Household Insurance Affordability

The group were asked whether there would be a point at which insurance might become unaffordable. Attendees were not asked about household income levels.

A1 believes their insurance is affordable because they are currently in employment. However, they think that for other people who have less disposable income it is likely to be the first thing to go. A1 feels that even if their premium increased by £500 they could afford to pay. Employment makes a difference in their opinion. Building insurance would be a priority more than contents if they had to make a choice.

A3 is retired and thinks that they would need to reconsider their options if premiums increased above £200 a year. As A3 own their home they feel they would be able to make choices in terms of policy changes and amendments to be affordable.

A2 also thinks that the amount of household insurance that is affordable depends on employment status. Their neighbour has been quoted £2,500 for household insurance; they are not currently insured and are seriously consider moving house. A2 would consider paying £500 a year for household insurance. They currently live in rented accommodation and would consider moving house if household insurance increased to a certain amount. They have thought about this option but do not want to move. A2 only has contents insurance as they rent. They are aware that other residents on the street where they live have been affected.

A5 would weigh the options of the cost of household insurance and the security it provides. They may take a risk and not take out household insurance if it becomes too expensive.

A4 thinks that household insurance is very important for their property and would pay £700 a year for household insurance. They thought that this was expensive but saw household insurance as a necessity.

Two of the attendees excluded their cellars from their household insurance policies to reduce the premium. It was communicated that many of the cellars become flooded in the area.

A hypothetical price for insurance was suggested at £720 to the group (based on premiums identified by the desk research for flooded householders in Morpeth). A3 said that in this instance they would look to introduce exclusions into his policy to reduce the premium, A2 would move house, A4 and A1 would both pay £720 for household insurance.

5.7 Flood Protection

A3 had installed property flood protection measures. They put up a flood board on the side of the doorway, an airbrick cover, non-return valves in the cellar and a new flood proof door. They have deployed these measures in a flood event. With the last flood event this was a flash flood with no warning, A3 managed to get the flood door in place but the rubber seal didn't work. They didn't claim. They are planning to pay for a new flood door themselves.

A2 had sandbags on hand to protect their household with the last event. The flooding was 6ft deep. Their landlord has moved electric trip switches from cellar, but this was only as a result of extreme pressure from A2 and the threat of reporting them to the Local Authority.

A5's property is 15ft above the flood risk area, however in the event of an extreme rainfall event they could be affected by surface water flooding coming down the hillside behind their house, which could run through their house. Their policy carries an increased excess figure (£1,000) for landslip.

A4 has no property protection measures; they are relying on the EA installed defences.

A1 mentioned that they believed their property had become more at risk of flooding since flood risk defences had been constructed locally.

5.8 Definition of Flooding

Differences in the personal definition of household flooding were a recurring theme and the attendees were asked to define household flooding. The group decided on the following definitions:

- Water through the back door means that the household is flooded.
- Water in the cellar can mean that the house is flooded with the group defining sewerage in the cellar as a household flood. Water coming through airbricks was a household flood.

Attendees did not define a rising water table or seepage entering their cellars as a flood.

5.9 Advice on Insurance

Attendees were asked where they would seek advice on insurance:

- Several would use an online website.
- One respondent would use the web or seek advice from their daughter.
- One would use the web or a broker.
- One would go to the National Flood Forum.
- One would use the Local Flood Group.

5.10 Focus Group Conclusions

Attendees are managing to source insurance.

Lack of choice was most noticeable for the resident who had been flooded twice in the last 2 1/2 years; they could only secure insurance through one insurance provider, which was the same one they selected when they initially moved into the property. At renewal they searched for

quotations online but had difficulties obtaining alternatives; they had to renew with the existing company. Anecdotally they also indicated that a neighbour is unable to source any insurance.

Householders A4 and A5 (living in the area not at risk of flooding in the town) are paying similar premiums £260 and £247.99 respectively in Council Tax band A, neither has been flooded in the last 3 years. A2 is paying almost the same amount for contents only insurance.

A1, is paying nearly 2 1/2 times the premium levels of A4 and A5, assumed to be as a result of claiming for damage following a flood event. This resident had not shopped around for insurance but planned to look into this following the focus group event.

A local broker has been used to secure reduced premiums by one attendee. The broker's local knowledge was recognised and anecdotally they were indicated as having helped other local residents. In this locality the local broker was valued by attendees.

Household insurance affordability was linked to employment status by two of the attendees. Although no conclusions can be drawn given the small sample size, this may be an issue which would benefit from further research. There were mixed views in the group as to whether potential price increases would be affordable and whether the choice would be made to pay an increased cost.

There is a difference in the attendee's opinions on the importance of home insurance with attendees from the high flood risk location seeing this as more important and even as a necessity.

There was a difference in the attendee's attitudes towards paying and finding insurance. Whilst some attendees simply paid an increased costs, others ensured they shopped around regularly to secure cheaper insurance policies.

Water in cellars is not recognised as flooding by most attendees in this locality and would not be considered as warranting an insurance claim. Attendees did not define water from a rising water table or seepage entering their cellars as a flood. There was an acceptance by attendees in terrace properties with cellars that these did get damp and water would enter in some circumstances. There was little sympathy for residents in the area who had converted cellars into useable rooms when these flooded.

The internet was mentioned as the most likely information source to move policies.

Residents did not feel that local flood defences were considered when applying for insurance; they were usually only asked about proximity to water.

6 British Insurance Brokers' Association (BIBA)

6.1 Summary of BIBA Survey

British Insurance Brokers' Association (BIBA) members agreed to support the research project through completion of an online questionnaire. The survey tested early findings from the telephone survey exercise. 13 responses from a sample of 62 brokers were received. Key observations, which are based on individual broker responses and are not a representation of BIBA and all BIBA members include:

Price of Insurance

- Respondents generally agreed that a non-flooded household in a high risk location, but without any flood claims history, could expect to pay an insurance premium uplift of £200 or more.
- Respondents agreed that a property with a flood claim attached might face an average 70% increase in premiums.

Availability

- Respondents indicated that proximity to a watercourse, rather than flood risk, was affecting availability.

Affordability

- Respondents suggested that a £20/month increase would result in households struggling to meet premiums.

Disposable income distribution

- Respondents considered that low income groups may be more vulnerable to under insurance and catastrophic losses than high income groups.

Consumer installed resilience

- Respondents reported that these resilience measures did not help clients lower premiums, however, they might make a property acceptable for insurance which otherwise wouldn't be the case.

Specialist Insurance Market

- Respondents reported little experience of specialist brokers emerging in the flood risk sector.

6.2 Survey

An online consultation and survey was sent to 62 British Insurance Brokers' Association (BIBA) members on Tuesday 17th September 2013 using Survey Monkey to test early findings from the telephone survey exercise. 13 responses were received, although some respondents did not answer all questions. Key observations are based on individual broker responses and are not a representation of BIBA and BIBA members.

6.3 Household Insurance Affordability

9 out of 11 respondents agreed with the statement that 'a non-flooded household in a high risk location, but without any flood claims history, could expect to pay an insurance premium uplift of £200 or more'. Some respondents expressed the view that many insurers would not offer an insurance policy to clients living in a flood risk postcode. However, others felt that where the client could prove that their property had less chance of flooding, such as being situated on a hill, and/or measures have been put in place to reduce flood risk, then this would reduce premiums.

Two thirds of respondents agreed with the statement 'a piece of evidence indicates that a property with a flood claim attached might face an average 70% increase in premiums'

6 out of 10 respondents agreed with the statement 'our initial evidence indicates that a good proportion of households (30%) find a way to pay increased premiums in high flood risk areas. However 40% of households struggle and increases above £20 per month would make insurance unaffordable'. There was an equal split of yes/no responses to the question 'Do you consider that higher socio-economic groups are less likely to be affected by increases in premiums and excesses on household insurance than lower socio-economic groups?' Some respondents thought that "if people have more disposable income or access to savings they are more likely to be able to absorb increased premiums or higher excesses". On the other hand, it was thought that "affluent clients tend to have larger sums insured which are increased proportionately when rates rise". It was also expressed that higher socio-economic groups "are more likely to value their possessions" and "are often more money conscious." Also, that "customers live to their means in the current climate" and that increased premiums will impact all socio-economic groups. However, an insurance broker expressed that all socio-economic groups are affected by increases to premiums but "lower income groups may be more vulnerable to underinsurance and potentially catastrophic losses of their homes."

6.4 Household Insurance Availability

All of the respondents agreed with the statement 'our initial evidence points to insurance still being available' (in flood risk areas) but this requires more 'searching and finding' and 'high' premiums. . One respondent expressed that it requires "a lot of searching" to find this type of insurance. Another respondent thought that "the situation seems to be gradually worsening, with many insurers penalising properties purely based on their proximity to a water course and not the true risk of flood". .

6.5 Property Level Protection (PLP)

Half of the respondents had experience of clients with Property Level Protection (PLP) measures in place. Six out of seven respondents thought that these measures did not help clients achieve lower premiums in flood risk areas. However, PLP measures could "make them acceptable to insurers". These measures could therefore aid in household insurance availability rather than affordability. It was indicated that the impact of PLP on insurance premiums was "totally dependent on the type of flood defences used and in what areas they are used."

6.6 Specialist Brokers' and Local Knowledge

The majority of insurance Brokers' participating in the survey had no or limited experience of specialists emerging in the area of providing insurance for households in high flood risk areas. It was expressed that "those in the market are well informed." One respondent indicated that "there are more specialist firms offering cover. However, many see this simply as an opportunity to charge higher premiums or impose high policy excess." It was thought that "there are not enough specialists providing information to clients on how to protect against flood, what to do in the event of a flood and how to keep their insurance costs down." 9 out of 10 of the survey respondents thought that their local knowledge had helped clients affected by floods and faced with insurance problems.

7 Telephone Survey Results

7.1 Summary of Telephone Survey Findings

In-depth telephone surveys have been undertaken in 10 areas to provide data to inform the baseline understanding of flood insurance pricing, availability and affordability. Result tables are available in Appendix F in the accompanying Appendices document. The key groups whose views have been sought fall into 5 location categories:

- not in flood risk areas or experienced recent flooding
- in at risk areas but have not experienced flooding
- in flood risk areas and have experienced flooding
- in at risk areas, have not experienced flooding, flood defences and/or property level protection in place
- in at risk areas, have experienced flooding, flood defences and/or property level protection in place

In addition to property flood risk and flooding history Council Tax band was also a main sampling criteria and used to identify locations for undertaking the householder telephone surveys.

Localities were identified on the basis of fluvial and coastal flood risk from a combination of the JBA national flood risk model map i.e. where data is readily available, through discussion and data provided by key stakeholders including the Environment Agency (EA), National Flood Forum (NFF), the project client team and areas identified through the desk research evaluation and professional judgement. It was also agreed with the client team that one area with surface water risks would be included to test householder experiences under this type of flood risk.

Fluvial and coastal flood risk areas were selected to provide a range of scenarios including flood frequency, whether the location has protection from a flood defence scheme and if flooding has occurred in the last 5 years.

In two locations interviews were conducted with respondents in flood risk areas and also with householders adjacent to but not in the flood risk area. These two 'out of flood risk areas' were to act as controls. This approach was chosen to provide a direct comparison between households at flood risk and those outside defined areas of risk. As such any differences between insurance experiences may be attributable to flood risk. The control areas were selected in locations where the geographic area was compact, where similar property types and Council Tax bands straddled 'at risk' and 'not at risk' households. Whilst it is acknowledged that properties within the control locations might be subject to other factors that offer improved insurance premiums based on personal circumstances, it was considered that these householders would provide a comparison of experiences in terms of access to insurance and choice of insurance provider as well as actual insurance premiums.

Up to 70 interviews have been conducted in 10 locations, with a total sample of 585 respondents. Interviews explored key information concerning the cost, availability and affordability of household flood insurance for properties in different flood-related situations across a range of socio-economic groups. The results were not weighted and have not been tested for statistical significance.

Questions were expanded from the Omnibus survey questionnaire, exploring pricing, affordability and availability in more depth. A summary of the telephone survey key findings:

Price of Insurance

- For building and contents combined insurance in the control areas (out of risk) 68% of respondents pay less than £300 for their insurance. In areas at flood risk 40% of respondents pay less than £300. In the flood risk areas 27% pay above £500 compared to 8% in the control areas (8%). Householders were not asked if their policy specifically included or excluded flood related claims. Respondents were asked if they had changed the terms of their insurance at renewal, only a small number had done so, with an increased excess being the main change.

- In considering just Council Tax bands A and B, in the areas of flood risk, 17% of respondents were paying less than £200, whereas in the control areas 38% were paying less than £200. The maximum for Council Tax bands A and B in the control not at risk areas was between £400 and £500, whereas 30% of respondents in the flood risk areas were paying above this figure for insurance.
- There was little difference discernible in the cost of contents insurance between flood risk areas and controls.
- In considering insurance excess 30% of respondents didn't know whether the excess had changed at the last time of renewal.
- For all the flood risk sites, with the exception of Shepherd's Bush, the mean price of insurance for building and contents combined is £440 and in the flood control area it is £309.
- Considering only Council Tax band A and B properties the mean price for building and contents insurance in a flood risk area is £442 and in the control areas is £226.
- There is a perception amongst respondents in flood risk areas that the cost of insurance has gone up. This finding appears to be consistent across Council Tax bands. It must be noted that a third of all respondents didn't know which Council Tax band they were in.

Availability

- There were very few respondents who reported that insurance was unavailable.
- There was fairly low use of brokers to find insurance, 7% in flood risk areas, and 4% in the control areas. This is a lower proportion than suggested by the desk research about the use of brokers.
- In Todmorden and Morpeth there was a higher percentage use in the flood risk areas of brokers and local recommendations than in control areas. Both areas have Flood Groups and both have experienced flooding within the last 3 years.
- In flood risk areas approximately 50% of respondents said they did some shopping around for insurance, however 80% of all respondents renewed with the same insurer.

Affordability

- In considering the point when an increase in premiums would be unaffordable over 30% said they would find a way to pay irrespective of the increase. Around 20% said £10 a month increase was critical, however, this rises to 30% for those individuals who were from Council Tax bands A and B. In social groups DE 30% said they would find a £10 a month increase unaffordable.

7.2 Approach to in-depth telephone surveys

In-depth telephone surveys have been undertaken in 10 areas to provide qualitative data to inform the baseline understanding of flood insurance pricing, availability and affordability. The key groups whose views have been sought fall into 5 categories:

- not in flood risk areas or experienced recent flooding
- in at risk areas but have not experienced flooding
- in flood risk areas and have experienced flooding
- in at risk areas, have not experienced flooding, flood defences and/or property level protection in place
- in at risk areas, have experienced flooding, flood defences and/or property level protection in place.

Up to 70 interviews have been conducted in 10 locations, with a total sample size of 585 respondents. Interviews have lasted on average 12 minutes (up to 15 minutes in some cases) and have explored key information concerning the cost, availability and affordability of household flood insurance data for a range of locations in different flood-related situations and across a range of socio-economic groups.

Based on the Flood Re consultation proposal property Council Tax bands have formed a key element of the area selection criteria. Council Tax bands A and B are a key element of the study.

Interview locations were prepared with accompanying maps identifying:

- Flood source
- Frequency
- Flood events
- Flood alleviation scheme, if applicable
- Flood risk sample areas
- Property Council Tax bands

Questions were expanded from the Omnibus survey questionnaire, exploring pricing, affordability and availability in more depth.

Based on the desk research and proposed insurance levels set in the Flood Re consultations for A/B Council Tax bands, issues of affordability have been explored. The survey approach specifically sought to interview a greater proportion of householders in Council Tax bands A and B. This was considered as reflective of lower income households. The in-depth questions also discussed the 'tipping point' of affordability with respondents, i.e. the level of increase in premium at which insurance becomes unaffordable. Policy excess figures were also explored and have been aligned to the Flood Re proposals

The interviews established data including socio-economic group and age of respondent, property type, Council Tax band, whether respondents are owner occupiers or renters.

In line with the Flood Re proposals which excludes properties built from January 2009 onwards, date of property construction has been established during the interview process.

Feedback Research, the telephone research company conducting the telephone interviews, used Computer Assisted Telephone Interviewing (CATI) for the surveys, with interviewers following an approved script, included at Appendix E.

The telephone surveys participants were also asked if they would be willing to participate in a longer term annual survey as part a longer-term monitoring approach.

Householders were contacted during the period 27th August to 23rd September 2013 at varying timescales from morning to evening, Monday to Sunday. Interviews were conducted with the household main or joint decision maker.

7.3 Survey Locations

Property flood risk and Council Tax band were two main sampling criteria used to identify locations for undertaking the householder telephone surveys.

Localities have been identified from a combination of the JBA national flood risk model map i.e. where data is readily available, through discussion and data provided by key stakeholders including the Environment Agency (EA), National Flood Forum (NFF), the project client team and areas identified through the desk research and professional judgement. Areas were selected based on these criteria. It was agreed with the client team that one area with surface water risks would be included to test householder experiences under this type of flood risk.

Fluvial and coastal flood risk areas were selected to provide a range of scenarios including flood frequency, whether the location has protection from a flood defence scheme, if flooding has occurred in the last 5 years, different local socio economic circumstances.

A long list of locations was discussed with the client team and a short list of 8 sites agreed.

A manual review of postcodes within each flood risk area identified property Council Tax bands. Postcode locations were pre-selected based on conducting the majority of interviews with householders living in Council Tax band A/B properties.

Further background on the survey locations can be found in the separate Appendices document, Appendix D.

JBA created maps outlining the interview locations. Postcodes and Council Tax band data was collated onto a spreadsheet and submitted to the telephone interview company, Feedback Market Research.

Feedback sourced telephone numbers for properties within the outlined locations and conducted interviews using a quota sample. A minimum sample of 50 interviews was instructed in each sample location.

One surface water flood risk location in London, Shepherd's Bush, was selected to provide some data on householder experiences in this location and draw out any comparisons to householders in fluvial and coastal flood risk areas. As only one location was selected this is not representative of experiences in all surface water risk locations.

To ensure that the views of those householders who have installed Property Level Protection were included in the survey, one location was specifically chosen due to a PLP scheme having been delivered there. Interviews in the PLP locality of Alconbury also included questions relating to eligibility and uptake of a grant funded scheme. Alconbury responses are discussed in section 7.14.

Outlines were identified on maps for the interview locations, Council Tax bands were identified for streets within the outlines and publicly available telephone numbers from this data were sourced, including both landline and mobile numbers.

7.3.1 Control interview locations

In two flood risk locations, areas adjacent were identified where the householders were located out of flood risk. This would enable interviews with respondents in flood risk areas and also with adjacent householders who were not at flood risk. These two areas were considered as controls. This approach would provide comparison areas and differences in response might be expected to reflect differences attributable to flood risk. The control areas were selected in locations where the geographic area was compact, with similar property types and Council Tax bands as adjacent 'at risk' areas. Whilst it is acknowledged that properties within the control locations might be subject to other factors that offer improved insurance premiums based on personal circumstances, it was considered that these householders would still provide a comparison of experiences in terms of access to insurance and choice of insurance provider as well as actual insurance premiums.

Table 7-1: Telephone survey: interview locations

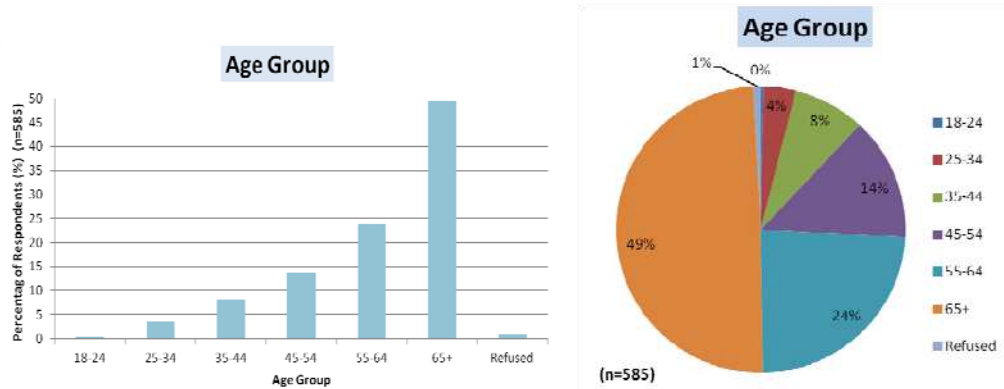
Location	Flood Risk
Alconbury	Fluvial - PLP location
Cockermouth	Fluvial
Hull	Fluvial, tidal and surface water
Morpeth	Fluvial & surface water AND Control interview location
Sandwich	Fluvial & tidal flooding
Shepherd's Bush	Surface water
Todmorden	Fluvial & surface water AND Control interview location
Weston-Super-Mare	Tidal

7.4 Background to Respondents

7.4.1 Age

The survey asks a question on the respondents' age. The respondents of the survey are generally in the 55+ age group, with 49% of the respondents being 65 or older. This may reflect the telephone survey approach, with ex-directory households not being contactable. A small proportion of respondents, 1% of the 585, refused to give their age.

Figure 7-1: Telephone survey: age profile



The flood risk and control locations in Todmorden and Morpeth have been analysed separately. In both Todmorden and Morpeth, the age ranges are similar across both locations, reflecting that although the age ranges are high, they are consistent across both areas.

Figure 7-2: Telephone survey: Todmorden age profile

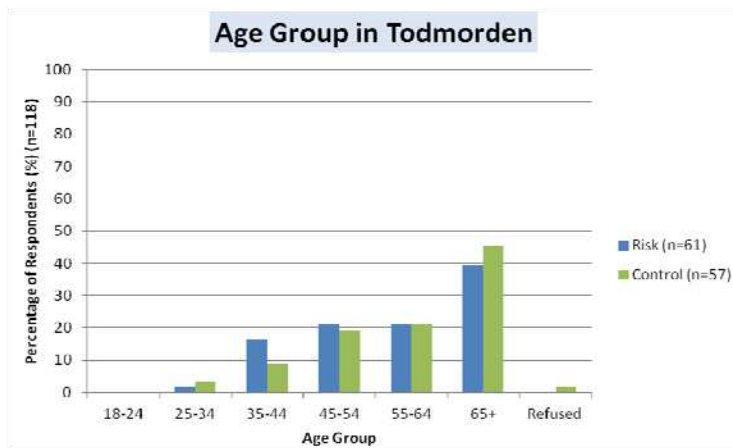
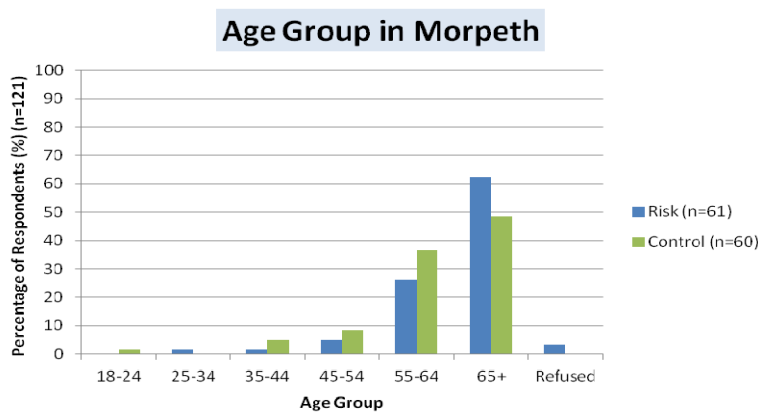


Figure 7-3: Telephone survey: Morpeth age profile

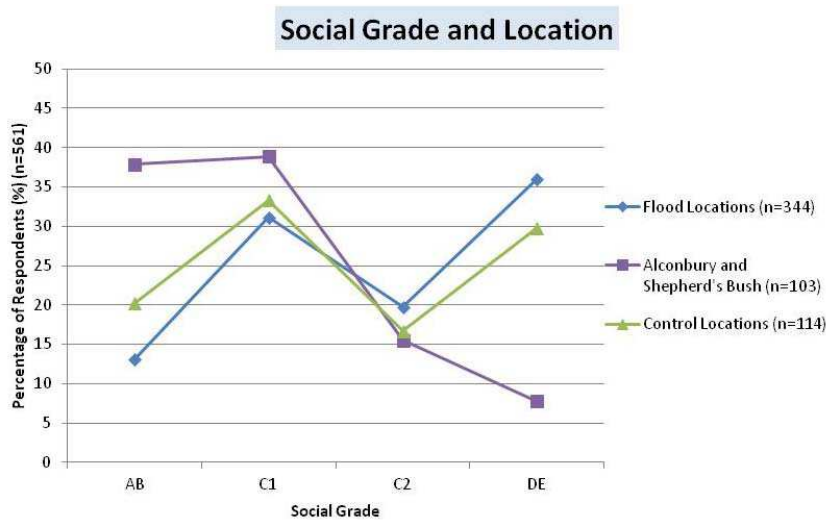


The sample of respondents in the telephone survey had a greater proportion of 55 and over age profile owner occupier householders that had lived in their property for over five years.

7.4.2 Social Grade

The survey has specifically focussed on households in less affluent areas to explore the availability and cost of insurance in these communities. Across all the locations, 32% of the 585 survey respondents are in social grade C1 and 28% in the DE category. In Hull 54% of the 70 respondents are in the DE social grade. Of the 585 respondents, 4% refused to provide information that could be used to determine social grade. Alconbury and Shepherd's Bush have a higher proportion of respondents in social grade AB and a lower proportion in the DE category than the other locations. Due to a higher proportion of residents in Alconbury and Shepherd's Bush in DE social grade band, responses have not been included in the analysis of some questions to provide results that are comparable across survey locations.

Figure 7-4: Telephone survey: social grade of respondents

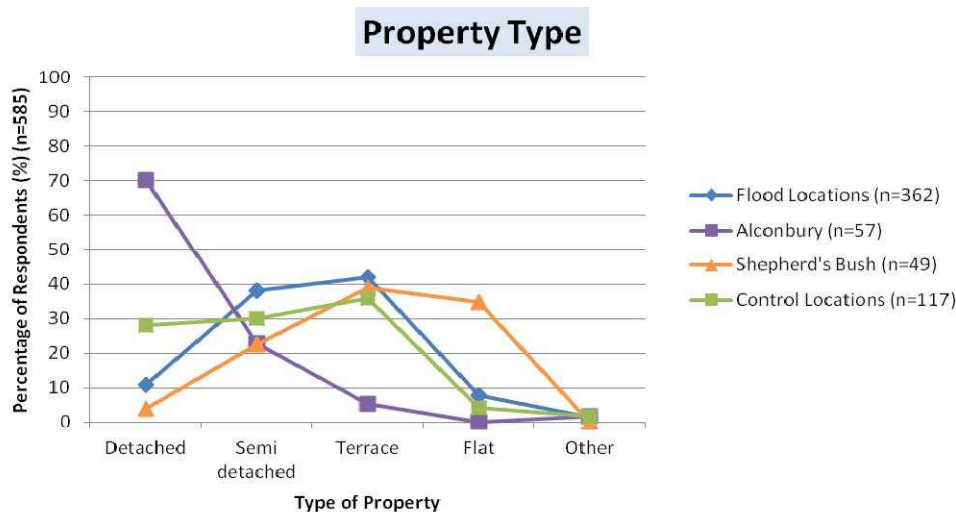


7.5 Background to Respondents' Properties

7.5.1 Property Type

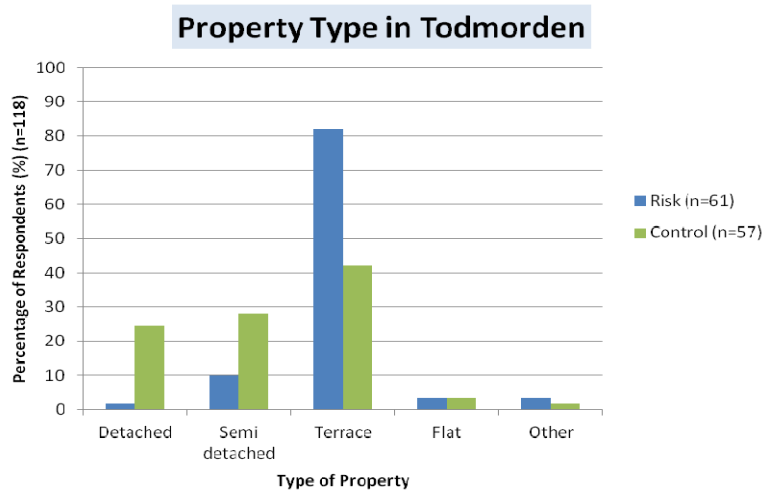
The survey asks respondents the type of property they live in. The flood and control locations have a similar profile, however there are more respondents living in detached houses in the control locations in Morpeth and Todmorden. In Alconbury, the PLP location, the majority (70%) of the 57 sampled houses are detached. Of Shepherd's Bush respondents, 35% live in a flat. Less than 1% of respondents say they live in an 'other' type of property.

Figure 7-5: Telephone survey: property type by location



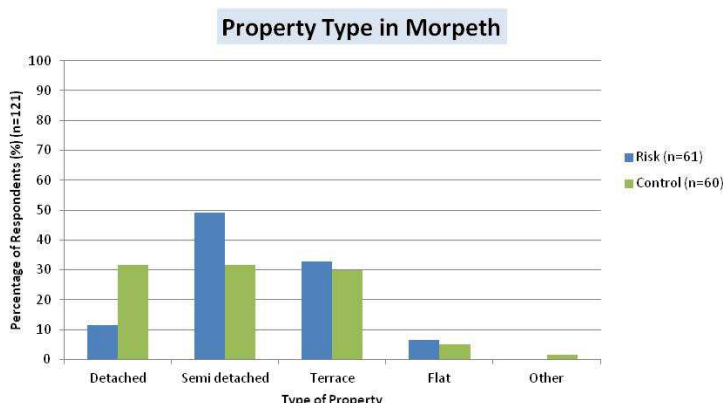
The property types for the control and flood risk locations in Todmorden and Morpeth have been compared. In Todmorden, there is almost double the percentage of respondents living in a terrace house in the flood risk location than the control location. This is reflective of Todmorden's history as a traditional mill town with a predominance of terrace properties constructed in the valley bottom adjacent to or near the river.

Figure 7-6: Telephone survey: property type Todmorden



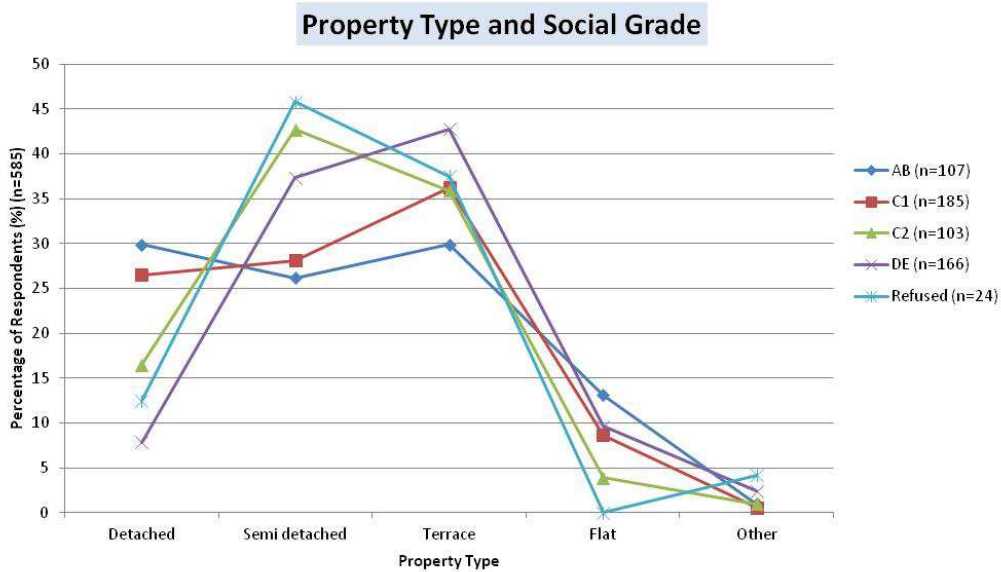
There are more respondents living in a semi-detached house in the flood risk location than control location in Morpeth. In the control location, more respondents live in detached houses than the flood risk location.

Figure 7-7: Telephone survey: property type Morpeth



Property type and social grade were investigated. The majority (80%) of the 166 respondents in the DE social grade live in a semi-detached or terrace house. A much higher percentage of respondents live in a detached house in social grade AB (30% of 107 respondents) than social grade DE (8% of 166 respondents).

Figure 7-8: Telephone survey: property type by social grade



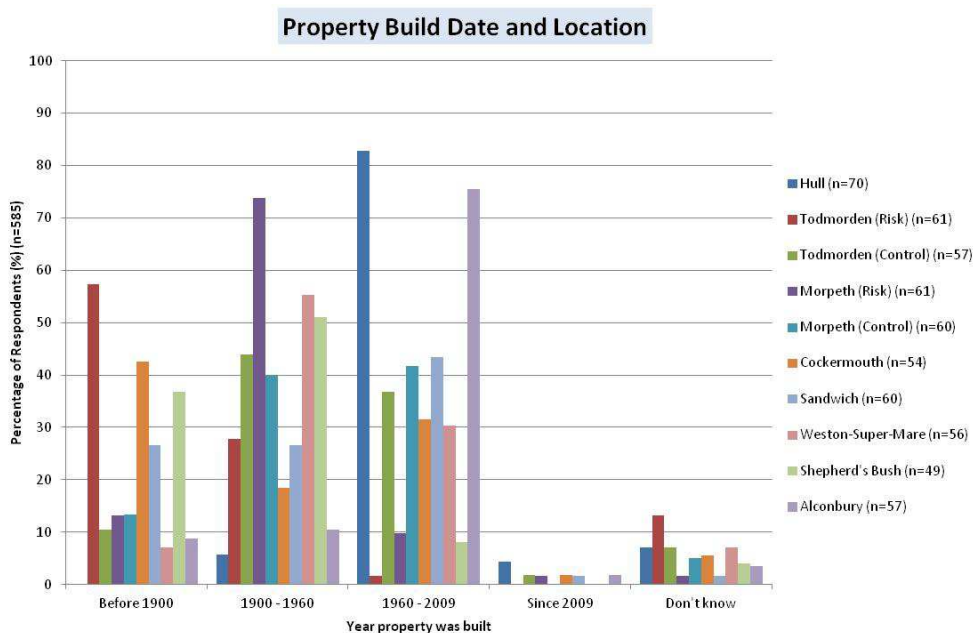
7.5.2 Ground Floor Flats

Of the 585 survey respondents, 8.5% live in a flat, with respondents asked if this is on the ground floor. 62% (31) of this group live in a ground floor flat.

7.5.3 Property Build Date

Data on the property age has been gathered through the survey. The Flood Re scheme does not include properties that were built after 2009 and only a minority of the survey's respondents, 1.4%, live in a property that was built since 2009. Of the 585 respondents, 5.6% did not know the approximate year of construction of their property.

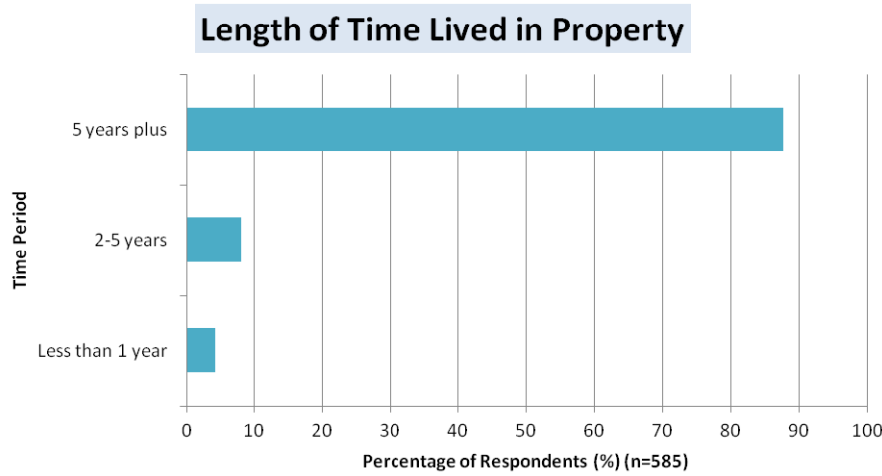
Figure 7-9: Telephone survey: property build date



7.5.4 Length of Time Lived in Property

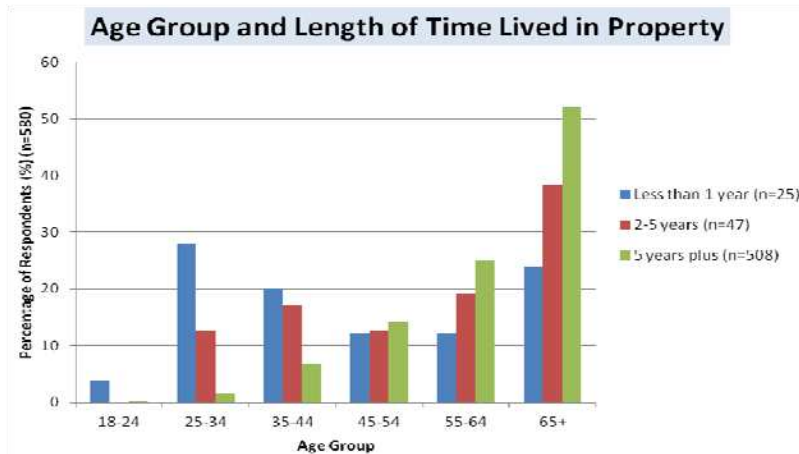
The respondents are asked the length of time they have lived in the property. The majority of the 585 respondents, 88%, have lived in the property for five years or more.

Figure 7-10: Telephone survey: length of time living in property



This is likely to be a reflection of the older age profile of respondents:

Figure 7-11: Telephone survey: length of time in property by age group



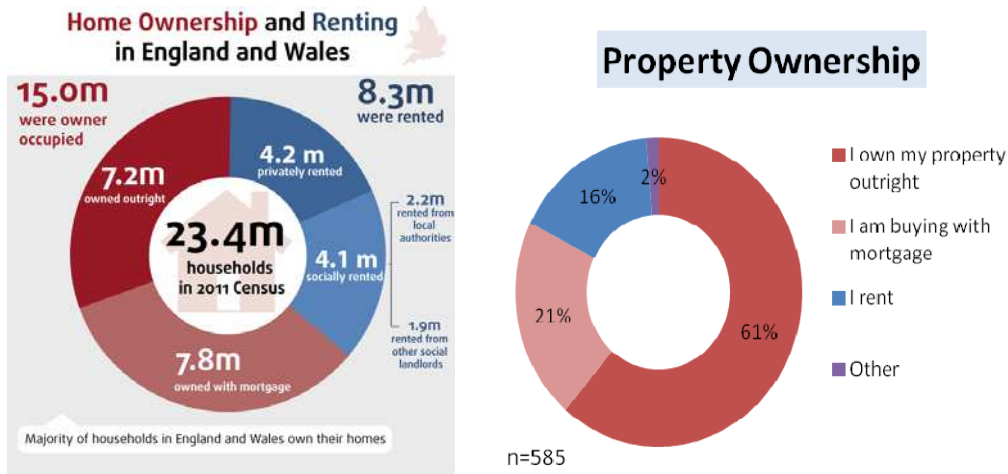
7.5.5 Property Ownership

A survey carried out in 2011 by the Office for National Statistics (ONS) assessed home ownership and renting in England and Wales. The results show that 30.9% of properties were owned outright, 33.5% were being bought with a mortgage and 35.6% were rented (both privately and socially)²³.

This differs from home ownership and renting of respondents in the telephone survey. The majority of the 585 respondents own their property outright (61%), approximately one fifth of respondents are buying a property with a mortgage and 16% of respondents are renting. This again could be attributed to the respondents older age range and length of time living in the property.

²³ Office for National Statistics. 2013. Home ownership and renting in England and Wales – Detailed Characteristics. <http://www.ons.gov.uk/ons/rel/census/2011-census/detailed-characteristics-on-housing-for-local-authorities-in-england-and-wales/short-story-on-detailed-characteristics.html>. Accessed 30/09/13

Figure 7-12: Telephone survey: property ownership compared to England and Wales



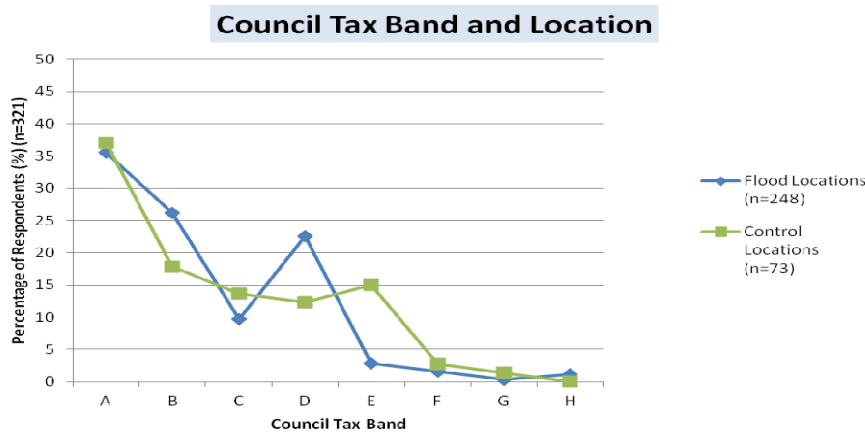
7.5.6 Council Tax Band

The survey approach specifically sought to interview a greater proportion of householders in Council Tax bands A and B to explore the affordability of home insurance, using this measure as an indicator reflective of lower income households. A high proportion of respondents live in Council Tax band A and B properties in both the flood and control locations. Across all locations, 20% of the 585 respondents live in a Council Tax band A property and 14% in a band B property. There is a spike in the high number of respondents in the flood locations living in a Council Tax band D property.

Shepherd's Bush and Alconbury are not included in these results because they have proportionally higher Council Tax bands than the other areas. In Shepherd's Bush, 18% of the 49 respondents live in Council Tax band G properties and 10% in band E properties. In Alconbury less than 9% of respondents live in Council Tax band A and B properties.

Note that approximately, one third of respondents are not sure of the Council Tax band for their property.

Figure 7-13: Telephone survey: property Council Tax bands



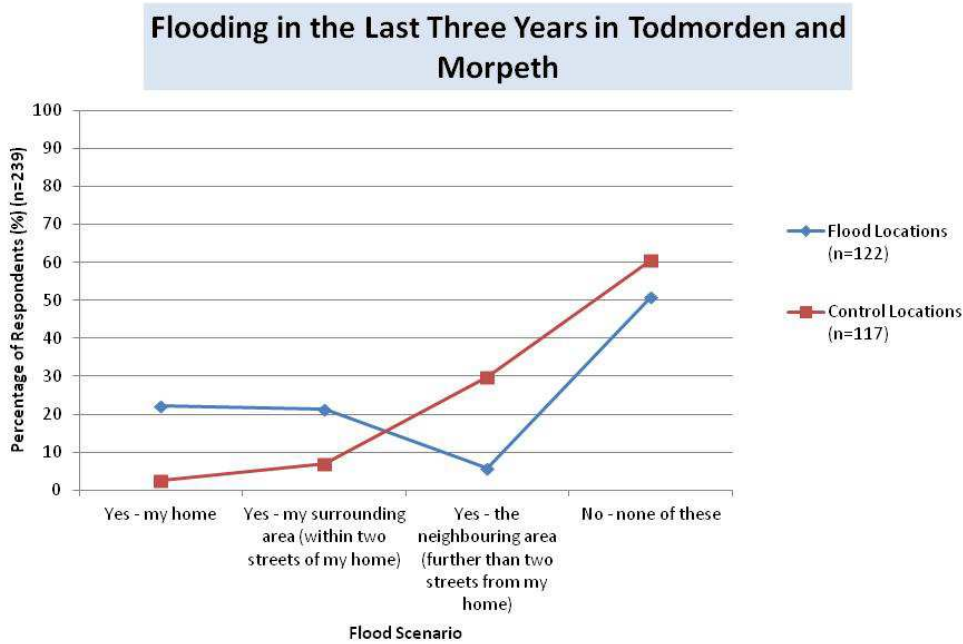
7.6 Background to Locations

7.6.1 Flooding in the Last Three Years

The survey asks respondents if they have been flooded in the last three years either at home (including garden), in the surrounding area (within two streets of home) or in the neighbouring area (beyond two streets). The majority (75%) of the 585 respondents indicate that they have not been flooded or have not experienced flooding in their locality during this period of time. It has been documented that both Todmorden and Morpeth have been flooded in the last three years. At Cockermouth the last flood was three and a half years ago (November 2009), it is thought that some respondents may have thought this flood happened within the last three years.

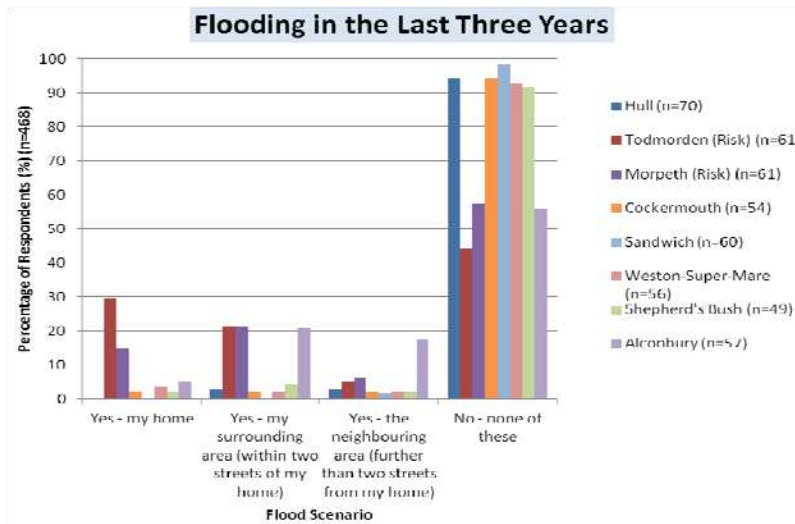
The responses in the control and flood risk locations at both Todmorden and Morpeth are illustrated below. In the flood locations, 49% of the 122 respondents' homes and surrounding areas (within two streets) were flooded in the last three years. A slightly higher proportion, 51% of these respondents said they had not experienced flooding during this time. Approximately a third (30%) of the 117 respondents in the control locations reported that their neighbouring area (further than two streets away) had been flooded in the last three years.

Figure 7-14: Telephone survey: flooding in last three years Todmorden and Morpeth



The responses for all the flood locations are shown below.

Figure 7-15: Telephone survey: flooding in last three years all locations



Although the question asks about flooding over a three year time period (from July 2010) some respondents indicate dates before this time period, and sometimes report multiple flooding events. This was the case for both homes and flooding of the surrounding area.

Respondents who had their neighbouring area flooded appear to give more vague answers than respondents whose homes were flooded. Of those respondents (58) who provided the date of their neighbouring area flooding, only 21% gave the month and year, whilst 60% of the 37 respondents that had their homes flooded gave the month and year. Given the small sample size these findings should be treated with caution. However they may be relevant for the design of future flood related research and could also have implications on premium figures if insurance companies ask questions of householders about flooding in the vicinity to where they live in the future.

7.6.2 Insurance policies

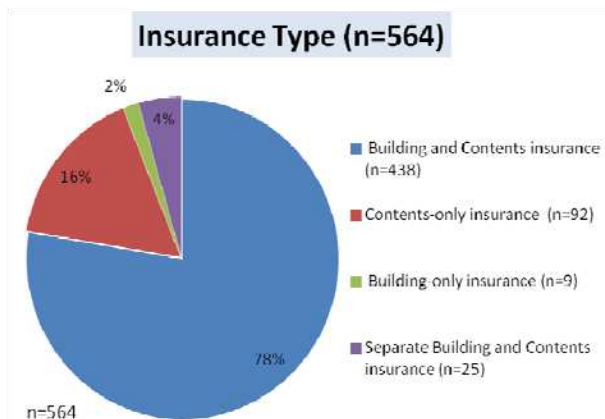
Question 2.2 explores the type of insurance policy survey respondents hold. Of the 585 respondents, 96% (564 respondents) hold an insurance policy. A survey carried out by ONS (section 2.2.4) found that 10% of respondents did not have any home insurance, which differs to the telephone survey where only 4% (22 respondents) of the respondents do not hold an insurance policy. Whilst not asked as a specific question this may reflect increased levels of awareness and the importance placed on insurance by householders living in flood risk and flooded locations.

Of the 4% of respondents indicating that they do not hold insurance, the main reason was that that the costs of premiums are too high to afford No respondents indicate that they cannot obtain insurance, have been refused or find the excess too high.

7.6.3 Insurance Type

Most (78%) of the 564 respondents have a policy that covers both building and contents insurance. A small proportion of respondents have contents-only insurance (16%) and only 2% of respondents hold building only insurance. A small percentage of respondents (4%) hold separate building and contents insurance policies.

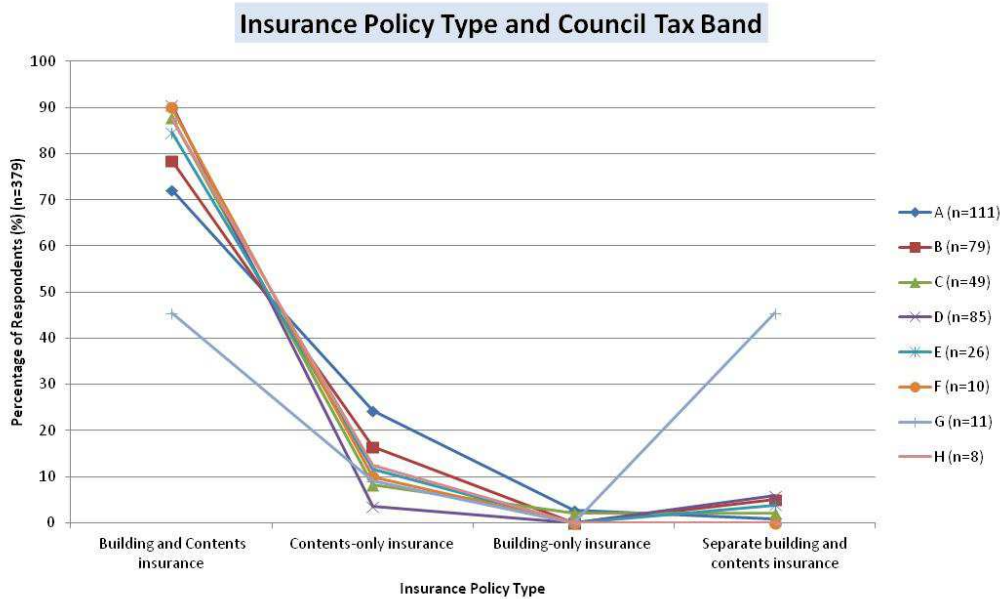
Figure 7-16: Telephone survey: type of insurance premium held



7.6.4 Insurance Type and Council Tax Band

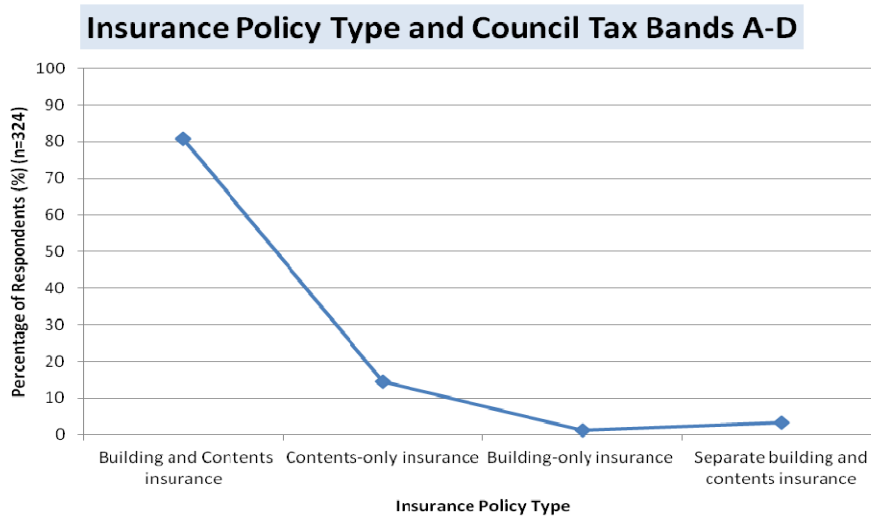
There is a spread of insurance policies across all Council Tax bands. However, 33% of the 564 respondents with an insurance policy do not know the Council Tax band for their property. A small number of respondents have properties in Council Tax bands E to H.

Figure 7-17: Telephone survey: insurance policy by Council Tax band



The type of insurance policies for Council Tax bands A to D is displayed below.

Figure 7-18: Telephone survey: insurance policy by Council Tax bands A to D

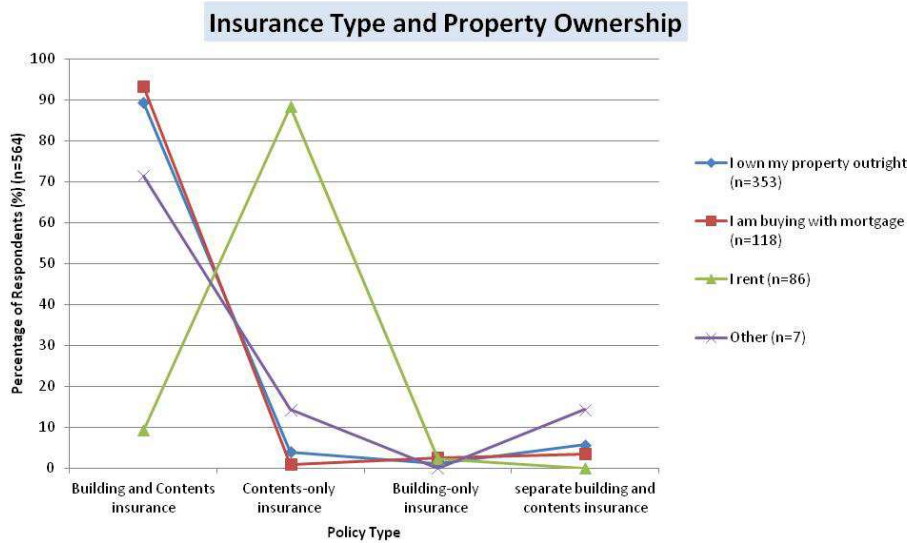


One third of household decision makers do not know their Council Tax band. This will be relevant in future householder and flood related research and research methodologies.

7.6.5 Insurance Type and Property Ownership

A high percentage (89%) of the 353 respondents that own their property and 93% of the 118 respondents buying a property with a mortgage hold combined building and contents insurance. Of the 92 respondents holding contents only insurance, the majority (88%) are renting their property.

Figure 7-19: Telephone survey: insurance policy by property ownership



7.7 Insurance Companies

To gauge choice of insurance provider for respondents are asked to name without prompting their insurance policy provider. Appendix F5 lists all insurance providers with separate lists for respondents that have not flooded and a list for those that have experienced flooding to the home, neighbourhood and surrounding area. Respondents holding building and contents insurance with separate insurance providers are not included in the tables.

Of the 403 not flooded respondents insurance is provided by 78 companies (82 respondents did not know the name of their provider). Of the 136 flooded/flooded nearby respondents insurance is provided by 31 companies (27 did not know the name of the provider). Insurance is provided by a wide range of insurers.

7.8 Household Insurance Premiums

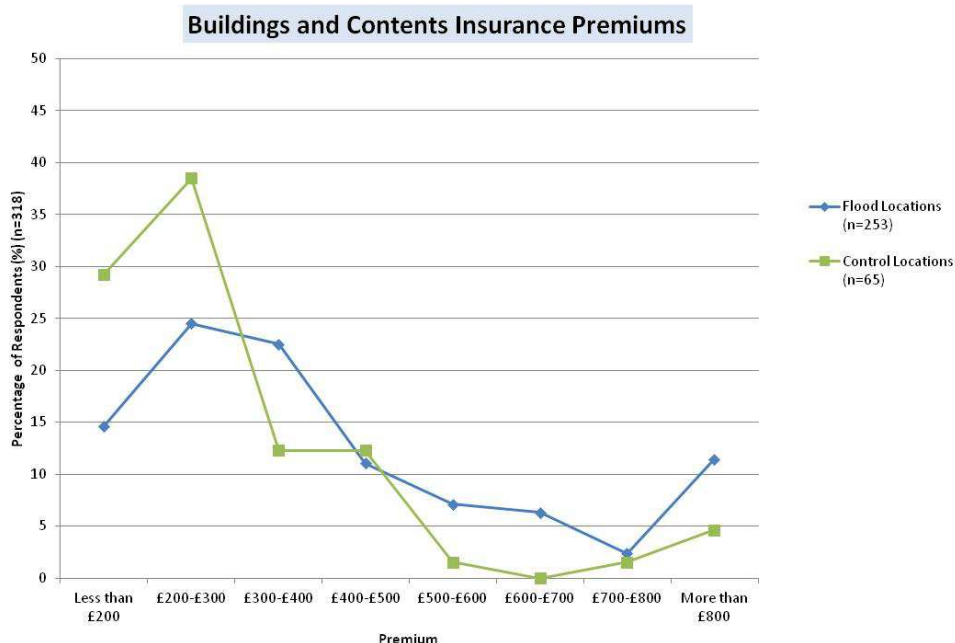
The survey asks respondents the current premium paid for their insurance policy as well as the increases in premium they can afford and are willing to pay. The three types of insurance policies, combined building and contents, contents only and building only, are assessed separately.

7.8.1 Building and Contents Insurance: comparison between flood and control locations

The building and contents insurance premiums are compared by flood and control locations. The flood locations include respondents in Hull, Todmorden, Morpeth, Cockermouth, Sandwich, Weston-Super-Mare, and Alconbury. The control locations include Morpeth and Todmorden. The responses 'gone up but not sure how much', 'gone down but not sure how much' and 'don't know' are excluded from the results.

39% of respondents in the out of flood risk control locations pay between £201 and £300 for their building and contents insurance policy. 25% of respondents in at risk flood locations pay a premium between £201 and £300. A higher percentage of respondents pay £501 or more in the at risk flood locations (27%) than the adjacent out of flood risk control locations (8%). The percentage of respondents and premiums paid in flood and control locations is shown in Figure 7-20 below.

Figure 7-20: Telephone survey: % of respondents and premiums (£) paid for building and contents insurance

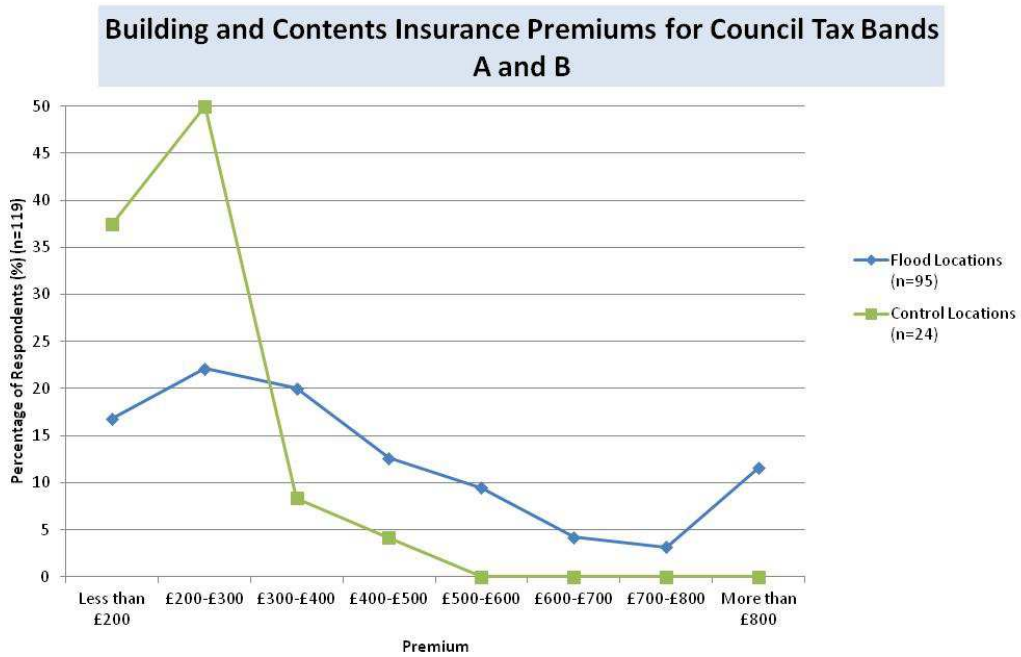


The mean premium has been calculated for the flood and control locations. The survey asks for the respondents' actual premium figure, if the respondent is not sure of the exact figure they can select a premium band. The actual figures were used to calculate the average insurance premium in the 'less than £200' premium band and 'more than £800' premium band. This enabled the mean figures for the flood and control locations to be calculated. The mean building and contents premium paid by respondents in flood risk locations is £440 and the mean premium for the control locations is £309. 23% of respondents provided a specific premium figure.

Premiums paid for combined building and contents insurance policies for householders in Council Tax bands A to B are illustrated below. The flood locations include households in Alconbury, Cockermouth, Hull, Morpeth, Sandwich, Todmorden and Weston-Super-Mare. Shepherd's Bush was omitted from this analysis because it has a different Council Tax band profile to the other flood locations.

The number of respondents is low for the control locations (n=24) and therefore the results need to be treated with caution. There is a spike at the £201 and £300 band and none of the respondents in the control locations pay more than £501. This provides comparison to respondents in the flood risk survey location but cannot be regarded as representative at a larger scale. There is a spread of premiums paid by respondents in flood locations. Approximately, one fifth (19%) of the 95 respondents in flood locations pay more than £601 for their insurance policy. The mean building and contents insurance premium for Council Tax band A and B properties in flood risk locations is £443 and £226 in control locations. The difference between the two means suggests that respondents in flood locations are paying almost double the premium for respondents in control locations.

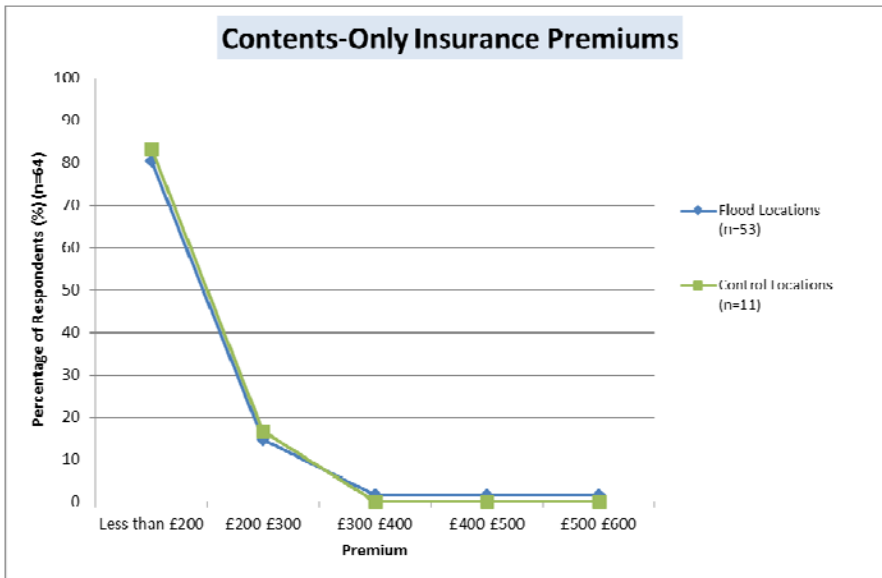
Figure 7-21: Telephone survey: building and contents insurance premiums for Council Tax Bands A and B (excluding Shepherd's Bush)



7.8.2 Contents-Only Insurance

Given the small number of responses for control locations, these results are presented for illustrative purposes. With regard to contents-only insurance there is practically no difference in premiums paid between properties in flood locations and those in the control locations

Figure 7-22: Telephone survey: contents only insurance premiums



The insurance premiums for Council Tax bands A and B in flood risk locations are shown below. Most of the respondents pay less than £200 for their insurance policy, however the number of respondents is low (n=30), no conclusions can be drawn from these results.

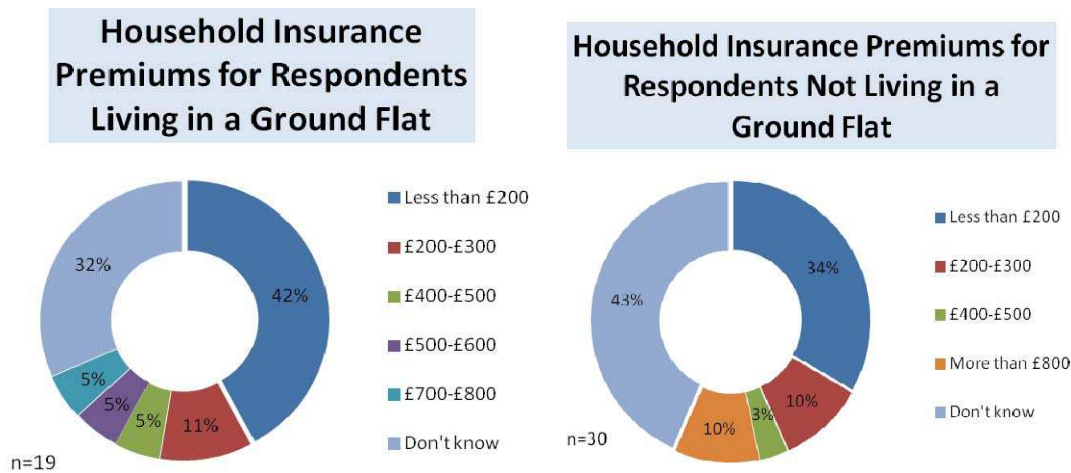
Table 7-2: Telephone survey: contents only insurance premiums

Flood Locations					
	Contents-Only Premiums				Total
Council Tax band	Less than £200	£201-£300	£301-£400	£501-£600	
A	16	*	*	*	18
B	10	8*	*	*	12
				Total	30

7.9 Insurance Premiums for Flats

Household insurance premiums for respondents living in flats are shown below. There is a small number of respondents that know their insurance premium and live in ground floor flats (n=19) and non-ground floor flats (n=30). The numbers of respondents are too low to draw a conclusion and determine wider relevance but could be an area for further investigations in a long-term monitoring strategy.

Figure 7-23: Telephone survey: insurance premiums for respondents in flats

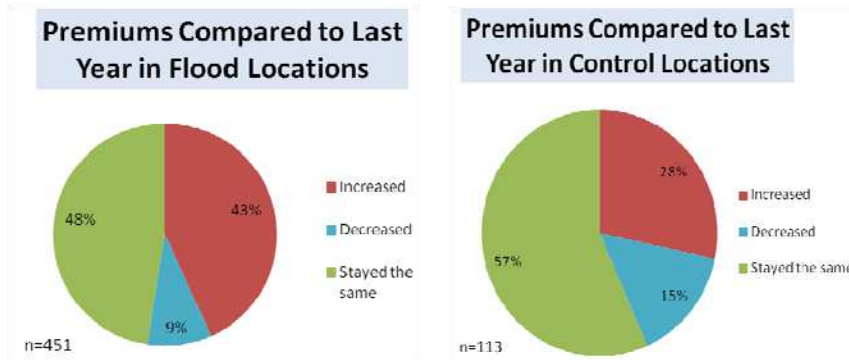


7.9.1 Insurance Premiums Compared to Last Year

Respondents are asked if their insurance premiums have changed compared to last year. The insurance premiums include all three types of insurance policies. All respondents that hold insurance policies (564) answered this question, there were no 'don't know' responses.

The insurance premiums compared to the previous year in the flood risk and control locations are illustrated below. 43% of insurance premiums have increased in the flood locations (451 respondents) compared to 28% in control locations (113 respondents).

Figure 7-24: Telephone survey: increase/decrease in premiums compared to last year



7.9.2 Premiums Compared to Last Year and Council Tax Band

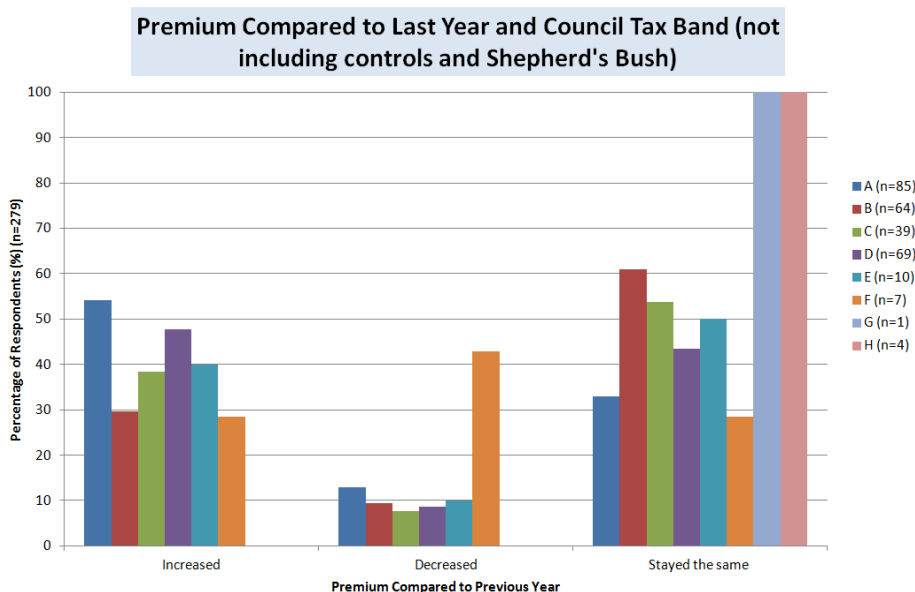
The majority of respondents say that their insurance premiums have increased or stayed the same. 33% of respondents do not know their Council Tax band.

Table 7-3: Telephone survey: premiums compared to previous year by Council Tax band for all respondents

		Premiums compared to last year			Total
		Increased	Decreased	Stayed the same	
Council Tax band	A	54	17	40	111
	B	25	9	45	79
	C	16	5	28	49
	D	42	7	36	85
	E	11	*	13	26
	F	5	*	*	10
	G	*	*	7	11
	H	*	*	6	8
	Don't know	71	13	101	185
Total		227	59	278	564

The premiums compared to the previous year and Council Tax bands for flood locations are shown below. Shepherd's Bush was not included in this analysis because this location has a different spread of higher Council Tax bands to the other flood locations. Most of the premiums stayed the same or increased compared to the previous year.

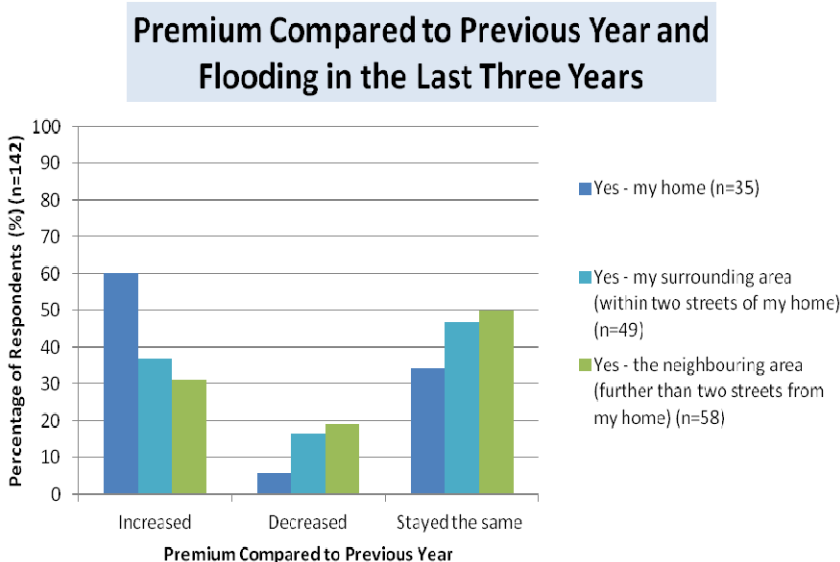
Figure 7-25: Telephone survey: insurance premiums compared to last year by Council Tax bands in flood risk areas



7.9.3 Premiums Compared to Last Year and Flooding in the Last Three Years

Household insurance premiums have increased for 60% of the 35 respondents that have experienced flooding to their homes in the last three years. Around 50% of respondents' premiums stayed the same for respondents whose surrounding and neighbouring areas flooded.

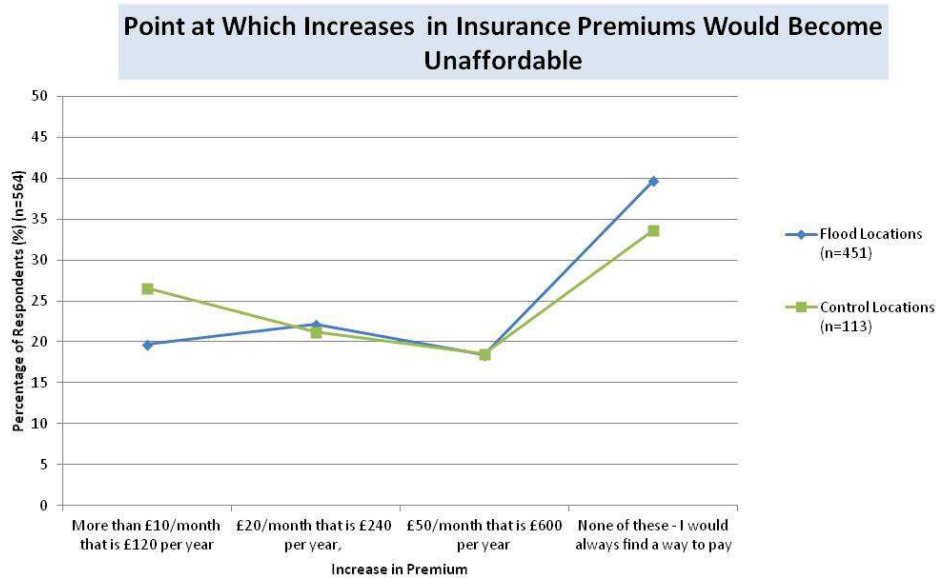
Figure 7-26: Telephone survey: insurance premiums compared to last year, flooded in the last three years



7.10 Point at Which Premiums Become Unaffordable

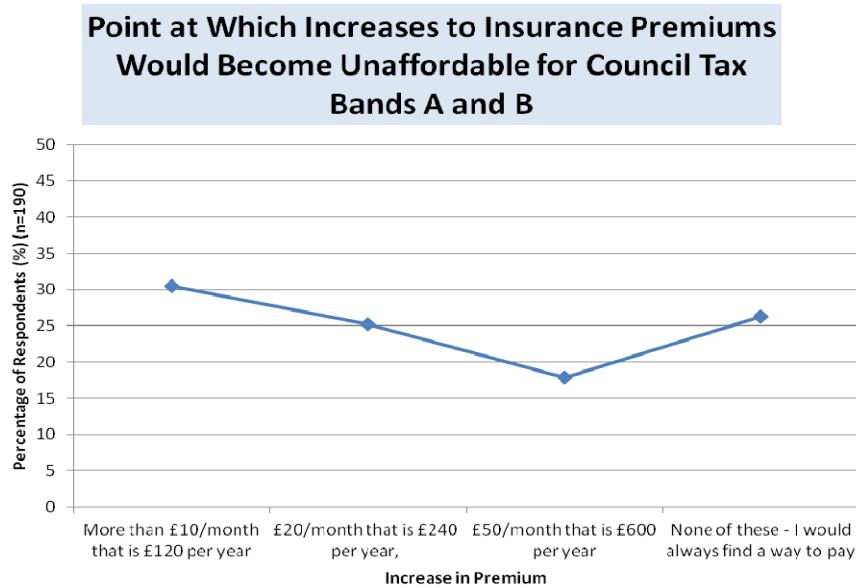
Respondents are asked the point at which increases in insurance premiums would become unaffordable, this was to explore affordability of household insurance. The flood locations include both Alconbury and Shepherd's Bush. Respondents living in flood risk locations gave a similar response to respondents living in control locations. 40% of the 451 respondents living in flood risk locations said they would always find a way to pay for insurance.

Figure 7-27: Telephone survey: point at which increases in insurance premiums become unaffordable



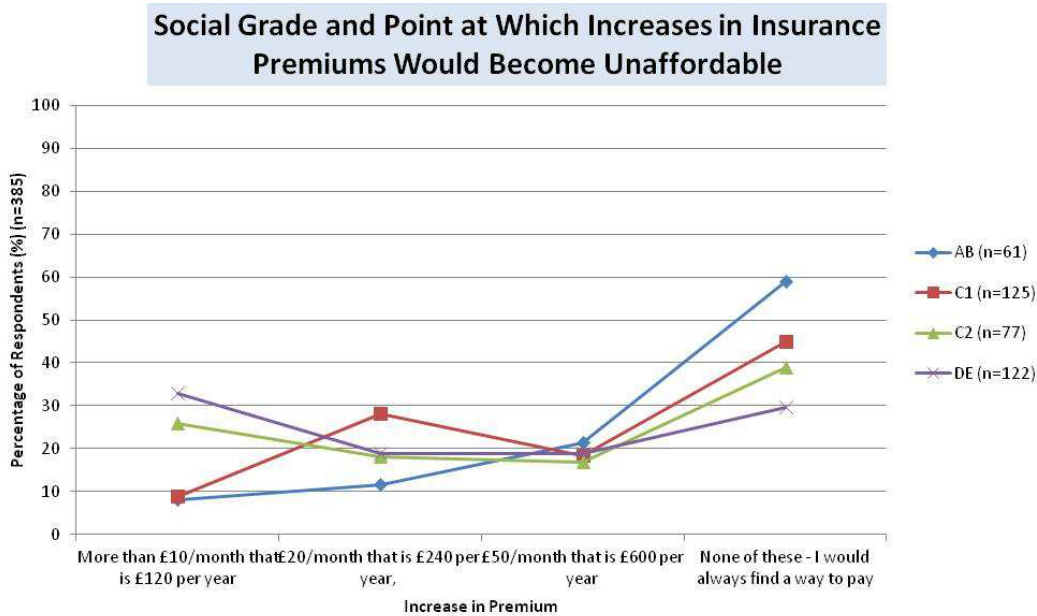
Council Tax bands A and B were compared to the point at which increases to premiums would become unaffordable, the graph is displayed below. 31% of the 190 respondents indicate an increase in insurance premium by £10 a month would be unaffordable. 26%, of the 190 respondents said they would always find a way to pay for insurance. Of the 564 respondents that hold insurance policies, 33% did not know the Council Tax band of the property they live in.

Figure 7-28: Telephone survey: point at which premium increases become unaffordable, Council Tax bands A and B



The point at which increases to household insurance premiums would become unaffordable was also broken down by social grade. 33% of the 122 respondents in social grade DE say they would find an increase in premium of £10/month unaffordable. In contrast 8% of the 61 respondents in social grade AB and 9% of the 125 respondents in social grade C1 gave the same response. The majority (59%) of the 61 respondents in social grade AB said they would always find a way to pay for insurance.

Figure 7-29: Telephone survey: point at which premium increases become unaffordable by social grade



7.11 Household Insurance Excesses

The survey explores household insurance excess figures, how excesses have changed compared to the previous year and the point at which insurance premiums would become unaffordable for respondents.

7.11.1 Excess figures compared to last year

Respondents are asked if their household insurance excess has changed since the previous year. The respondents were given an option of 'don't know' because it was thought that excess figures would be less well known than premiums paid. A large proportion (31% of the 563 respondents) did not know if their excess figured had changed compared to the previous year.

Of those who knew whether their excess had changed, 60% of all survey respondents in all the locations indicate that excess figures have stayed the same as the previous year. Hull and Morpeth flood risk locations have the highest number of respondents indicating an increase in excess, 17% and 15% respectively. A full list of the excess figures for all respondents is given in the separate Appendices document. Only 261 of the 563 respondents that have an insurance policy know their excess figure. There is a wide range of excess figures from £25 to £10,000. It is difficult to understand the variation in excess figures and no further conclusions are drawn from the figures.

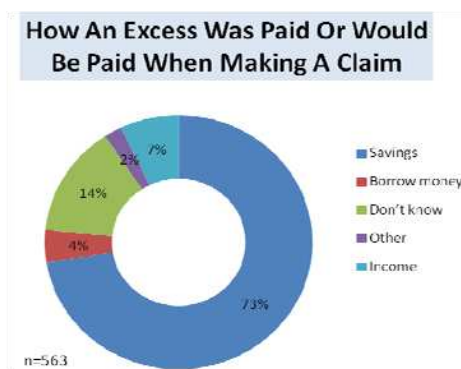
Table 7-4: Telephone survey: insurance excess compared to previous year by location

Excess compared to last year						
		Increased	Decreased	Stayed the same	Don't know	Total
Location	Hull	11	*	43	11	66
	Todmorden (Risk)	4	*	29	22	55
	Todmorden (Control)	*	*	35	15	55
	Morpeth (Risk)	9	*	32	16	60
	Morpeth (Control)	*	-	26	29	57
	Cockermouth	*	-	29	19	51
	Sandwich	*	-	37	20	60
	Weston-Super-Mare	4	-	40	9	53
	Shepherd's Bush	4	*	31	13	49
	Alconbury	*	-	33	23	57
Total		43	8	335	177	563

7.11.2 How an Excess Would be Paid

The survey explores how a respondent would pay for an excess if they make a claim on their household insurance policy. Most (73%) of the 563 respondents, would use savings to pay an excess, 7% would pay from their income and 4% would borrow money. 14% of the respondents do not know how they would pay the excess.

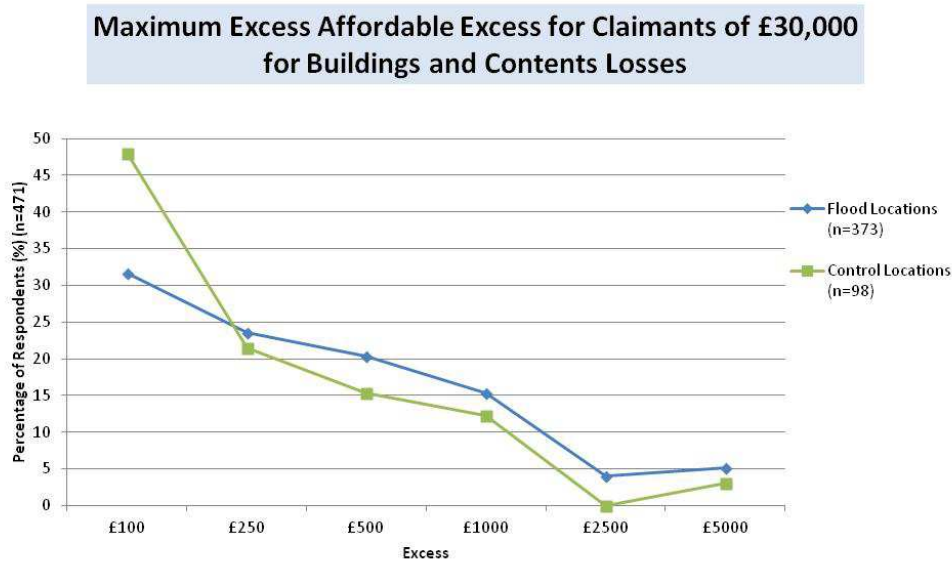
Figure 7-30: Telephone survey: how excess would be paid when making a claim



7.11.3 Point at Which Excess Becomes Unaffordable

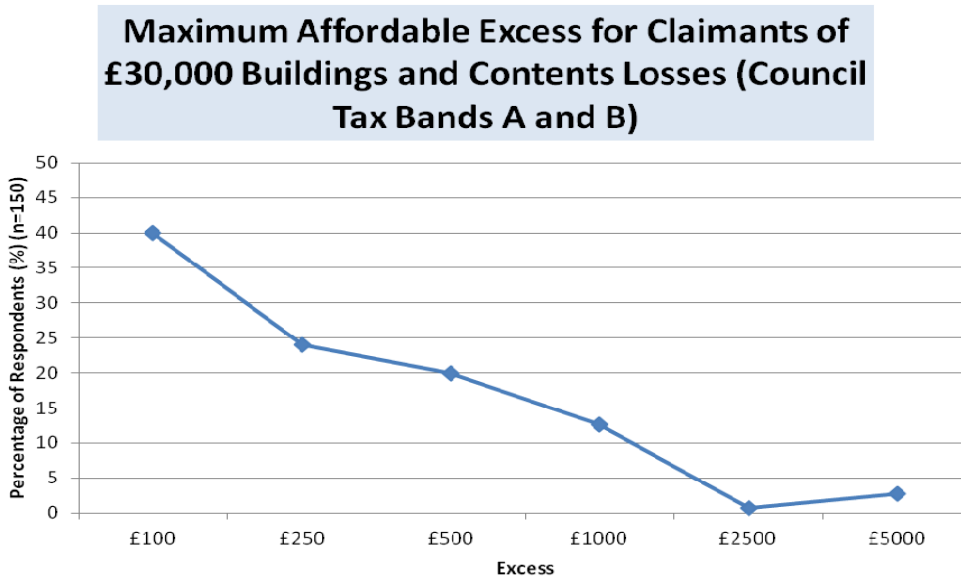
The respondents are asked 'If you were faced with submitting a claim for £30,000 for building and contents losses following a flood event what is the maximum you could afford and would be willing to pay as an excess?' This question was only asked of respondents that own a property outright or are buying a property with a mortgage. The answers were cross-tabulated against location, shown below. 48% of the 98 respondents and 32% of the 373 respondents in flood locations would find a figure over £100 unaffordable for such a claim. Of the 373 respondents in flood locations, 5% would pay £5,000 for such a claim. Flood location responses include Alconbury and Shepherd's Bush.

Figure 7-31: Telephone survey: maximum excess affordable for £30,000 building and contents claim



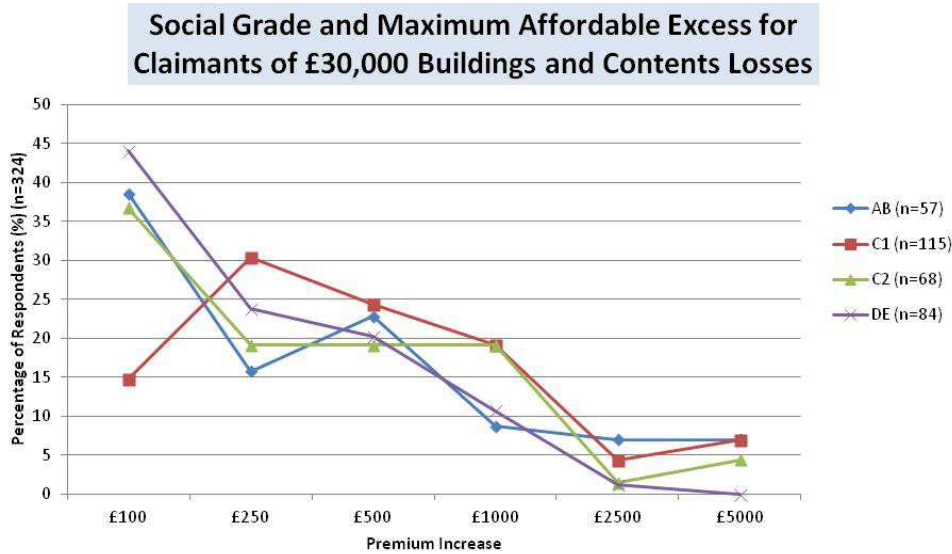
The excess figure respondents could afford and would be willing to pay was compared to Council Tax band. Respondents in Council Tax band A and B properties are illustrated below. For 40% of the 150 respondents in Council Tax band A and B a £100 excess would be the maximum they could afford for a hypothetical £30,000 building and contents claim.

Figure 7-32: Telephone survey: maximum excess affordable for claimants of £30,000 for building and contents losses for Council Tax Bands A and B



In social grade DE, 44% of the 84 respondents said the maximum excess they could afford for a claim would be £100. None of the respondents in this social grade could afford £5,000 for a £30,000 claim.

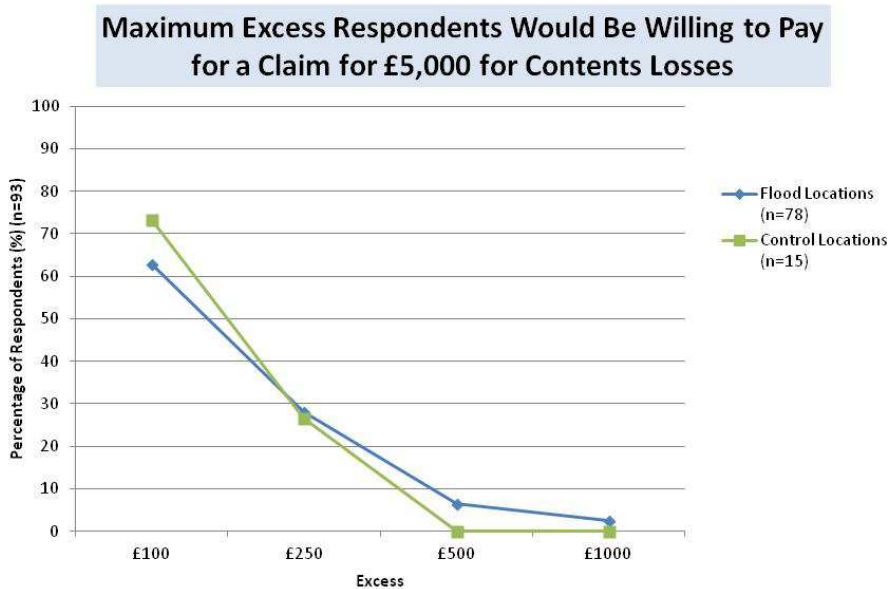
Figure 7-33: Telephone survey: maximum excess affordable for £30,000 building and contents claim by social grade



7.11.4 Maximum Excess for Renters

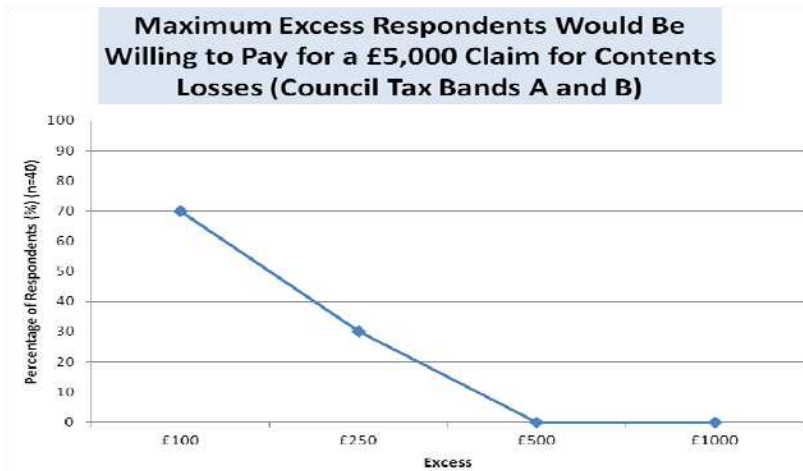
The respondents renting accommodation are asked 'if you were faced with submitting a claim for £5,000 for contents losses following a flood, what is the maximum you would be willing to pay for excess?' Responses of householders living in flood and control locations are illustrated below. 63% of the 78 respondents living in flood locations and 73% of the 15 respondents in control locations said £100 would be the maximum excess they would pay for such a claim. However, there are only small number of responses for the control locations (n=15) so no conclusions can be drawn from this analysis. The flood location figures include respondents in Shepherd's Bush and Alconbury.

Figure 7-34: Telephone survey: maximum contents excess renters would be willing to pay for a £5,000 claim



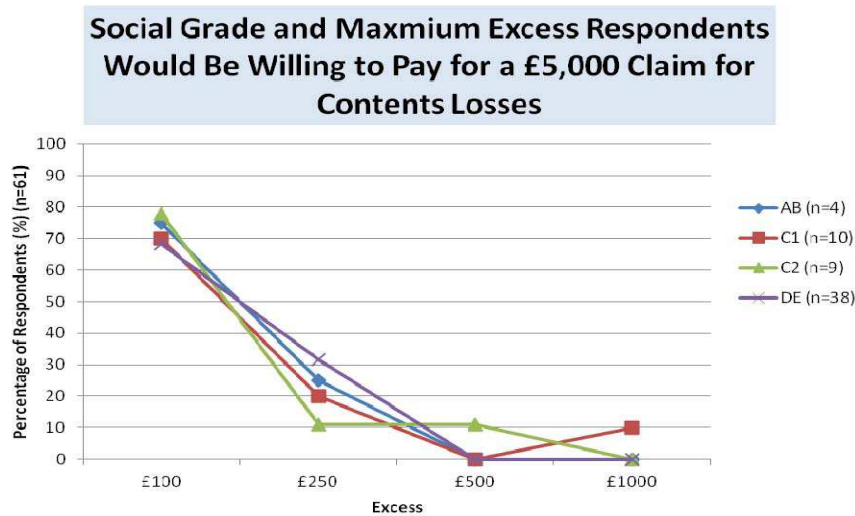
Council Tax band was compared to the maximum excess respondents would be willing to pay for a £5,000 claim for contents losses, displayed below. In Council Tax bands A to B, 70% of the 40 respondents said they would be willing to pay £100 for a £5,000 claim for content losses. None of the respondents in Council Tax band A to B, would be willing to pay £500 or £1000 for such a claim. However the sample size is small so no conclusions can be drawn.

Figure 7-35: Telephone survey: maximum contents excess renters would be willing to pay for a £5,000 claim by Council Tax bands A and B



The number of respondents that answered the question on the maximum excess they would be willing to pay was very low for social grades AB, C1 and C2. However, 69% of the 65 respondents across all the social grades said the maximum excess they would be willing to pay for a £5,000 claim would be £100.

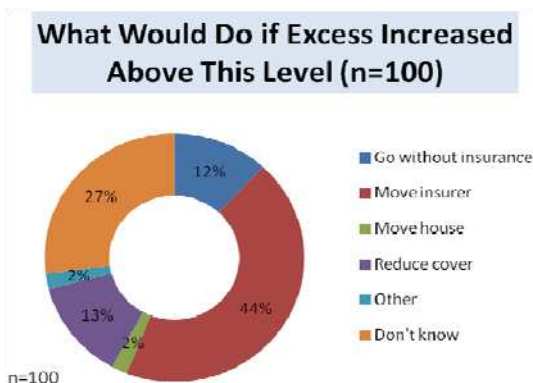
Figure 7-36: Telephone survey: maximum contents excess renters willing to pay for a £5,000 claim by social grade



7.11.5 Action if Excess Increases

The action respondents would take if their insurance excess increased above the maximum they would be willing to pay for a claim for £5,000 for contents losses was explored. The most common response, 44%, of the 100 was to move insurer.

Figure 7-37: Telephone survey: action if excess for renters increases



7.12 Insurance Provider

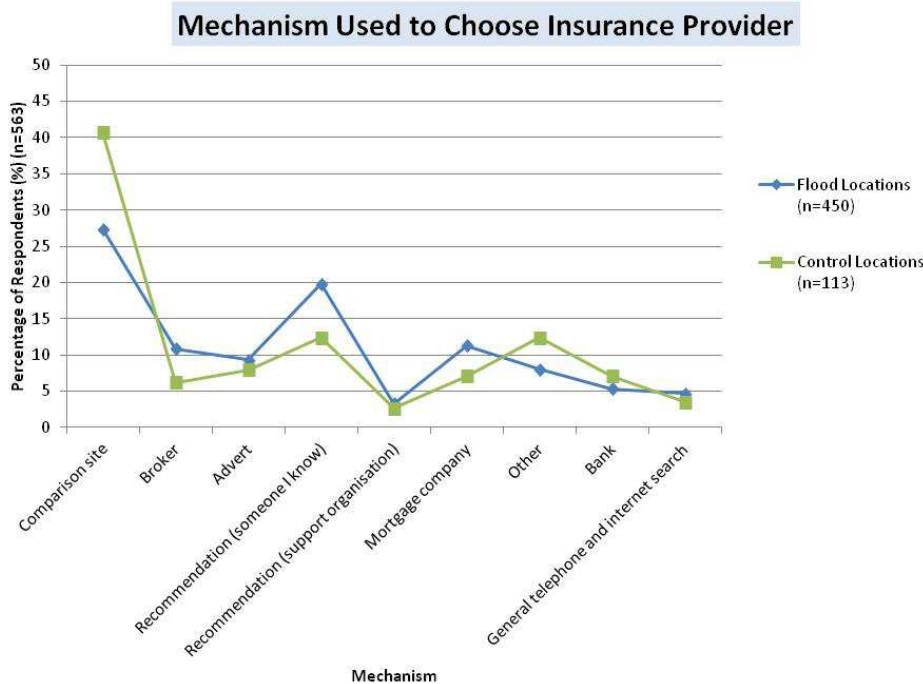
The mechanism that the survey respondents use to choose insurance provider, length of time respondents have been with insurance company, policy renewal rates, reasons for changing insurance providers and factors taken into account when changing provider was investigated. This was to assess the availability of household insurance in flood risk locations. At the time of the survey the Statement of Principles (refer to Section 1.1) was still in place, providing insurance availability for existing ABI customers in high flood risk locations.

7.12.1 Mechanism Used to Choose Insurance Provider

Methods used to choose an insurance provider are explored for control and flood locations. Flood locations include Alconbury and Shepherd's Bush for this question. Across all the locations, the most common response was the use of a comparison website (30% of the 563 respondents). 20% (450 respondents) of respondents in flood risk locations acted on a recommendation from someone they knew compared 12% (57 respondents) in control locations.

A variety of mechanisms are used to choose provider, which seems to indicate that even in flood risk locations, at a broad scale, householders are able to choose insurance from a range of sources.

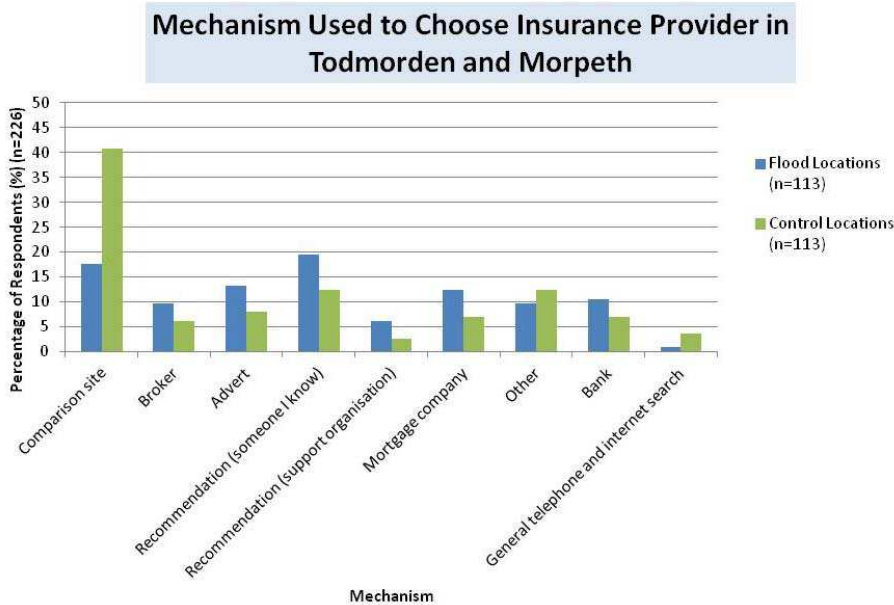
Figure 7-38: Telephone survey: mechanism used to choose insurance provider



Todmorden and Morpeth

The flood and control locations for both Todmorden and Morpeth are illustrated below. 41% of the 113 respondents in the control locations use a comparison site to decide on insurance provider. 20% of the 113 respondents act on a recommendation from someone they know in the flood locations compared to 12% of the 113 respondents in control locations.

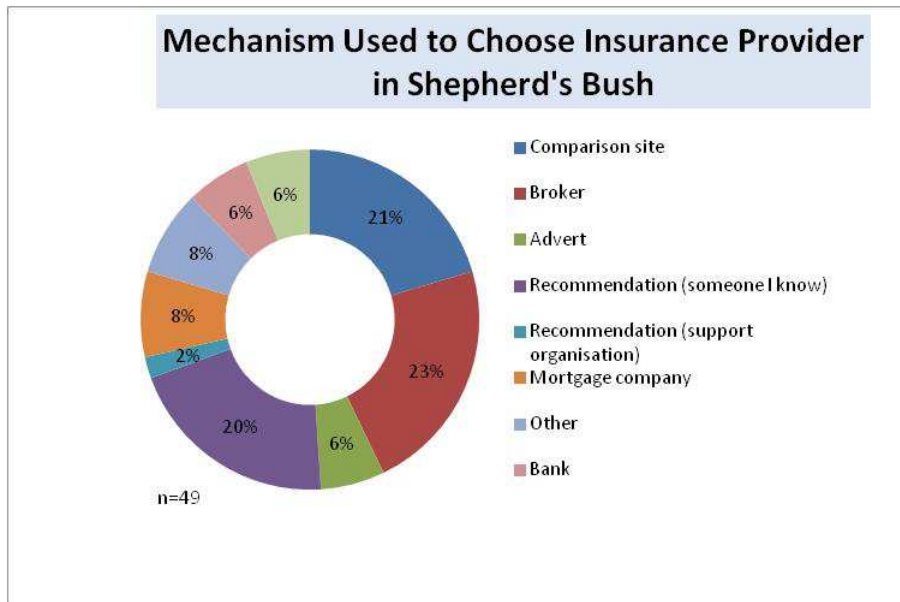
Figure 7-39: Telephone survey: mechanism used to choose insurance provider in Todmorden and Morpeth



Shepherd's Bush

Shepherd's Bush has been reviewed separately due to the surface water flood risk in this locality. Nearly a quarter (22%) of the 49 respondents in Shepherd's Bush use a broker to source their insurance, with 20% using a comparison site, and 20% acting on a recommendation from someone they know.

Figure 7-40: Telephone survey: mechanism used to choose insurance provider in Shepherd's Bush

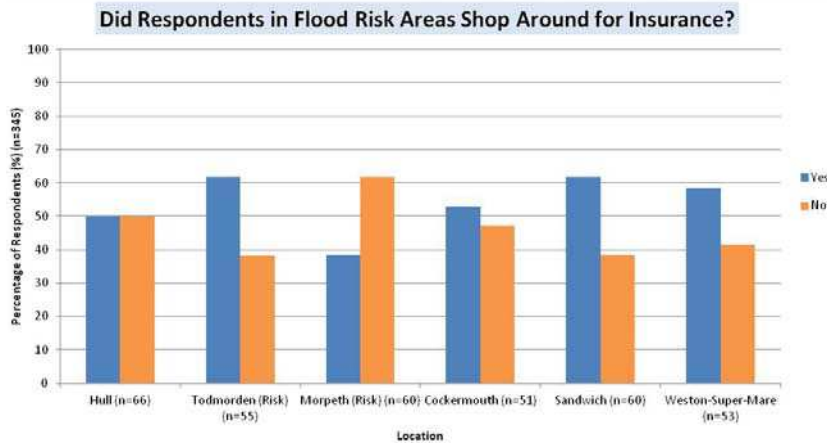


7.12.2 Shopping Around for Household Insurance

To reflect whether householders in flood risk locations are restricted in their access to insurance respondents were asked if they shop around when looking for household insurance.

Responses have been reviewed for the six flood locations. The responses are similar across these locations with 54% of the 345 respondents indicating that they shop around.

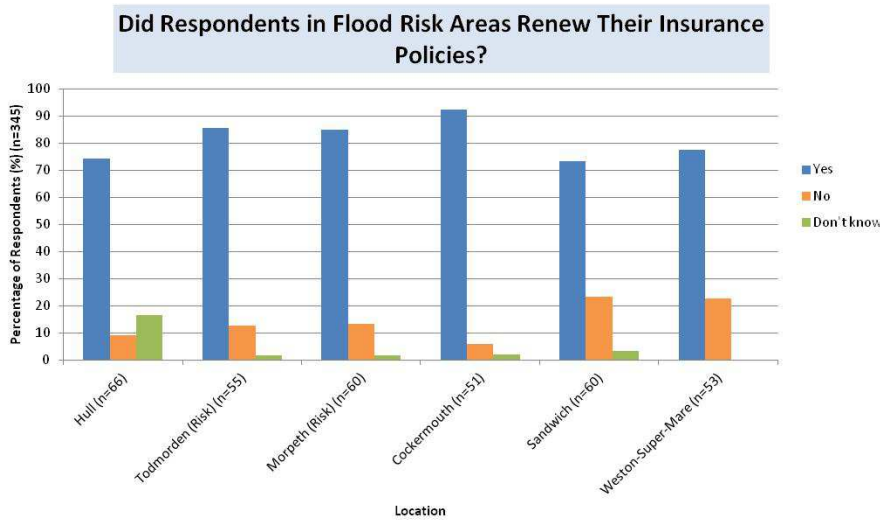
Figure 7-41: Telephone survey: did respondents in flood risk areas shop around?



7.12.3 Policy Renewal

The survey asks respondents in all areas if they renewed their insurance policy with their previous insurance provider. In the six flood locations (not including Shepherd's Bush or Alconbury) 81% of 345 respondents renewed their insurance policy with their previous insurance company.

Figure 7-42: Telephone survey: renewal with previous insurance provider



7.12.4 Reason for Renewing

The survey asks respondents their reasons for renewing their insurance policy with their previous provider. For this question respondents could give more than one answer, with a total of 535 responses. Competitive price is cited as one of the main reasons for renewing with a previous company, the fact that it is too much hassle to change is also a key reason.

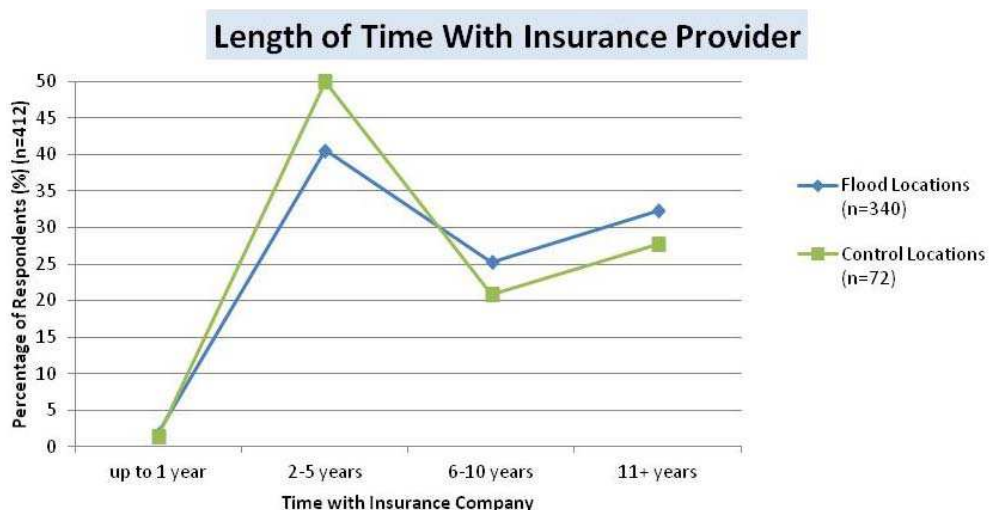
Table 7-5: Telephone survey: reasons for renewing with insurance provider

		Competitive price	Happy with service	Previous claims history - could not change insurers	Too much hassle to change	Unable to find an alternative quotation	Other reason
Location	Hull	36	4	7	11	5	-
	Todmorden (Risk)	35	*	5	10	8	*
	Todmorden (Control)	28	4	-	14	-	*
	Morpeth (Risk)	19	8	-	13	12	3
	Morpeth (Control)	32	*	-	14	-	-
	Cockermouth	30	*	*	13	7	5
	Sandwich	30	*	-	13	*	5
	Weston-Super-Mare	24	*	-	14	*	*
	Shepherd's Bush	22	7	*	10	*	7
	Alconbury	34	6	*	10	*	*
Total		290	39	15	122	41	28

7.12.5 Length of Time with Company

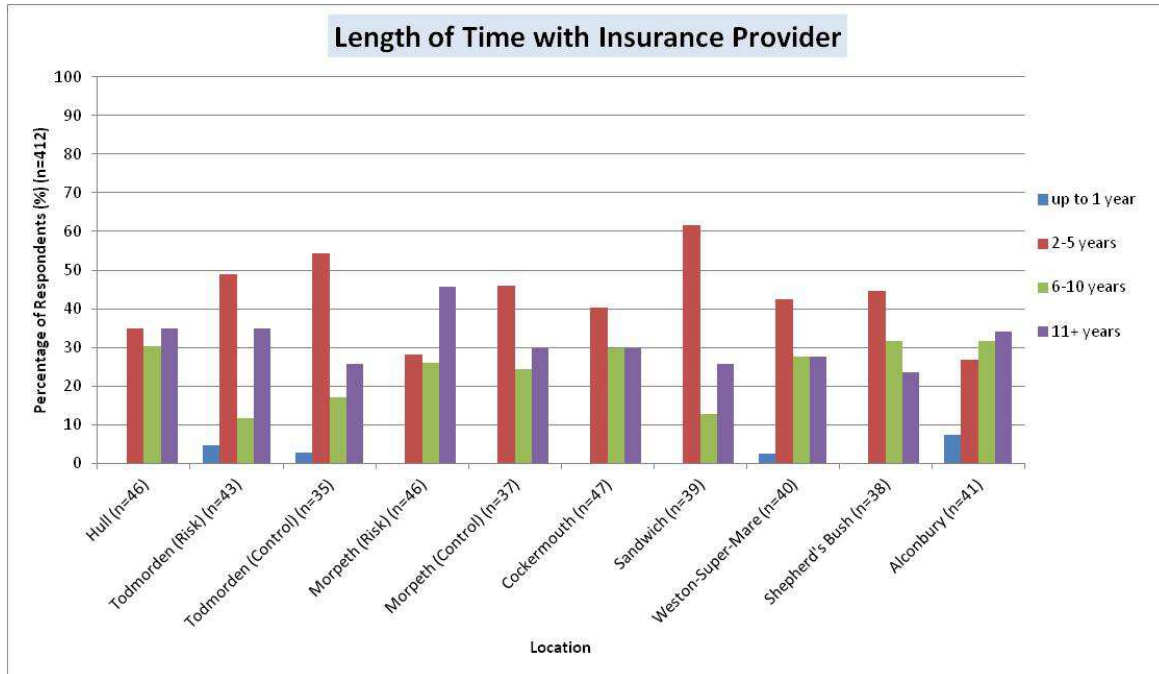
The length of time respondents have stayed with their insurance provider was explored. The flood locations include Alconbury and Shepherd's Bush. In both flood and control locations, most householders have been with their insurance provider for longer than one year, with many respondents having insurance with the same company for over 11 years. Of the 439 respondents that answered the question, 6% did not know how long they had been with their insurance provider.

Figure 7-43: Telephone survey: time with insurance provider



The length of time respondents have stayed with their insurance provider for all the locations is illustrated below.

Figure 7-44: Telephone survey: time with insurance provider - all locations



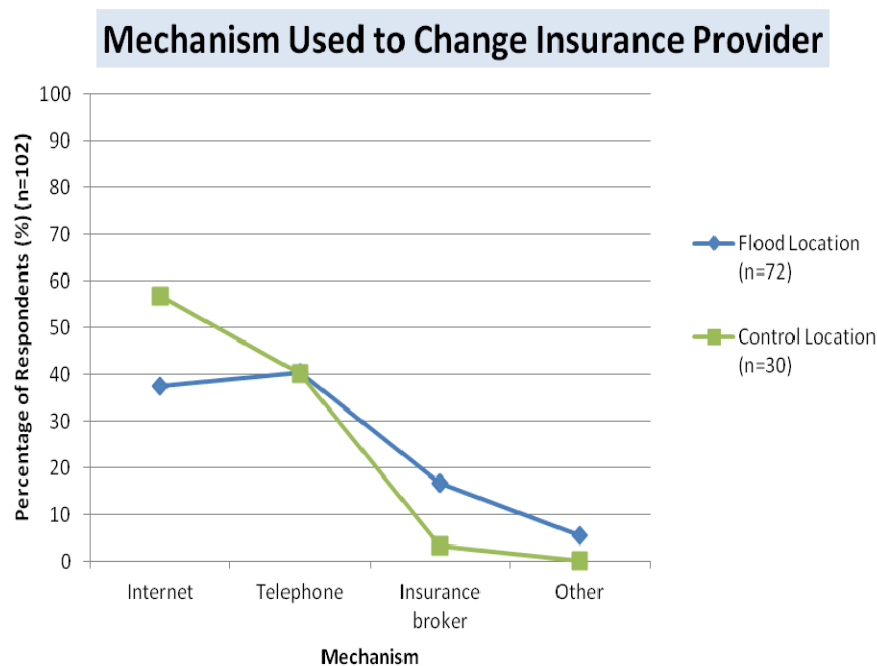
Over 60% of respondents have held their insurance with the same company for over six years. This could be suggesting householder contentment with their existing arrangements; equally it might be a reflection of the perceived difficulties of rearranging insurance in general or some inertia in the market.

What the research didn't ask was how many householders actually did review and compare prices at each renewal date or even the last renewal date and therefore it is very difficult to assess from this research as to whether the market competition is working. Further research would be needed to explore this aspect.

7.12.6 How Respondents Change Insurance Provider

The survey asks respondents the mechanism they would use to change insurance providers. The responses of respondents in flood and control locations are displayed below. The flood locations include Alconbury and Shepherd's Bush for this question. The majority (57%) of the 30 respondents in the control locations use the internet to change insurance provider. In the flood risk locations 17% of 72 respondents use an insurance broker, compared to 3% of the 30 respondents in the control locations.

Figure 7-45: Telephone survey: mechanism used to change insurance provider



The mechanisms used to change insurance provider and age was explored. Although the numbers are low the internet and telephone are the principal mechanisms used to change insurance providers.

7.12.7 Factors taken into account when choosing provider

Respondents are asked 'what did you take into account when choosing home insurance?' Respondents could select multiple answers for this question, with a total of 1,337 responses. For most respondents across all locations premium and level of cover are key factors for householders when choosing insurance provider.

Table 7-6: Telephone survey: factors taken into account when choosing insurance provider

		Level of cover	Premium	Excess	Company reputation	Service	Other
Location	Hull	62	62	47	27	-	*
	Todmorden (Risk)	37	47	18	15	-	*
	Todmorden (Control)	41	50	26	30	-	*
	Morpeth (Risk)	34	44	20	9	-	4
	Morpeth (Control)	31	47	18	20	-	4
	Cockermouth	24	43	18	23	-	4
	Sandwich	38	46	20	31	*	9
	Weston-Super-Mare	31	45	18	17	*	6
	Shepherd's Bush	37	40	23	27	*	*
	Alconbury	37	50	14	27	*	*
Total		372	474	222	226	6	37

7.12.8 Changes to policy terms

Respondents were asked if they changed the terms of their policy, such as increasing the excess or accepting exclusions at renewal. Of the 563 respondents that have an insurance policy, 536 did not change the terms of their policy at renewal and 27 did change the terms.

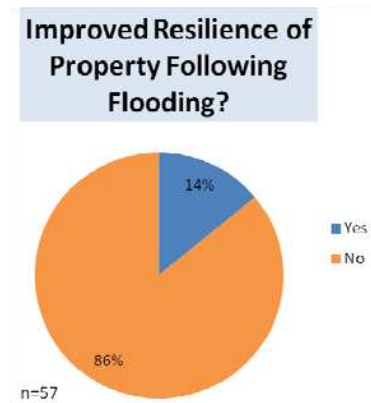
Those respondents that made changes to their insurance policies were asked to provide further comment. Increasing excess figures was the most common response.

No respondents indicated that they had accepted specific exclusions to their insurance policies.

7.13 Property Level Protection (PLP)

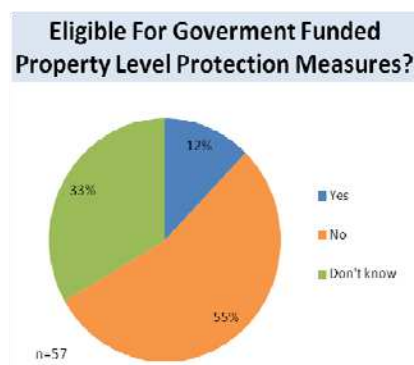
Some properties in Alconbury received Property-Level-Protection (PLP) funding from Defra in 2010²⁴. The survey explores with a quota sample of respondents in Alconbury whether they have installed PLP, if they had been eligible for funding from Defra and if they think PLP has affected their insurance. The respondents that have improved the resilience of their property after a flood event are illustrated below.

Figure 7-46: Telephone survey: Alconbury respondents improving property resilience following flooding



The respondents are asked if they had been eligible for PLP funding from Defra. 12% of the 57 respondents in Alconbury had been eligible for this government funding. However, 33% of the 57 respondents were not sure if they had been eligible for the funding.

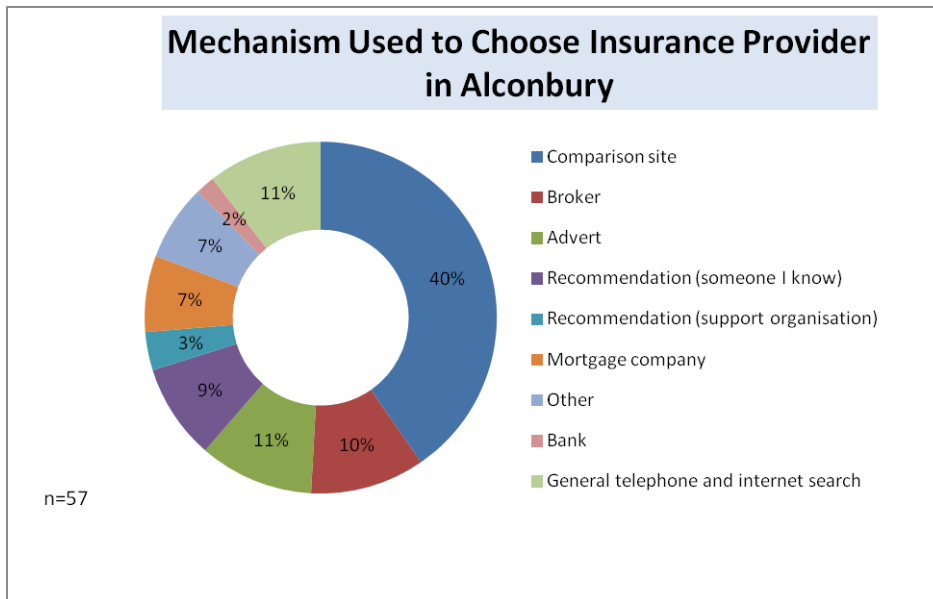
Figure 7-47: Telephone survey: eligibility for Government Funded Property Level Protection Measures in Alconbury



In Alconbury, Only 8 of the 57 respondents have installed PLP measures to their homes. Responses in Alconbury indicate that householders are able to secure insurance using a range of mechanisms, with 40% of respondents using comparison sites.

²⁴ Defra, 2010. Announcement of allocation of Round 2 of the property level grant scheme [online]. <http://archive.defra.gov.uk/environment/flooding/manage/propertylevel/round2allocate.htm>. Accessed 11/10/13

Figure 7-48: Telephone survey: mechanism used to choose insurance provider in Alconbury



Due to the low number of householders with PLP installed responses cannot be interpreted as a reflection of experiences in other locations. The quota sampling approach highlights the difficulty of reaching PLP householders from publically available data. Access to property data held by the Environment Agency or Lead Local Flood Authority would be required to accurately target surveys with these householders.

PLP measures installed by householders include flood gates, building a wall outlets fitted with non-return valves and reinforcing side and front walls.

References

- AA British Insurance Premium Index Quarter 1 2013 - 25 April 2013. AA's 'shoparound' index (average of five cheapest premiums for both direct providers and price comparison sites) <http://www.theaa.com/newsroom/insurance/bipi/british-insurance-premium-index.html> Accessed 14/06/13
- ABI UK (September 2012). Insurance Key Facts. <https://www.abi.org.uk/Insurance-and-savings/Industry-data/Free-industry-data-downloads>. Accessed 06/06/13
- AVIVA (January 2013). Family Finances Report. <http://www.aviva.co.uk/media-centre/story/17082/household-costs-rise-by-4000-in-a-year-for-uk-fami/> Accessed 18/06/13
- AXA (November 2010). Flooding Research The True Cost of Flood Insurance <http://www.suffolkresilience.com/assets/Business-Continuity/BC-Forum-2013/AXA-Flooding-Report-Nov-2010.pdf> Accessed 18/06/13
- Centre for Economics and Business Research Ltd (January 2012, released February 2013). Asda Income Tracker, Report. <http://your.asda.com/media/BAhbBlSfHOgZmlj0yMDEzLzA1LzI0LzE2XzAwXzI5XzQzNV9Bc2RhX2luY29tZV90cmFja2VyX01heV8yMDEzLnBkZg/Asda%20income%20tracker%20May%202013.pdf> Accessed 06/06/13
- Cobbing, Paul and Miller, Dr Servel (2012). Property Level Protection and Insurance, Main Report. National Flood Forum.
- Crew. Flood Insurance Provision and Affordability Beyond the Statement of Principles: Implications for Scotland <http://www.crew.ac.uk/publications/flood-insurance-provision-and-affordability-beyond-statement-principles-implications-sc> Accessed 06/06/13
- Defra (June 2013). Securing the future availability and affordability of home insurance in areas of flood risk' <https://consult.defra.gov.uk/flooding/floodinsurance> Accessed 5 July 2013
- Defra (June 2013) Securing the future of flood insurance – An introductory guide <https://consult.defra.gov.uk/flooding/floodinsurance>
- Defra. Flood Re Proposal: Memorandum of Understanding. <https://consult.defra.gov.uk/flooding/floodinsurance>
- Defra. (24/05/13) Managing the future financial risk of flooding, impact assessment (IA No: Defra 1446) <https://consult.defra.gov.uk/flooding/floodinsurance>
- Defra (June 2013). Independent Review of Flood Insurance Analysis. <https://consult.defra.gov.uk/flooding/floodinsurance>
- Flood Risk, Climate Change and Housing Economics. The Four Fallacies of Extrapolation. University of Glasgow Adam Smith Research Foundation. http://www.gla.ac.uk/media/media_197004_en.pdf Accessed 14/06/13
- House of Commons, Environment, Food and Rural Affairs Session 2012-13, Flood Funding Written Evidence <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmenvfru/writev/flood/contents.htm> Accessed 12/06/13
- Lamond, J.E. & Proverbs, D.G. Flood insurance in the UK - a survey of the experience of floodplain residents, University of Wolverhampton <http://www.wlv.ac.uk/default.aspx?page=17715> Accessed 06/06/13
- Lamond, Jessica. Flooding unlikely to affect house prices. University of Wolverhampton research, PhD student. <http://www.wlv.ac.uk/default.aspx?page=17715> Accessed 14/06/13
- Morpeth Flood Action Group (January 2011). Insurance Survey, Results and Analysis <http://www.morpethfloodaction.org.uk/survey.html> Accessed 18/06/13
- Office for National Statistics (ONS) Living Costs and Food Survey 2011 Edition and Social Survey <http://www.ons.gov.uk/ons/rel/social-trends-rd/social-trends/social-trends-41/index.html> Accessed 13/06/13
- ONS Social Trends 41 - Housing publication. <http://www.ons.gov.uk/ons/rel/social-trends-rd/social-trends/social-trends-41/index.html> Accessed 18/06/13

O'Neill, J. and O'Neill, M. 2012. Social justice and the future of flood insurance. York: Joseph Rowntree Foundation. <http://www.jrf.org.uk/publications/social-justice-flood-insurance> Accessed 06/06/13

Pitt Review 2008. Pitt, M. 2008. Learning lessons from the 2007 floods: An independent review by Sir Michael Pitt. London: Cabinet Office http://webarchive.nationalarchives.gov.uk/20100807034701/http://archive.cabinetoffice.gov.uk/pittreview/the-pittreview/final_report.html

RICARDO-AEA PREPARE - Understanding the equity and distributional impacts of climate risks and adaptation options <http://www.ricardo-aea.com/cms/assets/Documents/11257PREPARECA0513Socialvulnerability-Finalreport.pdf> Accessed 14/06/13

York, City of, hosted Flood Conference 10 May 2013



JBA
consulting

Offices at

Coleshill

Doncaster

Edinburgh

Haywards Heath

Limerick

Newcastle upon Tyne

Newport

Saltaire

Skipton

Tadcaster

Thirsk

Wallingford

Warrington

Registered Office

South Barn

Broughton Hall

SKIPTON

North Yorkshire

BD23 3AE

t:+44(0)1756 799919

e:info@jbaconsulting.com

Jeremy Benn Associates Ltd

Registered in England

3246693



Visit our website

www.jbaconsulting.com