



The Consumer Council

**Research paper on flood
protection and insurance
April 2013**

Executive Summary

During the winter of 2012/13 the Consumer Council conducted research into consumers' views on flooding and flood insurance. Below we summarise the main findings.

Main findings

Flood protection

- Almost half of consumers would not know who to contact if their home was flooded.
- The majority of consumers (64 per cent) agree that the owner/occupier has some shared responsibility for flood protection.
- 74 per cent of respondents would be willing to make adjustments to their property to prevent flood damage.
- 65 per cent of consumers would be willing to pay towards individual property adjustments.
- The two main objections to making adjustments were it was too costly or too much hassle.
- Consumers are willing to help themselves. Consumers living in flood risk areas are already organising at a local level.
- Almost seven out of ten consumers (68 per cent) support a single government body with responsibility for all types of flooding.
- Consumers want the single body to oversee flood planning, response and restoration.
- Consumers want early flood alerts but understand their limitations.

Insurance

- 72 per cent of consumers have home contents insurance.
- 90 per cent of home owners have buildings insurance.
- Take up of contents insurance is significantly higher among home owners than in the rented sector.
- The two main reasons for not having contents insurance were believing it is not necessary and it being too costly.
- Only one third of consumers would currently be willing to pay more for insurance to support capped insurance premiums for households at flood risk.

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1. Introduction

For many households the flooding of June 2012 had a devastating impact and was one of many extreme weather spells affecting homes across Northern Ireland in recent times.

In response the Northern Ireland (NI) Executive agreed to review the response of government agencies and make recommendations to improve co-ordination and efficiency across all government agencies – the Performance and Efficiency Delivery Unit (PEDU) review¹.

The Consumer Council conducted research to find out consumers' views on flooding, flood management, who they believe has responsibility for managing floods, the response to flooding and home flood insurance.

This report provides an overview of our research findings and presents the views of consumers so that policy and decision makers use them to inform their work when addressing the issues of flood management and household flood insurance.

The Consumer Council is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. We have a statutory remit to *promote and safeguard the interests* of consumers in NI. Our aim is to make the consumer voice heard and make it count.

¹ The Performance and Efficiency Delivery Unit review www.northernireland.gov.uk/pedu-report-on-flooding

2. Methodology

Our research focused solely on domestic consumers and domestic flood insurance.

The survey of domestic consumers was conducted with 1,010 people in their homes chosen from 126 sample points across Northern Ireland. Quotas were applied to the number of interviews conducted based on gender, age, socio-economic group and location to ensure that it was representative of the NI adult population based on the 2011 Census data. 63 per cent of the interviews were conducted with those living in an urban location and 37 per cent with those in a rural location. In addition 27 per cent of the interviews were conducted with those who have a disability.

104 interviews were conducted in known flood risk areas to enable comparisons of views on flood protection measures. Flood risk areas were identified using the Strategic Flood Map².

Four focus groups were conducted:

Group 1	Urban at risk of flooding
Group 2	Urban not at risk of flooding
Group 3	Rural at risk of flooding
Group 4	Rural not at risk of flooding

² www.dardni.gov.uk/riversagency/index/strategic-flood-maps.htm

3. Flooding

3.1 Responsibility for flood protection

The majority of consumers (64 per cent) agreed that the owner/occupier has some responsibility for protecting their home from flooding.

Those who agreed were asked in what ways they believe they should protect their home. 40 per cent commented that the home owner should take responsibility for preventative measures such as sandbags or water barriers. 23 per cent believed that home owners should carry out drain/guttering maintenance to reduce the likelihood of flooding. A further 13 per cent reiterated the belief that the home owner is responsible, however they did not provide any specific examples of how they can protect their home from flooding. Other responses include:

- Conduct a risk assessment (11 per cent);
- Ensure general property maintenance (eight per cent); and
- Purchase home insurance (four per cent).

Those who felt that the owner/occupier is not responsible were asked who they believe is accountable for flood protection. Responses were divided across a broad range of agencies and service providers:

- Local district council (22 per cent);
- Unspecified government / public body (ten per cent);
- NI Water (nine per cent);
- Housing Executive (eight per cent);
- DOE (eight per cent);
- Builders / developers (five per cent);
- Roads Service (five per cent);
- Landlord (four per cent);
- Rivers Agency (three per cent); and
- Insurance companies (one per cent).

The majority of respondents agreed that responsibility is shared. There were two main reasons: (i) the householder is inherently responsible for his/her property and (ii) the householder has had to take responsibility because Government has not done enough. Those living in homes deemed at flood risk felt very strongly about the latter reason.

“Who’s responsible? I think every individual who owns a property is responsible”

“The Government is not doing anything here, it’s totally the homeowner”

“No way the Government has done all it can do”

Consumers also raised the issue of homeowners/occupiers having different levels of responsibility based on housing type, location and what part of a flood incident was being considered.

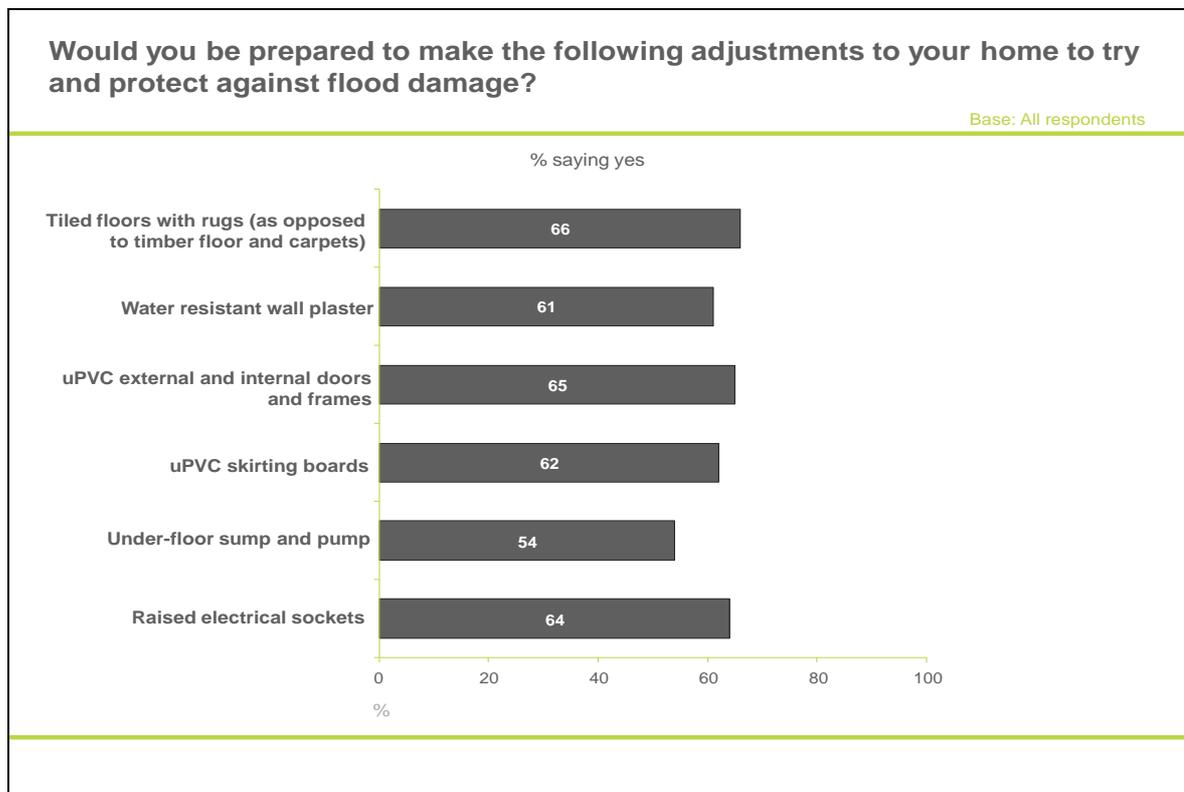
“It depends; if you’re somebody living in the country, they chose to build their house there, they made that decision. But if you’re living in a housing estate, if it’s a housing executive estate, you don’t have a choice where it was built.”

“The insurance for contents or buildings insurance is our responsibility. I think to make sure it doesn’t happen, it’s the government”

3.2 Individual Property Protection

PEDU has recommended the urgent completion by Rivers Agency of a strategy for Individual Property Protection (IPP) for consideration by the NI Executive. IPP covers a range of measures that can be taken to ‘flood-proof’ individual properties through the construction and adaptation of buildings. The concept of reducing the consequences of flooding at the individual property level is focused on the two principles of resistance (keeping the water out) and resilience (making the property easier to bring back to use after the floodwater recedes).

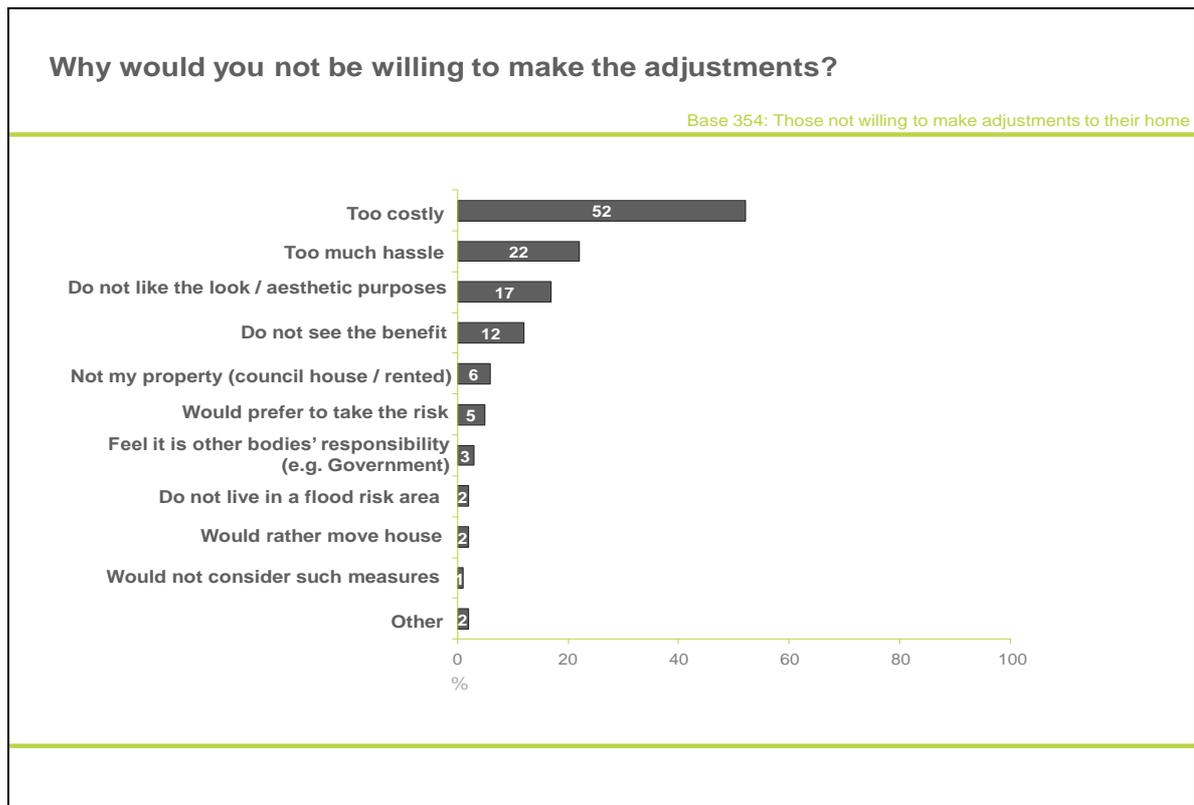
Our research shows consumers are willing to make adjustments to their properties. Overall, just under three quarters (74 per cent) indicated they would be willing to make some adjustments to protect against flood damage. Before discussing cost we offered a range of six example adjustments, (see Fig. 1) **Fig 1.**



There was no significant variation in willingness to make the example adjustments based on whether respondents did or did not live in a flood risk area.

Where householders were not willing to make adjustments we wanted to know why (see Fig. 2).

Fig. 2



When IPP was discussed in the focus groups views ranged from IPP being a sensible and pragmatic measure that should be investigated to respondents being “devastated” if Government confirmed it could not provide ‘direct’ drainage solutions in their area and that Government focus must remain on preventing flooding.

“Anything less than fixing the drainage so that it doesn’t flood isn’t acceptable. It’s as simple as that.”

“I really don’t see it as a priority. You know, how often have we been flooded really?”

“That’s a matter of pragmatism again by the householder. If you’re constantly getting flooded or the instances are a lot, then you would consider internal modifications; if it’s something that’s going to happen once in 30 years, the practical thing is to keep the water out.”

3.3 Willingness to pay for IPP

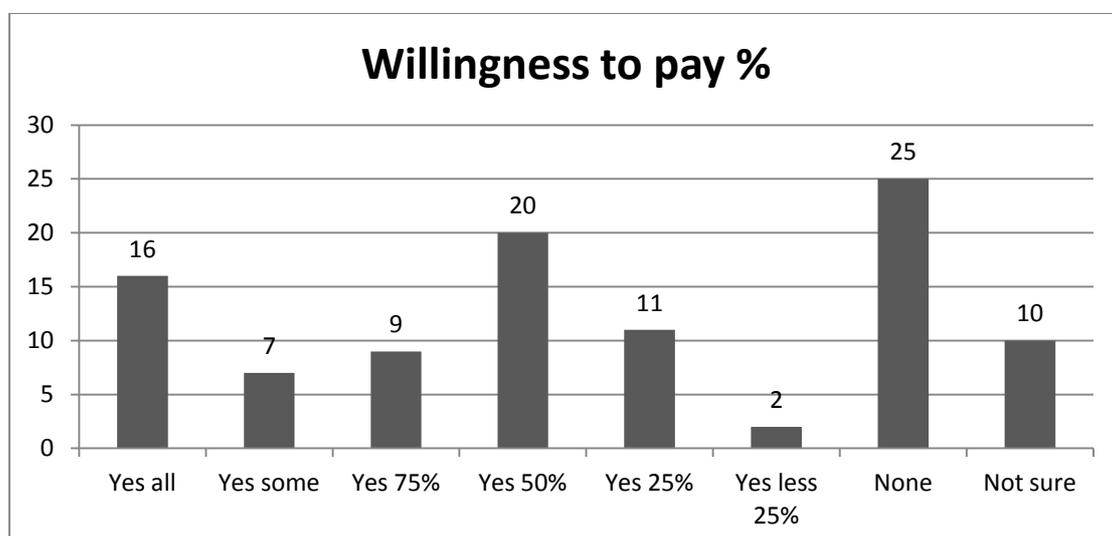
While some significant doubts were raised, the idea of IPP was supported by the majority of respondents.

Knowing that cost was the biggest objection by those not willing to make flood protection adjustments (see Fig. 2) we wanted to look at consumers’ willingness to pay for IPP measures.

Participants were informed that flood damage costs an average of £28,000 per property to repair but preventative measures could cost between £2,000 and £5,000 on average per property.

Respondents were asked the extent to which they would be willing to pay for such preventative measures if they lived in a flood risk area (see Fig. 3).

Fig. 3



16 per cent reported willingness to pay the full costs, 49 per cent would be willing to contribute some of the costs and 25 per cent were unwilling to pay anything (10 per cent were unsure).

Willingness to pay varied by:

Living in an 'at flood risk' area or not

- Consumers living in a flood risk area would be less likely to pay for all of the costs compared to those who do not live in a flood risk area, but would be more willing to pay half;

Housing tenure

- Those who own or rent privately were more willing to pay all or some of the cost than those who rent publicly;

Socio-economic group³

- More ABC1 respondents were willing to pay all of the costs compared to C2DE respondents;
- Willingness to pay a contribution did not vary significantly across SEG;

³ Socio-economic group definitions: A – 2-3 per cent of the population, professional people, very senior managers in business or commerce or top level civil servants; B – 12-13 per cent of the population, middle management executives in large organisations, with appropriate qualifications, principle officers in local government and civil service, top management or owners of small business concerns, educational and service establishments; C1 – 31 to 33 per cent of the population, junior management, owners of small establishments, and all others in non-manual positions. Jobs in this group have very varied responsibilities and educational requirements; C2 – 16 to 18 per cent of the population, all skilled manual workers and those manual workers with responsibility for other people. D – 24 per cent of the population. All semi and unskilled manual workers, apprentices and trainees to skilled workers. E – 11 per cent of population. All those entirely dependent on the state long-term through sickness, unemployment, or other reason. Those unemployed for a period exceeding six months. Casual workers and those without a regular income.

With or without home insurance

- Consumers with home contents or building insurance were more willing to pay towards the cost compared to those with no home contents or building insurance; and

Level of contribution

- Consumers willing to pay a contribution consistently preferred to pay 50 per cent of the costs over all other levels of contribution.

Consumers raised various concerns that if an IPP policy was introduced by Government it would need to address: how would it be implemented; tailoring IPP to different circumstances; approved installers, installation and standards of adjustments; information on how it would work and be operated; and the entitlement, equity and level of Government grant assistance.

“If somebody came to me and said here’s your grant to stop your flooding, I wouldn’t have a clue where to start because where’s it coming from? Why am I flooding? You want to know its 100% [that it was going to work].”

“Every property has its own needs; a house in the country would have to be treated differently than a housing estate.”

“[the grant] should be 100% because they [Government] passed the plans for the house.”

“Would there also have to be a follow-up check? Like the MOT would that have to be checked again every few years? You don’t want to throw them the money and then five years down the line, that’s another four grand.”

Consumers living in flood risk areas were more negative in their views of IPP and questioned its effectiveness, the adequacy of financial support proposed,

the difficulties of acting individually and the negative impact on the ability to sell the property.

“I did it myself, I spent about £5,000 ... the problem is you’re still worried your house will flood.”

“I have spent quite a bit of effort putting flood defences in place which did actually work”.

“It makes your house unsellable. If you want to change your lifestyle in any way regardless of the amount of money you might have access to it doesn’t make any difference. We couldn’t give our house away never mind sell it.”

Some consumers in not at risk areas expressed different views:

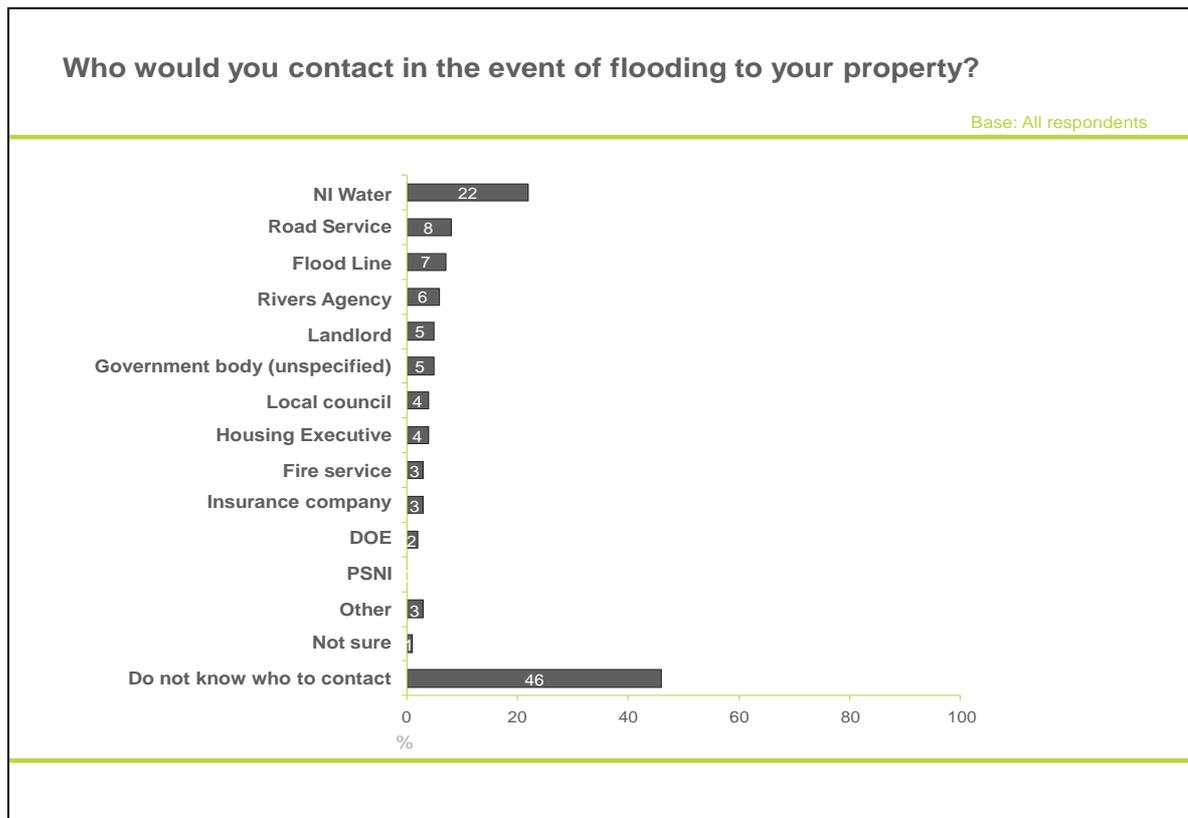
“It is a matter of common sense, if you’re putting in all the things that are going to prevent these things happening or at least being shown to do that, then what’s your options? You have a) don’t do anything, you won’t sell your house; b) you do something, you may make it a little bit more sellable.”

“But the grant would go to the address and it would be always on the address that the house got the grant for that. It would always be on file that that house had the actual work done.”

3.4 Knowledge of who to contact

The Flood Incident Line (FIL) is operated as the main single contact point for consumers to report flooding. Despite this only seven per cent of respondents would contact FIL in the event of flooding. It is also worrying that so many respondents (46 per cent) did not know who to contact (see Fig. 4).

Fig. 4



The PEDU report rightly states that FIL did not cope with the implications of the flooding in June 2012 and makes recommendations to improve the service. From the very poor awareness levels indicated in this research, an extensive promotion of the FIL is also necessary.

It would be misguided to view FIL as a remedy for flooding. FIL is not an emergency helpline but a single telephone number for consumers to report flooding and a channel for providing information to the public during a flood. An improved FIL will allow consumers to report flooding and agencies to log, monitor and plan a response to flooding. It will not automatically correspond

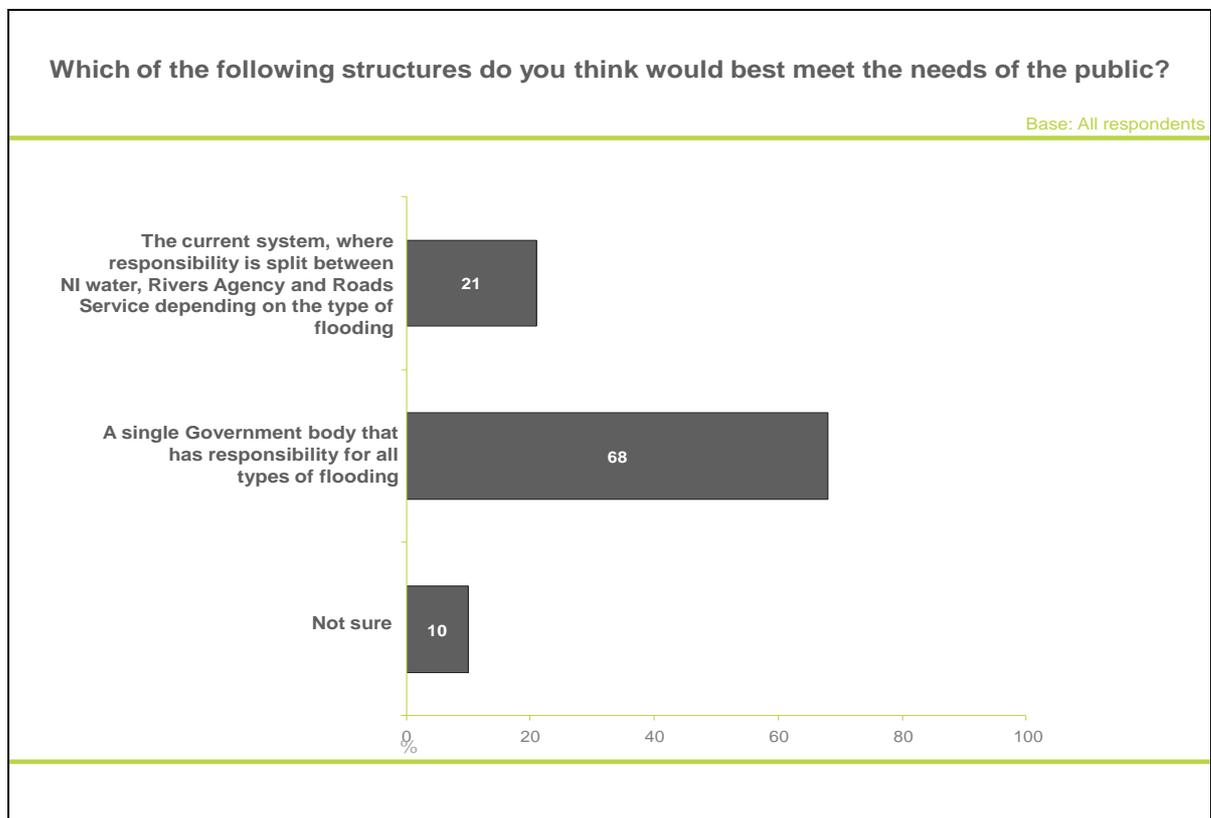
with an improved ability to provide individualised or localised responses during major flooding events.

The promotion of FIL needs to be clear on its role and limitations. It is important that consumers are able to report flooding without having to be concerned about the responsible Government agency. As awareness of FIL increases alongside the predicted increase in flood risk consumers will expect the service to adapt to their changing needs.

3.5 Government structure

Consumers were asked whether they believe the current management system for flood issues (i.e. where responsibility is split between NI Water, Rivers Agency and the Roads Service) is the most appropriate or whether a single Government body should take responsibility. Over two thirds (68 per cent) agreed that a single Government body would better meet the needs of the public, compared to 21 per cent who deemed the current system suitable (see Fig. 5).

Fig. 5



Clearly there is strong public support in line with the PEDU recommendation of the “consolidation of all flood response organisations under one departmental ambit”⁴.

⁴ PEDU report, page 4

Consumers understand that a structural change to a single Government body in itself will not automatically improve the response during flood events. But a single Government body with the appropriate authority, responsibilities and resources was widely supported. Consumers were less concerned with the specifics of how a single flood body would be developed. However, they were clear on the shortcomings of the current structure:

- Falling between the current organisations and feeling abandoned;
- A lack of coordination and cooperation;
- A lack of accountability;
- Government ambivalence and a reluctance to take responsibility;
- Difficulties in getting clear or definitive answers; and
- A disjoint when moving from response to recovery stages.

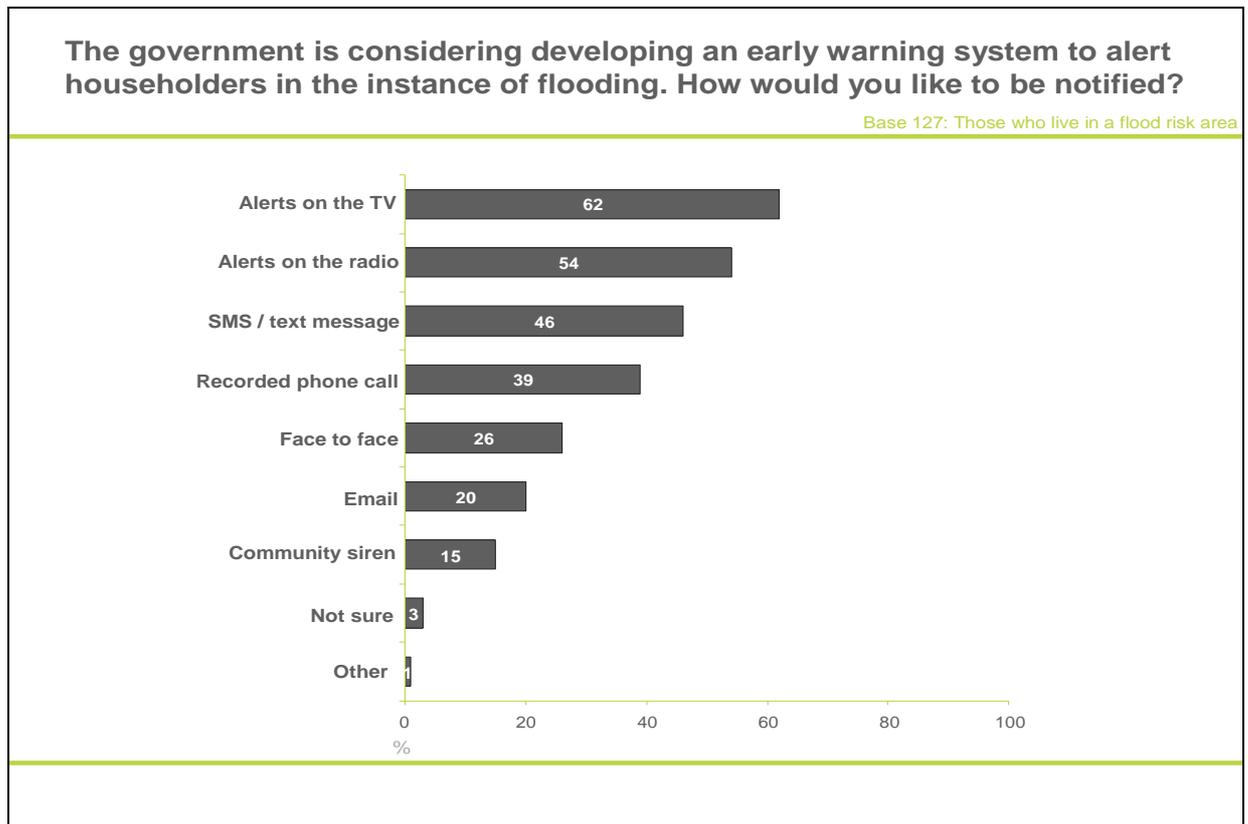
Consumers were clear that any consolidation/reorganisation should not be limited to flood response; it should extend to a single strategic flood organisation responsible for all aspects of flooding: preparation, response and restoration.

The expectation is that a single flood body will: be better placed to plan both the prevention of and response to all types of floods; make best use of the limited resources; implement infrastructure protection and maintenance; and be better able to identify and coordinate flood planning and response at a local level.

3.6 Early flood warning system

Consumers living in flood risk areas were asked how they would like to be alerted in the event of flooding (see Fig. 6).

Fig. 6



The value of an early warning system was recognised by respondents providing householders had time to take preventative action and the warnings were heeded and acted on by flood response agencies:

“The last three times we flooded, they knew there was torrential rain. They’ve got two hours before it gets to us. Surely in two hours they can activate the necessary people to be on standby.”

Some householders doubted the value of an early warning system. This was based on previous experience when knowledge of a flood risk had no noticeable impact on the flood response:

“No. Because from our point of view it doesn’t make any difference.”

Given how rapidly flooding can occur, respondents raised concerns about the limitations of an early warning system. Questions were also raised regarding the accuracy of early warnings and the ability of any warning system to predict localised levels of flooding.

Despite acknowledging these difficulties the majority of respondents preferred for an early warning system to be established. PEDU recommended that consideration be given to “how flood alerts can be best communicated to responding organisations and the public⁵”. This research presents a clear understanding of the public’s preferred method of notification.

⁵ Ibid.

3.8 Consumers' willingness to help

The increase of flooding incidents in recent years and the acceptance that agencies dealing with floods can be stretched during prolonged or widespread flooding incidents has resulted in a rise of local level resilience. PEDU specifically recommends the promotion of self-help initiatives.

Our research evidences a strong desire for local level engagement and a willingness to help on an individual, street and neighbourhood level. This not only includes during times of flooding but in preparatory work, the immediate aftermath and in the long-term recovery and planning stages.

Consumers living in flood risk areas outlined a number of examples where property and street level action had been put into practice, more through necessity than any managed or pre-organised plan:

“I do it with the traffic cones outside my front. See once they go above the black, that's when you start watching and checking the drains. And we're out with brushes and all.”

Community or street level responses at present seem to be limited to dealing with the flood event. This limitation exists not through unwillingness but through a restriction of opportunity to participate in the planning and development of resilience for future flood events. Respondents felt they needed to be provided with the information to make them more knowledgeable and proactive in taking preparatory steps.

Consumers wanted their local knowledge to be used and discussed by flood planners and agencies responding to flooding incidents:

- The ability of householders to help during flooding incidents could be explored and incorporated into local level flood resilience plans;

- Identification and appointment of community or street wardens. Known and trusted wardens can act as a point of contact to initiate an appropriate and realistic residents' response to localised flood warnings;
- Identifying vulnerable and/or isolated households; and
- Local knowledge of vehicular access and assets that may help flood response.

“They’re trying to help you but at the end of the day we know more about it than they do.”

“Give it to a community worker or somebody with a bit of responsibility who’d be willing to take it on and have the authority.”

“If there was someone in charge where you know right, this is the man/woman I have to phone, the rain’s coming up, it’s getting pretty heavy and someone’s on the ball rather than waiting until the water’s coming up.”

The Consumer Council has three information leaflets on our website –

“Preparing for a flood”, “during a flood” and “after a flood”. See

<http://www.consumercouncil.org.uk/water/flooding> for details.

4. Home flood insurance

Our work with consumers who have experienced flooding or who live in flood risk areas always raises the issues of the affordability and availability of home flood insurance.

4.1 Home contents insurance

Respondents were asked if anyone in their household had home contents insurance. Overall, 72 per cent stated that their household was covered.

There is variation by key demographics in those that are covered/not covered:

- The vast majority of home owners (92 per cent) have contents insurance compared to those in private rented (34 per cent) or public rented housing (29 per cent);
- Older respondents are more likely to have home contents insurance compared to younger respondents;
- Those from socio-economic groups ABC1⁶ (84 per cent) are more likely to be covered compared to C2DE households (60 per cent); and
- Those in rural areas are more likely to have contents insurance (76 per cent) compared to their urban counterparts (69 per cent).

Of the 28 per cent who did not have home contents insurance the main reasons given were:

- Believe it is not necessary (52 per cent);
- It is too expensive (16 per cent);
- Unsure whether the house is covered as live with parents / relatives / spouse who has responsibility for purchase (13 per cent); and
- Have not got round to making purchase (eight per cent);

⁶ See footnote three for a definition of the different SEG groups.

“Don’t need it, waste of money.”

“Never needed it, can’t afford it.”

“It’s not top of the list for expenditure.”

4.2 Home building insurance

The vast majority (90 per cent) of those who own their home⁷ reported that their house was covered by building insurance. Analysis by key demographics highlighted the following:

- Older respondents (93 per cent) and those in the 35 – 54 age category (96 per cent) are more likely than younger respondents (81 per cent) to have home building insurance.
- A similar proportion of ABC1 (91 per cent) and C2DE (89 per cent) groups reported that their household is covered by building insurance; and
- There was no difference in the percentage of households in urban and rural areas covered by building insurance (90 per cent).

Of those who did not confirm whether their home was covered by building insurance, 63 per cent commented that they are unsure whether the house is covered as their parent or another relative in the household has responsibility for purchasing it. A much smaller percentage commented that they do not think it is necessary (eight per cent), think it is too expensive (four per cent) or have not got round to purchasing building insurance (four per cent).

⁷ In rented accommodation, building insurance is the responsibility of the landlord. Therefore those in rented accommodation are not included in the analysis of this question.

4.3 Proposal for additional insurance contributions

Across the United Kingdom agreements exist between governments and the insurance industry on the provision of flood insurance. The 'Statement of Principles' (SOP) was agreed in Northern Ireland in July 2009 between the NI Executive and the Association of British Insurers (ABI). The aim of SOP is to provide available and affordable flood insurance so that consumers can protect themselves against the financial consequences of flooding. The agreement commits insurers to provide flood insurance on the condition that the NI Executive effectively manages flood risk. The current SOP expires on 30 June 2013.

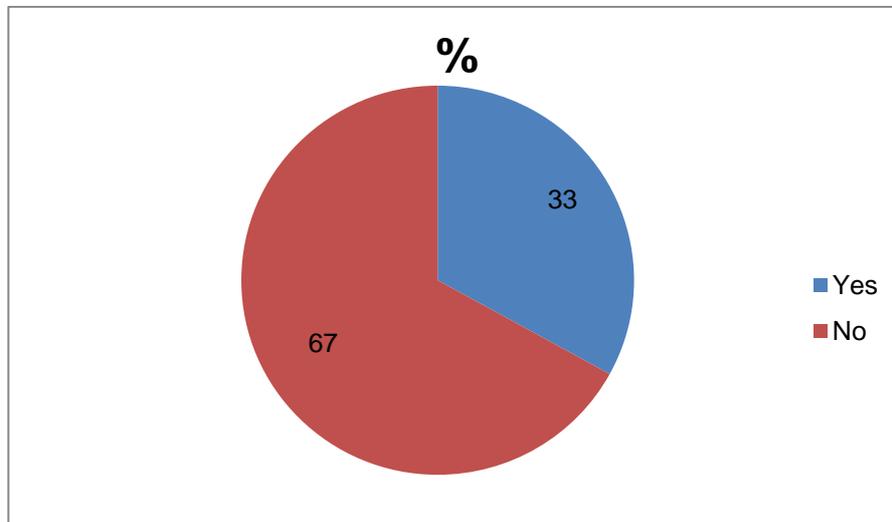
The ABI has put forward a proposal for the replacement of the SOP, whereby:

- An organisation is set up to insure any home against flooding at a set price.
- Where insurers can offer cheaper cover they will do so, but for high risk properties insurers will pass the flood risk to the new organisation and the customer will be charged the set price.
- Claims costs come from the new organisation's funds. To make sure there are sufficient funds
 - Small contributions are made from all home insurance policies in the UK; and
 - Government provides an 'overdraft facility' in case the pot is 'emptied' due to a large event.

Discussions are ongoing between the ABI and the UK Government on this proposal.

We asked if consumers would be willing to pay £10 extra a year on their own home insurance to reduce insurance premiums for those living in flood risk areas (see Fig. 7).

Fig. 7



One third of consumers were willing to pay this extra cost. A greater percentage of those who live in a known flood risk area (39 per cent) or say they live in a flood risk area (43 per cent) indicated they would be more willing to pay this extra cost compared to those who do not.

Consumers living in flood risk areas had generally negative views of the insurance industry and were suspicious of the motives behind the proposal of such a scheme.

“Giving insurance companies more ammunition to cheat money off people is never a good idea.”

“We already pay tax on our insurance premiums. So what’s that for?
It’s another tax.”

Others were supportive of the idea of paying a little more to provide flood insurance cover.

“I’d happily pay £10 a year extra”

“£20 per year to get peace of mind, yes”

The insurance industry and Government must agree on the key principles of such a replacement scheme in order to fully examine consumers’ views on making an additional contribution to their insurance premium. However, progress on this issue is now urgent as the SOP expires in June 2013.

4.4 Consumer principles for domestic flood insurance

The Consumer Council has produced the following guidance on what consumers expect from their domestic flood insurance:

- Domestic flood insurance should be generally and readily available as part of standard home insurance cover and available at a reasonable cost.
- There should be price stability.
- A single flood incident should not result in exclusion from future insurance cover. Nor should it have a disproportionate or excessive effect on terms of cover, premiums or policy excess.
- Measures taken to reduce flood risk, both public schemes and individual (private) property measures must be recognised in cover, premiums and excesses.
- Clear and accessible information and advice must be provided by the insurance company when providing a quote and when a customer enters in to a new policy. This information must be consistent and accessible across all channels i.e. verbally, in writing and on the website. It should not be hidden in small print or jargon.
- The level of cover provided, the constituent parts of the premium, the calculation, and level of flood risk and all exclusions should be clearly explained.
- Guarantees on all work and restorations provided by insurers.
- Confidence in all of the costs impacting on home insurance premiums are necessary, appropriate and relevant.
- That insurers continue to work with householders to explore insurance options where flood risk is significant and no public plans are in place or proposed.

5. Next Steps

The research presented in this paper has provided an insight into consumers' views on flooding, who is responsible for how they are managed and responded to and home flood insurance. The views of consumers presented in this report will shape our work with decision and policy makers when addressing the issues of flooding and flood insurance. (The report does not provide an action plan on how to deal with the complex problems of flood management and flood protection).

We have presented these research findings to Water Policy Division at the Department for Regional Development and to Rivers Agency, in its capacity as the Government agency tasked with managing flood risk to facilitate the social, economic and environmental development of Northern Ireland. We will ensure the findings of this research continue to be shared with key policy and decision makers.

In the coming years the needs of consumers and the nature of flooding will change. As Government continues to develop its plans for flood risk management the Consumer Council will continue to engage and work with consumers, their representative bodies, Government and industry to see how we can best help and support consumers at risk of flooding.



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