

Restoring Trust - A Charter for Flood Friendly Insurance



The NFF every day sees instances of people

- unable to secure affordable flood insurance after their property has been flooded
- fearing inability to sell their property because potential purchasers cannot obtain flood insurance
- mystified by the difference in insurance costs between themselves and neighbours
- frustrated that installation of Resistance and Resilience measures has little effect on insurance costs
- unable to afford to install Resistance and Resilience measures
- distressed by poor standards of customer service following a flood

Insurance companies have highly variable practices, which are often opaque to the customer. Often justified as the workings of a Free Market, the effect on individual householders can generate extreme pressures and magnify the trauma associated with flooding.

This Charter for Flood Friendly Insurance seeks to restore customer confidence by promoting companies that demonstrate a fresh approach to flooded householders. The key aspects are as follows.

Flood Friendly Insurers will

- Guarantee to re-insure and offer insurance to subsequent owner
- Publish the basis of assessing risk and setting costs, i.e. premiums and Excess
- Be transparent on how Resistance and Resilience measures will reduce insurance costs
- Offer long-term contracts and loans for Resistance and Resilience (perhaps through the Blue Deal)
- Publish their Code of Practice with standards of service for property restoration

Guarantee to re-insure and offer insurance to subsequent owner

One of the greatest fears for flooded householders is firstly, whether they will be able to obtain insurance in future and secondly, whether a subsequent purchasers will be able to obtain insurance. These are the core issues of flood blight.

Flood Friendly Insurers will both guarantee to offer continuing insurance to flooded households (at reasonable cost) and to offer insurance to subsequent purchasers.

Publish the basis of assessing risk and setting costs, i.e. premiums and excess

Unexplained variability in insurance costs for properties at identical flood risk is one of the great frustrations for householders in flooded areas. Physical and technical evidence of risk “on the ground” may be ignored in favour of crude postcode information. Several surveys have shown that these are significant issues throughout the country and between different insurance companies.

Flood Friendly Insurers will publish the basis for assessing risk for individual properties and for setting insurance costs.

Be transparent on how Resistance and Resilience measures will reduce insurance costs

There is no transparency at present or consistent practice on how Resistance and Resilience measures impact on insurance costs. In some cases Resistance and Resilience is effectively a requirement to obtain insurance, in many others householders see no reduction in insurance costs from installing such measures.

Flood Friendly Insurers will publish their policies and procedures for taking Resistance and Resilience measures into account in determining insurance costs for individual properties.

Offer long-term contracts and loans for Resistance and Resilience measures

Many households have difficulty financing Resistance and Resilience measures.

Flood Friendly Insurers will offer extended contracts to householders with the option of loans to finance such measures – possibly through the Blue Deal.

Code of Practice with standards of service for property restoration

Many flooded householders report that their experience during restoration following flooding was far worse than the flood itself. There is ample survey data of poor customer service during restoration from Insurance companies, Loss Adjusters, property restoration companies and individual tradesmen. There is also ample evidence of waste, pushing costs up unnecessarily. For example, ripping out all flood-affected elements when a selective approach would better meet both technical and customer requirements.

Flood Friendly Insurers will publish their internal Code of Practice for customer service, remedies and redress for property restoration following flooding. They will collect and publish customer satisfaction data openly.

Accreditation of Flood Friendly Insurers

Insurance companies willing to adopt the Charter will be eligible to apply for Accreditation as Flood Friendly Insurers by the National Flood Forum. Companies will be expected to demonstrate their compliance initially through a validation process and subsequently through annual audits, carried out jointly. Accreditation will be on an annual basis and subject to renewal. Accreditation will not be renewed if a Company fails to meet the terms of the Charter.

The National Flood Forum will maintain a schedule of Flood Friendly Insurers and promote these to customers. It will also collect feedback to inform the re-accreditation process and make that feedback publicly available.

Benefits of Accreditation to Customers

- An assurance of fair treatment before, during and after a flood claim.
- Reduced anxiety should a future flood occur.
- Removal of the fear of “flood blight”

Benefits of Accreditation to Insurers

- Recognition of excellence in the flood insurance market.
- Satisfied customers, generating good feedback.
- An independently corroborated bank of evidence of customer satisfaction, built up over time.
- Reputation at a time when the flood insurance market is changing

The National Flood Forum would welcome dialogue with Flood Insurers on this Charter.

Contact charles.tucker@floodforum.org.uk for further information.