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A photograph of a flooded residential street. In the foreground, a blue street sign on a black post reads 'MEIKIE NCHLAN'. In the middle ground, a rescue team in yellow and red gear is using a yellow inflatable boat to transport a woman and a small white dog. The water is murky and reflects the sky. In the background, there are houses and parked cars, including a red one on the left.

# Bailed Out

*Issues affecting flooded consumers and ability to access affordable insurance*

**Executive Summary**

## Executive Summary



In the winter months of 2015/2016 around 11,500 UK households were flooded causing damage of up to £1bn. Such events are devastating for families living in these homes and expert climate predictions suggest that the flood risk for some areas of Scotland will double in the course of the next century. Against this rising risk is the under protected nature of many of these homes with around 16% of Scottish households having no insurance cover for their contents. Those most likely to not be covered are the most vulnerable in our society: the elderly, low income households and renters.

CAS undertook a detailed survey research of 178 households in Scotland, over two thirds of which live in a flood risk area based on SEPA analysis. In this survey we explored issues surrounding home insurance and financial protection against flooding events as well as inviting more general comments with regard to consumers' experiences of a flooding event.

Flood Re is a new not-for-profit scheme developed by the UK Government and Insurance industry to ensure that flooded homeowners can access affordable insurance. This scheme was launched in April 2016 and is aimed at providing assistance for many of the issues highlighted in this report. The research for this study was carried out before Flood Re was implemented and as such these findings provide a baseline against which future research can be carried out to establish the success, accessibility and effectiveness of the Flood Re scheme. As part of our work we are helping promote the scheme to households at risk.



**1 in 5  
consumers**

1 in 5 consumers  
who have been  
flooded before  
said they  
considered going  
without insurance  
because the cost  
was too high



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Additionally, through analysis of qualitative feedback responses we found a frustration on behalf of many householders that they perceived a lack of co-ordination the delivery of over flood mitigation measure between public authorities and agencies. There was also some concern raised as to how vulnerable consumers were being supported and looked after by their insurer during the claims process.

While individual circumstances and cases can differ substantially we found common themes across cases. There is evidence that some of these can put insured consumers on a journey, caused by a flooding event, that can radically change their circumstances. The cases presented by those who participated in our research demonstrate a clear link between actions taken by insurance companies and the outcomes for consumers, which at time be devastating.



CAS have identified four goals to work towards for consumers accessing insurance and protection and recovery from flooding events:

1. Affordable insurance should be accessible to flood risk consumers
2. Insurance cover should support physical and financial recovery for consumers
3. Insurance charges should take into consideration work to mitigate flooding
4. Each property should be assessed according to its own merits

To make these goals a reality we have made eight recommendations. As Scotland's consumer champions, we are committed to advocate these to the relevant authorities and to work with stakeholders to make them the reality for Scotland's consumers.

## Recommendations

#	Recommendation	Who for	Outcome	Goal
1	Flood Re must address the growing number of consumers who are unable to access any insurance options. It should be transparent so consumers know when they are benefitting from a FloodRe backed policy. This could be done through clear associate branding in renewal letters or policy documentation.	Flood Re	Consumers are able to access affordable insurance cover despite previously being flooded	One
2	Price comparison websites should improve their signposting to specialist insurance providers or other assistance such as brokers or flood advice agencies where they are unable to provide a suitable provider.	Price Comparison Websites	Consumers unable to get a suitable quote online will be signposted to other insurers and information on Flood Re	One
3	PCWs and the FCA should consider the advantages of developing a similar scheme to the OFGEM Confidence code for price comparison websites.	Price Comparison Websites and FCA	Consumers will have better confidence in Price Comparison Websites	One
4	ABI and BIBA to consider building on the existing vulnerable consumer code of practice to ensure vulnerable consumers receive adequate and appropriate assistance throughout the claims management process.	ABI and BIBA	Vulnerable consumers will receive the support they need following making a claim	Two
5	Insurers should establish policies or systems that will identify and prioritise claims and remedial work for vulnerable consumers to ensure their safety is not compromised in their own homes or alternative accommodation.	Insurers	Vulnerable consumers will receive the support they need following making a claim	Two

## Recommendations

#	Recommendation	Who for	Outcome	Goal
6	Scottish Government to appoint and fund an initiative to take responsibility for and coordinate public facing help for consumers regarding flood mitigation work and flood risk assessment. This could be delivered by extending work carried out by an existing agency, such as SEPA, or could be seen as an opportunity to fill a gap in consumer assistance by the proposed Consumer Scotland agency. Work done to protect neighbourhoods should be shared in full between local authorities and insurers.	Scottish Government	Insurance companies are better informed leading to consumers being charged for insurance that is based on the actual risk of the property.	Three
7	Insurers should take reasonable steps to determine the flood risk associated with individual properties. Consumers should not be expected to provide difficult to obtain measurements which are later used to void policies if they are incorrect.	Insurers	Consumers are protected against unfair and unreasonable insurance industry practices and against having their insurance voided	Four
8	Insurers should commit publically that they do not, and will not use SEPA flood maps to assess flood risk as per SEPA's guidance.	Insurers, SEPA	Consumers have confidence in SEPA flood maps  Insurance quotations are based on actual flood risk of a property that has been informed through acceptable channels	Four


  
**1 in 4** consumers

1 in 4 who had been flooded more than once said they **have to save money elsewhere** to afford their insurance premiums


  




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