Environment, Food and Rural Affairs Committee: Flooding

Response from AXA UK

1. AXA UK (AXA) is part of the AXA Group, a worldwide leader in financial services, operating in 57 countries with over 160,000 employees and 108 million customers. AXA has around 11 million customers in the UK and operates through specific operating companies – AXA Insurance and AXA PPP healthcare.

<u>**Executive summary**</u>

2. AXA welcome the opportunity to contribute to the Committee's flooding inquiry as we recognise the incredible challenges for families in the UK that resulted from Storm Ciara and Dennis. AXA often attend local flood forums to support customers, and to share learnings from flood events and how responses to future flood events from local authorities, government and insurers can be improved.

3. AXA recognise the importance of all stakeholders learning from past flooding events in order to develop improved responses for events that happen in the future. In the below response AXA has addressed the insurer's response, planning decisions, the reactive flood response from those on the ground, flood grants and relief, and the scope and performance of Flood Re.

<u>**Questions**</u>

What lessons can be learned from the recent floods about the way Government and local authorities respond to flooding events? How can housing and other development be made more resilient to flooding, and what role can be played by measures such as insurance, sustainable drainage and planning policy?

<u>Insurer response</u>

4. AXA recognise the incredible challenges for families in the UK as a result of Storm Ciara and Dennis. AXA, along with the insurance industry, responded proactively to the November 2019 and February 2020 flooding.

5. AXA operated both proactively on the ground in the affected areas and quickly through our claims teams to ensure customers could receive the support they required. This included assessing damage levels, supporting customers with emergency payments for immediate needs, finding alternative accommodation and working with businesses who had suffered immediate issues to ensure they could recommence trading as soon as possible.

6. Moreover, AXA proactively engaged with the Members of Parliament for constituencies affected by flooding in order to provide information and to offer a point of contact to escalate constituent issues quickly.

7. AXA often attend local flood forums to support customers, and to share learnings from flood events and how responses to future flood events from local authorities, government and insurers can be improved.

Planning decisions

8. AXA believe that careful consideration needs to be taken by central government, devolved governments and local authorities when making planning decisions. AXA has continually urged Government to prevent inappropriate developments being built in flood risk areas. Where new developments are being built in high-flood risk areas, AXA would welcome further action to stipulate that developers should include stringent flood resilience measures.

9. In February, Storm Dennis resulted in the River Ebbw bursting its banks affecting households in Bassaleg, Newport. The flooding led to severe impacts on the Carnegie Court estate which was positioned very close to the edge of the River Ebbw. The estate was approved to be built in 2007 after an appeal to the Welsh Government. Newport Council had previously refused planning permission on the grounds of the flood risk and the loss of the natural flood plain, but the Welsh Government approved the developments on the condition that robust flood defences were put in place. AXA welcome the Welsh Government's commitment to toughening rules, but as the aforementioned example highlights, there should be a careful rethink of where and how we build homes. Moreover, authorities should ensure there is transparency and accountability in the planning process.

10. There are significant consequences of building developments in high-risk flooding areas. Government guidance is clear that new properties should not be built where they will be at risk from flooding. Whilst AXA recognise the difficulties of meeting housing demand with supply this guidance needs to be followed by all stakeholders involved in the planning and building of new developments.

Reactive flood response

11. AXA consider the response of stakeholders involved in flood prevention to be generally positive, however, certain areas experienced more success than others. For example, from our experience on the ground, it was clear that in Iron Bridge, local authorities responded well to set-up early flood barriers which largely held. Other areas saw local issues where flood prevention measures caused futured unintended consequences, such as in Snaith where flood waters were pumped out by local authorities but returned later through drainage systems. Moreover, in South Wales, AXA is aware of examples where flooding had been made worse due to poor maintenance of culverts and watercourses.

12. There were also areas where the ground response by local authorities were successful, such as in Doncaster, where there was a quick response on the ground with teams helping local residents and preparing the area for any secondary flooding. Moreover, AXA considered the response of those local authorities who provided skips and rubbish collections, often free of charge, early in the process to be very successful.

13. Ultimately, AXA would urge collaboration between, government, local authorities and other relevant stakeholders, including insurers, to understand the localised issues of the 2019/2020 flooding and to work together to plan responses for future flooding events.

Administration of flood grants

14. In November 2019, the Government announced Property Flood Resilience Recovery Support Schemes in which businesses and households could apply to receive up to £5000 to make property more resilient to flooding. In February 2020, the Government announced a further package of support for those affected by flooding following Storms Dennis and Ciara. This included a continuation of the Property Flood Resilience Recovery Support Scheme, £500 in financial hardship payments and council tax and business rate relief.

15. AXA welcome the intention of Government to put these relief measures in place, but AXA would urge that these schemes are implemented as soon as possible after a flooding event. For example, the repairs process can be delayed if the approval process takes weeks to complete, therefore, the sooner measures are implemented the quicker the repairs process can take effect. Delays and bureaucratic processes, which AXA understand did occur after the November and February flooding events, ultimately prevent people returning to their properties and rebuilding their livelihoods. Greater consistency through a centralised system would be welcome to support the implementation of measures.

16. Moreover, AXA understand that the Government's relief measures were for local tier or unitary local authority areas which had 25 or more flooded households. Whilst AXA recognise the need for eligibility criteria, the thresholds have meant that two households with similar levels of damage may not be able to access the same level of government support because of their location. AXA would urge government to consider the drawbacks of those schemes already implemented in order to improve the measures for future flooding events.

Flood Re

17. Flood Re has provided hundreds of thousands of customers with access to affordable insurance. It is a not-for-profit scheme that is funded by the insurance industry via a levy of £180 million each year. Currently, 94% of the Home Insurance market has access to Flood Re. Since being launched in 2016, 300,000 flood risk households have benefitted from access to affordable cover.

18. AXA were one of the first insurers to go live with Flood Re enabling customers through both our Direct and Broker channels to gain access to affordable cover. The benefits of Flood Re have been seen in a number of recent flooding events, including in Storms Dennis and Ciara where properties flooded in 2015 faced further significant flood damage. Those customers through Flood Re were able to maintain insurance cover at affordable premiums which would not have been possible without the scheme.

19. Flood Re does not provide cover for properties built after 1st January 2009. The exemption is to ensure inappropriate building in high flood-risk areas is not incentivised. Where Local Authorities have granted permission for new builds to go ahead on flood plains, insurers are reluctant to provide cover given the significant risks. Government guidance is clear that new properties should not be built in high flood-risk areas and this should be monitored closely to ensure planning decisions adhere to this guidance. For new builds, insurers need assurance that Environment Agency advice has been followed by the Local Authority, flood resilience measures are incorporated, and a consistent approach is adopted.

20. AXA believe that insurers and Flood Re need to continue to promote the recent code of practice on resilience measures and look to assist customers in incorporating resilient measures into the repairs following flood events. Whilst surveyors and loss adjusters visiting properties do offer some assistance, advice needs to be more widely available. Moreover, government should look to encourage and incentivise flood resilient measures as this will go some way towards reducing the impact of future flooding to households both in terms of damage and reduced time in alternative accommodation.

21. AXA feel government should review and reform building regulations to build flood resilience into properties as standard. This would allow insurers to provide support to their customers in all at-risk properties. Surveyors and loss adjusters would be able to promote flood resilience with confidence and incorporate recommendations into the reports they provide to both insurers and customers.

22. Moreover, AXA believe a Flood Re database should be maintained of where resilience measures have been incorporated at the time of a claim, incorporated into new builds and where improvements have been made to existing properties. This would help to track flood resilient measures and support a system of incentives for households which undertake these measures.

If you need to get in touch regarding the information in this submission, please direct your enquiries to AXA UK Public Affairs at ukpublicaffairs@axa-uk.co.uk