

Lesley Griffiths AC/AM  
Ysgrifennydd y Cabinet dros yr Amgylchedd a Materion Gwledig  
Cabinet Secretary for Environment and Rural Affairs



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA - P/LG/0615/17

Huw Irranca-Davies AM

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23 February 2017

Dear Huw,

In Plenary on 14 December 2016 you raised the issue of flooding experienced by your constituent Mr Mark Jenkins of Bridgend Road, Maesteg. Mr Jenkins' home had been flooded the previous month but his insurer, Ocaso Insurance Ltd, informed him his policy was invalid as he had failed to disclose to them that he lived within 200m of a Main River.

I subsequently wrote to the Association of British Insurers (ABI) and the British Insurance Brokers Association (BIBA), asking for their comments on the decision taken by the insurer. I received a response from BIBA on 3 January 2017 which I have attached for information. My officials met with ABI on 19 January to discuss this case. They have also been in contact with Mr Jenkins, and have shared the information received from the insurance associations with him.

I have also noted your recent question to the Leader of House on 24 January, in which you requested a statement on the potential for homes to be excluded from flood insurance if they are located within 200m of a river. You also suggest this is happening in spite of the implementation of the Flood Re subsidy system.

The matter of what position an insurer takes in relation to how close a customer lives to a watercourse is for insurance companies to decide upon. The Flood Re subsidy system enables high risk homes to obtain insurance at affordable premiums. Flood Re is a subsidised insurance pool for high risk households funded by a levy of £10.50 on all buildings and contents premiums and administered by the insurance industry. This levy provides a fund to cap the amount policy holders pay for their premiums and excess. It is now operating across the UK with over 90% of the market offering it for homes at high flood risk.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

ABI have advised my officials that living within 200m of a river does not automatically preclude customers from obtaining flood insurance. However, some insurers may use this type of question when calculating the flood risk to a property and setting the associated premiums. Different insurers apply different methods in order to estimate flood risk. Some use their own risk maps or data published by Natural Resources Wales in order to understand in detail the flood risk at a specific location, and tailor insurance policies accordingly. Other insurance companies may opt for a more "broad brush" approach to calculating risk, such as asking homeowners to declare their proximity to a river. The method chosen by the insurer is dependent upon their business model.

Mr Jenkins' case is a private dispute between him and his insurer over whether or not he, when applying for insurance, misrepresented how close his property was to a river. The attached letter from BIBA provides an explanation of a consumer's responsibilities under the Consumer Insurance (Disclosure and Representations) Act 2012. I understand the case has now been referred to the Financial Services Ombudsman for a determination. Should the Ombudsman conclude the insurer was unclear in their sales process, they are likely to require the claim to be settled.

Regards  
Lesley

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