

ABI RESPONSE TO THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT CONSULTATION ON IMPROVING THE HOME BUYING AND SELLING PROCESS

About the Association of British Insurers (ABI)

- The Association of British Insurers (ABI) is the voice of the UK's world leading insurance and long-term savings industry. A productive, inclusive and thriving sector, we are an industry that provides peace of mind to households and businesses across the UK and powers the growth of local and regional economies by enabling trade, risk taking, investment and innovation.
- The UK insurance industry is the largest in Europe and the fourth largest in the world. It is an essential part of the UK's economic strength, managing investments of over £1.7 trillion and paying nearly £12bn in taxes to the Government. It employs over 320,000 individuals, of which around a third are employed directly by providers with the remainder in auxiliary services such as broking.

Executive Summary

- The Association of British Insurers (ABI) welcomes the opportunity to respond to DCLG's call for evidence on improving the home buying and selling process in England and Wales. The insurance industry believes that it is vital that both new and existing developments are built and managed in an appropriate and sustainable way that enables continued access to affordable home insurance. To ensure this, detailed information on any factors of property being bought or sold which may impact home insurance should be shared early in the process.
- Access to insurance is vital for the ongoing sustainability of people's homes and for the continued functioning of the mortgage and housing markets. It is crucial therefore that the Government takes factors that may impact on the insurability of the housing stock into account through this consultation process. This should include encouraging home buyers to consider home insurance early in the process of purchasing a property, and to include detail on the need for an 'insurable interest' in a property as part of the conveyancing process.
- We believe that flood risk information needs to be provided within the property brochure when advertised for sale. Government should consider mandating this requirement to ensure that estate agents and property search websites automatically provide traffic-light style information indicating flood risk for the locations of the homes they list, and that new build properties include flood risk and any measures to reduce that risk to the home buyer. This can be completed using freely available flood risk information and therefore would not cause an increase in cost.
- Government should require all new build properties, including those built using Modern Methods of Construction (MMC), to have recorded detail of their construction materials and methods to install on a central open database for insurers, lenders and surveyors to access. This could be completed through the land registry database.

1. Importance of affordable home insurance

- 1.1. Home insurance underpins the resilience of millions of households across the UK. It is important not to underestimate the importance of property to people's lives – not only is it the biggest single investment that most people will make, but it is also where many people keep irreplaceable possessions and family heirlooms. For most customers, home insurance is an intangible product that provides them with a promise of peace of mind if the worst was to happen, and for those unfortunate households who need to claim, it provides them with the vital financial protection to help them repair their home and get their life back to normal. In 2016 the insurance industry supported homeowners and renters through 19 million home insurance policies (12m combined buildings and contents insurance, 2m buildings only insurance, and 5m contents insurance policies) across the UK and paid out over £2.3billion in home insurance claims.
- 1.2. Access to insurance is vital for the ongoing sustainability of people's homes and for the continued functioning of the mortgage and housing markets. It is crucial therefore that the Government takes factors that may impact on the insurability of the housing stock into account through this consultation process in an effort to encourage home buyers to consider home insurance earlier in the process of purchasing a property.
- 1.3. It is worth noting that a property owner needs to have an 'insurable interest' before they obtain home insurance for a property. Essentially this means that an insurance contract for a property cannot be in place until an individual has exchanged contracts, and thus has a financial interest in the property. We believe that advice around the need for an insurable interest of a property should be included within the conveyancing advice given to home buyers (particularly first time buyers who may not have purchased buildings insurance cover before) to clarify the basic principles of when buildings insurance cover comes into play. The ABI and our members will play their part to improve awareness of this issue through our communications with the public on improving their understanding of home insurance.

2. Flood Risk information

- 2.1. Currently, around 5.4 million properties in England are at risk of river, coastal and/or surface water flooding. This number is likely to rise due to the increased frequency and severity of major weather events, even without any future building of properties in areas of flood risk.
- 2.2. The ABI has been campaigning since September 2016 for those looking to buy a home to be given more up-front information about a property's flood risk. We surveyed over 2,000 adults in the UK, and discovered that nine out of ten people agreed that flood risk information should be included on the material about properties for sale. The survey found that homebuyers were more likely to have looked into the ease of parking in the area (33%) than checked whether their house could be at risk from flooding (28%).
- 2.3. In England and Wales, flood risk information broken down by postcode is freely available via online maps provided by the Environment Agency and Natural Resource Wales. We have

proposed that each estate agent brochure and online property advert should carry a symbol marked red, amber or green to indicate the possible level of flood risk on each property advert, based on this postcode wide information. Househunters considering a property with an amber or red symbol should be prompted to take further action to investigate the specific property they are interested in. This could include paying for a full flood risk report, investigating any flood defences which are in place or due to be built, and finding out whether there are protection measures installed at the property or whether they could be put in. Marketing materials for new build properties would be expected to use the same symbols. We suggest that this takes a similar format to the way energy efficiency of a property is displayed on a property brochure. A suggestion of what this may look like is available in **annex 1**.

2.4. We are not aware of property search websites in the UK that include flood risk information for the location of properties they list. This is despite them having data on school catchment areas, transport links and the most commonly read newspapers in the area. Unfortunately for a significant number of buyers who have had an offer accepted on property, they do not tend to discover that a property is at flood risk until they have already invested, both emotionally and financially, in a conveyancer to complete various searches on the property. Fees for local searches by a solicitor and a survey for their lender can add up to around £500 - before crucial flood risk information about the new home is uncovered. We believe the following three steps should be mandated in the home buying process:

- Estate agents and property search websites to automatically provide traffic-light style information indicating flood risk for the locations of the homes they list.
- Flood risk information should also be provided in the marketing for new build properties. Research by the ABI of sales material in 50 of the highest flood risk areas in England and Wales, many of which have been hit by serious flooding in recent years, found that none included any warnings about flood risk.
- All solicitors and conveyancers should follow the Law Society's guidance to conduct specific searches for flood risk, and to arrange for an in-depth assessment by a technical expert if there is any flood risk to the property.

2.5. These proposals are in line with a recommendation from the Pitt Review into the 2007 floods, that people buying a property should have access to up-front flood risk information. This information would not need to be a definitive guide to flood risk on an individual property, but would be a good indication of where further investigations could be necessary.

2.6. This approach would also enable more detailed conversations early on about whether property level resistance and resilience measures could be installed to reduce the level of damage caused by flooding in the future, and whether appropriate sustainable drainage systems (SuDs) have been included within the property development.

2.7. The ABI has published a '[Househunter's Guide to flood risk](#)' to advise people of the steps they should to stay informed about the flood risk of properties they might be considering purchasing.

3. Accessing affordable flood insurance cover for the future

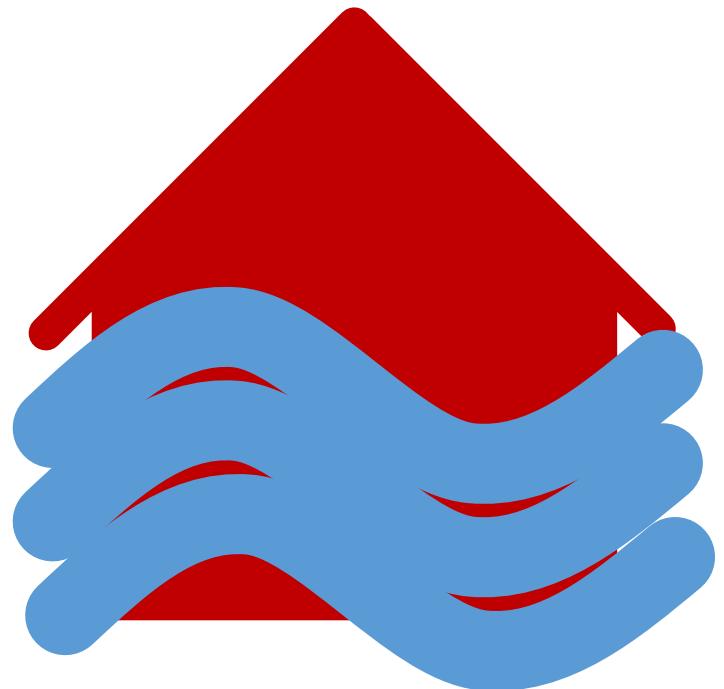
- 3.1. The insurance industry have recognised the difficulties some homeowners have had in accessing affordable flood insurance. This is why the insurance industry worked with the Government to design and develop Flood Re, which now enables the insurance market to provide affordable flood cover to hundreds of thousands of homeowners in high flood risk areas.
- 3.2. Flood Re is a ‘world-first’ flood re-insurance scheme that enables insurers to offer competitive premiums and lower excesses to high flood risk homes across the UK. It is a not-for-profit scheme that is funded by the insurance industry via a levy of £180 million each year. The scheme sits behind the market, working with insurance providers to help offer more affordable flood insurance to those living in areas at risk of flooding. Insurers pass on the flood risk part of the home insurance policy to Flood Re at a fixed premium associated with the council tax band for the property. It means that people living at high flood risk are able to shop around more easily to find policies with more affordable premiums and excesses. The scheme was launched in April 2016 and, as reported in their half yearly results, 142,000 policies have been ceded by insurers into the scheme, providing access to affordable cover for homes that previously struggled.
- 3.3. It is important to be aware that Flood Re does not cover properties built after 1 January 2009. These were purposefully excluded from the scheme, to ensure inappropriate building in high flood risk areas was not incentivised. Thus, new developments are subject to open market pricing, meaning those built without due consideration of flood risk may struggle to access affordable insurance.
- 3.4. It is also important to note that it is planned that Flood Re will transition to risk reflective pricing over time until the scheme ceases in 2039. The Water Act 2014, which sets out the statutory basis for the scheme, outlines that it will have a 25 year life. Action by the Government and homeowners themselves is therefore vital in both understanding that the support that Flood Re currently offers is temporary, and to reduce the risk to those properties who are at high flood risk.

4. Understanding a building’s construction

- 4.1. The ABI and member firms have been involved in various discussions with the Government and stakeholders around the use of ‘modern methods of construction’. As specified in the Housing White paper, with the aim of building 300,000 new homes a year by the mid-2020s, DCLG are aiming to support the insurance uptake of modern methods of construction through a programme of work to increase confidence in MMC products and improve the availability and affordability of finance (lending) and for MMC homes. The ABI will be working with DCLG’s working group with the aim that the programme enables MMC builds to access affordable insurance in the future.
- 4.2. The use of MMC is always a factor that can influence an underwriter’s decision on cover and pricing, so it is important that a building’s use of MMC is disclosed when a home owner or building owner is purchasing insurance. Insurers are advised to ask their customers whether MMC are a feature on their property. However, this is not always information that is easily accessible or known by the home owner. Therefore we would welcome a national database, perhaps led through the Land Registry, to record properties’ construction material. We will also be working

with DCLG's MMC working group to improve the level of data, evidence and information about MMC products in an effort to improve insurers' understanding of their performance.

Association of British Insurers
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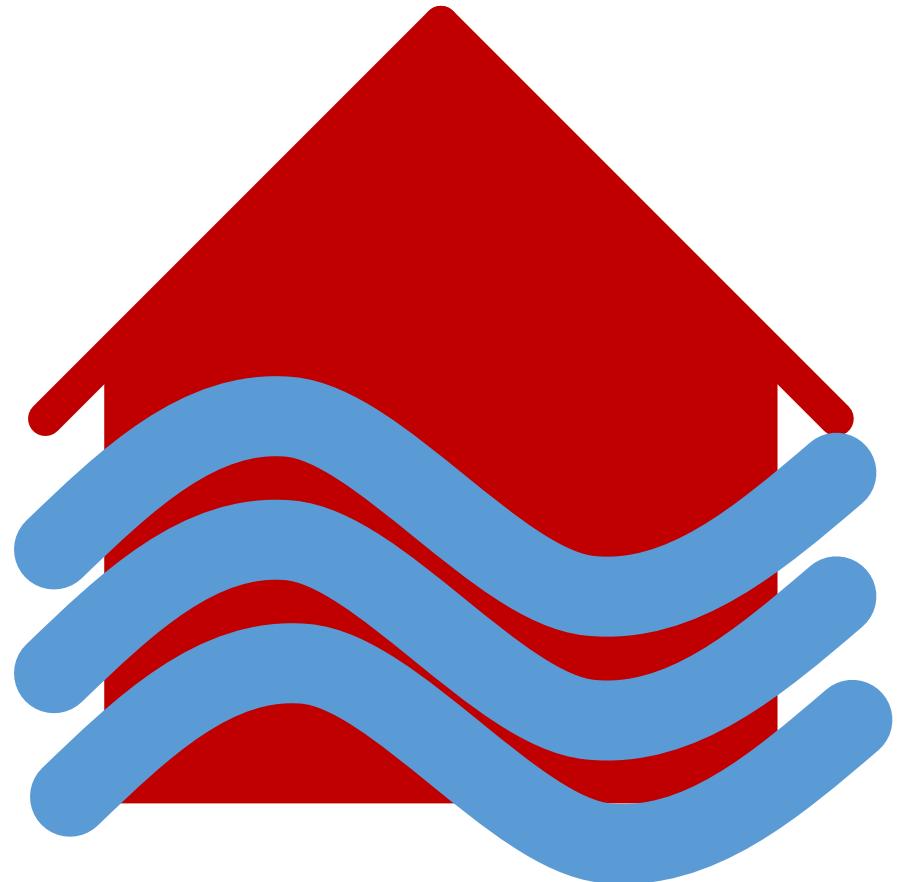




This property is in an area at
VERY LOW or **LOW** risk of
flooding. It may be a good idea
to understand the flood risk for
the property before making an
offer.



This property is in an area at **MEDIUM** risk of flooding. It may be a good idea to request further detail to understand the flood risk, any measures put in place to protect the property, and specialist advice from an expert before making an offer.



This property is in an area at **HIGH** risk of flooding. You should request further detail to understand the flood risk, any measures put in place to protect the property, and specialist advice from an expert before making an offer.

Two bed terrace house Waterside road

Offers in region of
[Check your credit score](#)

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< Back to results

Property details Map & nearby Streetview Area stats Local info

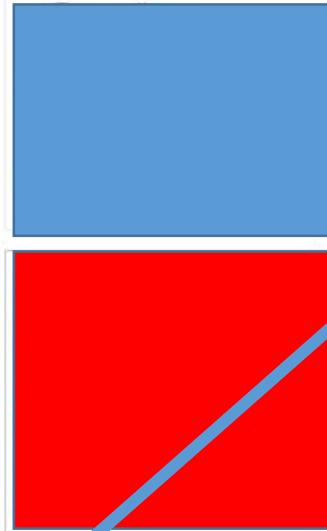


Start photo slideshow

< 1 of 11 >

Main Image

Marketed by



Interested in this property? Call [REDACTED] or [Request Details](#)

* Calls to this number will be recorded for quality, compliance and training purposes.

Property features

- Two Bedroom Semi Detached
- Well Proportioned Throughout
- Ample Driveway Parking
- Generous Gardens Front & Rear
- No Forward Chain

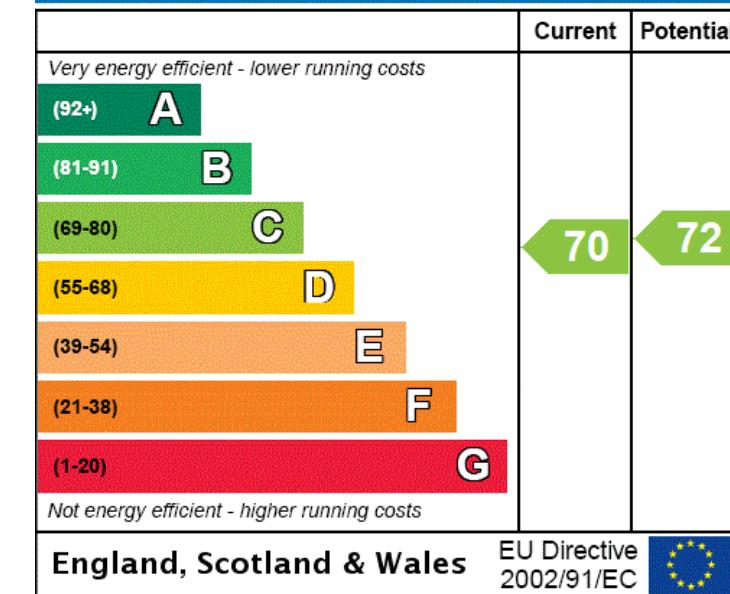
Property description

A well proportioned two bedroom semi detached property occupying a pleasant cul-de-sac position [REDACTED]. The accommodation would benefit from some cosmetic improvement however may suit a variety of buyers. The rooms include: Lounge, breakfast kitchen, two bedrooms and a bathroom. Externally is a double length driveway at the front and generous enclosed gardens to both front and rear elevations. The location is well placed for local amenities and transport links. Viewings are highly recommended - there is no forward chain.

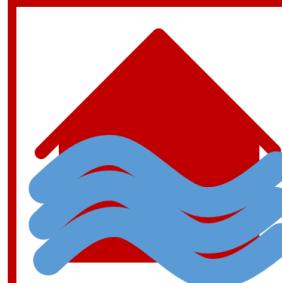
- [Energy Performance Certificate \(EPC\)](#)
- [NEW Get a property report](#)

- Flood Risk Information

Energy Efficiency Rating



Flood Risk Information



This property is in an area at **HIGH** risk of flooding. You should request further detail to understand the flood risk, any measures put in place to protect the property, and specialist advice from an expert before making an offer.