



Hundreds of thousands of flood victims face steep increases in their home insurance costs or risk losing it altogether, following a breakdown in talks between the government and the insurance industry.

The collapse in talks was branded "outrageous" by charity the National Flood Forum (NFF), which said being refused insurance "could spell financial ruin for thousands".

Insurers agreed a statement of principles with the government in 2008 to renew cover for flood victims, usually at a very high premium and with an even higher excess. But this agreement runs out on 30 June 2013, when householders face being refused cover unless the government and the industry come to a new agreement.

The Association of British Insurers (ABI) recently proposed a scheme to make sure 200,000 households affected by flooding will be able to renew their policies next year. It meant any house that would normally incur a much higher premium because of flood risk would have the extra paid out of a levy on every home policy in the UK.

While the industry is not asking the government for funding for the scheme, its proposal does require it to provide a temporary overdraft facility that would be used to pay claims if there were heavy floods in the early years of the scheme before it had built up its reserves – but the government has not agreed to this.

The ABI has now called for the government to commit to a joint solution to ensure affordable flood insurance for high-risk households, describing the current state of talks as being "at an

impasse".

Nick Starling, director of general insurance at the ABI, said talks had reached a crisis point: "The government has indicated it will not provide any temporary overdraft facility for the insurance industry's not-for-profit scheme, which makes it very difficult for it to go ahead.

"As a result negotiations have hit an impasse. Insurers know their customers are increasingly worried about flood cover and we will therefore continue talks with government to try and find a way forward.

David Cameron's official spokesman said the government met the ABI last week to discuss flood insurance. "We put a proposal to the ABI and it is considering that proposal," the spokesman said.

Speaking at a regular media briefing in Westminster, the spokesman declined to discuss the details of the proposal, saying only: "We want to ensure people are able to get insurance at an affordable price. There is a negotiation ongoing."

He added that teams from the Environment Agency are on the ground checking flood defences and keeping a close eye on developments.

Meetings are taking place twice daily within Defra to monitor the situation, he added.

Environment minister Richard Benyon blasted the insurance industry for a "rather demeaning" attempt to highlight negotiations over the future for flooding cover at the same time as households were besieged by flood water.

Speaking on Radio 4's Today programme, Benyon said: "It is rather a shame that it has been raised at this particular moment when there are a lot of distressed people with flooded homes. We are just concentrating flat out with dealing with this situation. What we are talking about on

insurance is an absolute priority for our department, but at the moment we are dealing with flooded properties and I really want to concentrate on that."

Rain has caused severe flooding in Cornwall, Devon, Gloucestershire and Worcestershire, with 265 flood warnings and 288 alerts in place covering all regions in England and Wales. More than 800 homes have already been flooded in the latest bout of bad weather.

The NFF hit out at both parties. Chairman Charles Tucker said: "This is kicking people when they are down. These negotiations have been going on for over two years; for them to break down at this stage is outrageous. It's now time for action. We need to see exactly what is being proposed by both sides and knock heads together – and fast.

"Being hit with a four-figure insurance premium adds insult to injury, and being refused insurance could spell financial ruin for thousands. Every household and community hit by flooding is relying on them to ensure that flood risk insurance is available to all, is affordable, and is based on social justice."

Starling added that no country in the world has a free market for flood insurance with high levels of affordable cover without some form of government involvement.