

Flood Insurance Bill 2016 – Opening Statement by Deputy Michael McGrath, 22 November 2017

Thank you Chairperson, I am delighted to bring the Flood Insurance Bill 2016 to the Finance Committee for legislative scrutiny.

By way of background, this Bill was introduced in Dáil Éireann in January 2016 and passed second stage in late November 2016.

Communities all around the country have experienced the devastation of flooding. We have witnessed yet another year of extreme weather conditions from the floods in Donegal to Storm Ophelia.

These weather conditions are likely to continue and will require a multi-faceted response from the State. This Bill focusses on one key area and that is flood insurance. At its core, this Bill is designed to ensure that households and businesses can access flood insurance in areas where the OPW have completed flood relief schemes.

There is a clear need for intervention in this area. There are many households and businesses in the country that are currently being denied flood insurance. This is despite the fact that comprehensive flood relief schemes have been completed by the OPW and are working.

In addition, when insurance is provided, it often comes with a large price tag attached or with overly restrictive terms and conditions, particularly with a significant excess applied.

Chairperson, over the next number of years the OPW is expected to invest around €430 million in flood relief schemes. This investment is most welcome.

The OPW have already invested heavily in certain areas and the schemes have proven to be successful. The very least we can expect from the insurance industry is to meet us half way by ensuring that flood cover is reinstated in these communities.

It is unfair to leave households and businesses in the precarious position of having to live without flood insurance. For many small businesses the effect is far more reaching. If a company cannot obtain flood insurance, they may not be able to obtain finance from the bank and the business cannot grow.

Homeowners who wish to sell their property and move to another area for work or otherwise may have the sale impeded because of the inability to access adequate insurance. In my own city of Cork, I know of house sales that fell through because the purchaser was unable to demonstrate to the bank that they could get insurance cover – including flood cover and cover for subsidence. Certain areas are essentially designated as ‘blackspots’ and insurance cover is extremely difficult to secure.

Not only does the absence of flood insurance cover leave many households in the lurch, it can also impact job growth and development in local areas.

I will refer now to the specifics of the Bill. This Bill requires insurance cover to be provided in circumstances where the OPW has completed flood relief schemes to the required European standard under the 2007 directive. The Bill will make it unlawful for an insurance company to discriminate against people and businesses in areas which now have a low probability of flooding.

Low probability, as defined under this Bill, is an area certified by the OPW as having a one in 100 year flood risk or better. Where there is a concern that an insurer is acting contrary to the requirements of the Bill, property owners will be able to lodge a complaint with the Financial Services Ombudsman.

On completing a review of a complaint, the Financial Services Ombudsman will have the power, if appropriate, to direct an insurer to offer insurance at a price and on such terms as it considers fair, reasonable and appropriate.

This Bill clearly outlines the role of the Central Bank in the application of the legislation. The Central Bank shall have the power to carry out an assessment of how an individual insurer deals with insurance applications from individuals in the relevant areas. It will also be empowered to direct an insurer to change its practices or take steps necessary to ensure compliance with the legislation. If necessary, the Central Bank could seek an enforcement order in the High Court and an insurer could be subject to significant fines.

The insurance industry continues to tell us that 98% of all home insurance policies have flood cover. I am sure they will reiterate this point before this Committee. Like a lot of statistics, this one only tells part of the story. It covers all areas of the country including areas where there the risk of flooding is extremely unlikely. It ignores the unknown number of properties which do not have any insurance at all because flood cover is denied or where flood cover comes at a very significant cost. It ignores the businesses out there that cannot obtain flood cover and as a result cannot grow and prosper.

There is no doubt that, like the motor insurance market, more transparent and independent data is needed. We need accurate data on insurance coverage in areas covered by the Memorandum of Understanding between Insurance Ireland and the OPW. There is no point in including areas where flood cover is not an issue. Including these areas only serves to conceal the problem. This Bill targets the areas where the flood relief schemes have been installed to the 1 in 100 year standard. For areas with less protection we need to find other solutions. This Bill does not seek to solve the problem of providing cover in areas that remain at risk of flooding.

Leaving the data issue to one side, we now have a serious disagreement between the OPW and the insurance industry on whether flood defences should be demountable or permanent. Demountable defences need human intervention to activate while permanent flood defences do not need any such intervention.

Firstly, it must be acknowledged that permanent defences are simply not suitable in many areas and that demountable defences are an appropriate substitute in such cases. The industry will tell us that, because human intervention is required, demountable defences are not sufficient. This is despite the fact that demountable defences are common throughout Europe.

I am glad that the insurance industry is consulting with the Government and the OPW in respect of this issue and I would call on them to resolve the issue swiftly.

I cannot accept any assertion that demountable defences are unreliable, or unreliable to an extent that they place too much risk onto insurance companies. I have not seen evidence to support this claim.

I will leave it at that by way of introduction Chairperson and I look forward to our engagement this morning on this important issue.

ENDS