

FLOOD RISK – POINTS TO BEAR IN MIND WHEN BUYING A PROPERTY

Although we are now well into spring we should not forget the effect of adverse weather conditions, specifically flooding when buying a property. If a property is at high risk of flooding it can affect obtaining insurance cover, obtaining a mortgage and being able to sell in the future. The value of the property can also be affected.

Flooding can be through surface water, coastal and river flooding, also ground water flooding, when underground water levels rise above surface level.

Flooding has been featuring in the news recently. Unusually severe weather and the ending of the government agreement with the insurance industry about insurability of vulnerable properties have combined to cause difficulties to property owners in affected areas. A new agreement between the government and the insurers is now in place.

The “statement of principles” policy which allowed automatic renewal of insurance after flooding for properties built before 2009 came to an end on 31st July 2013. The insurers refused to renew it because government funding for flood defences had been reduced.

Now a new agreement has been put in place and is contained in The Water Act 2014. The scheme itself will not be operative until July 2015. Until then the statement of principles policy will be applied voluntarily.

The new agreement – The Flood Reinsurance Scheme – allows reinsurance subject to a cap in high risk areas. The cap will be funded by a levy added to all home insurance premiums. The Council Tax Band will determine the amount of premium, which will be on a sliding scale.

The agreement does not cover properties built after 1st January 2009, rented properties and small businesses.

What does this mean in practice?

1. It is advisable to enquire at an early stage about past flooding at the property and availability of insurance.
2. Flooding and environmental searches should be obtained and more specialist reports by surveyors or other specialists considered, if there is a problem.
3. If you are buying with mortgage funding flood problems have to be referred to the mortgage lender and enough time needs to be allowed for this.

4. Since normally it is the buyer's responsibility to insure as from exchange, an insurance quote should be obtained at an early stage in the transaction so that you are sure you have acceptable terms well before exchange of contracts.

Further information can be obtained from The Environment Agency Flood Map, The Water Act 2014 and the regulations made under it or feel free to contact our office:-

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20.4.2015