



Association of British Insurers



Thoughts on climate change and flooding from the insurance industry

David Britton

GIS Manager

Ecclesiastical Insurance



Topics to cover



1. Context: What is insurance for?
2. Context: A changing climate
3. Flooding: Assessment & Pricing
4. The “Statement of Principles” agreement and the future of flood insurance
5. Claims & Risk Management
6. How Businesses can help



What is insurance for?



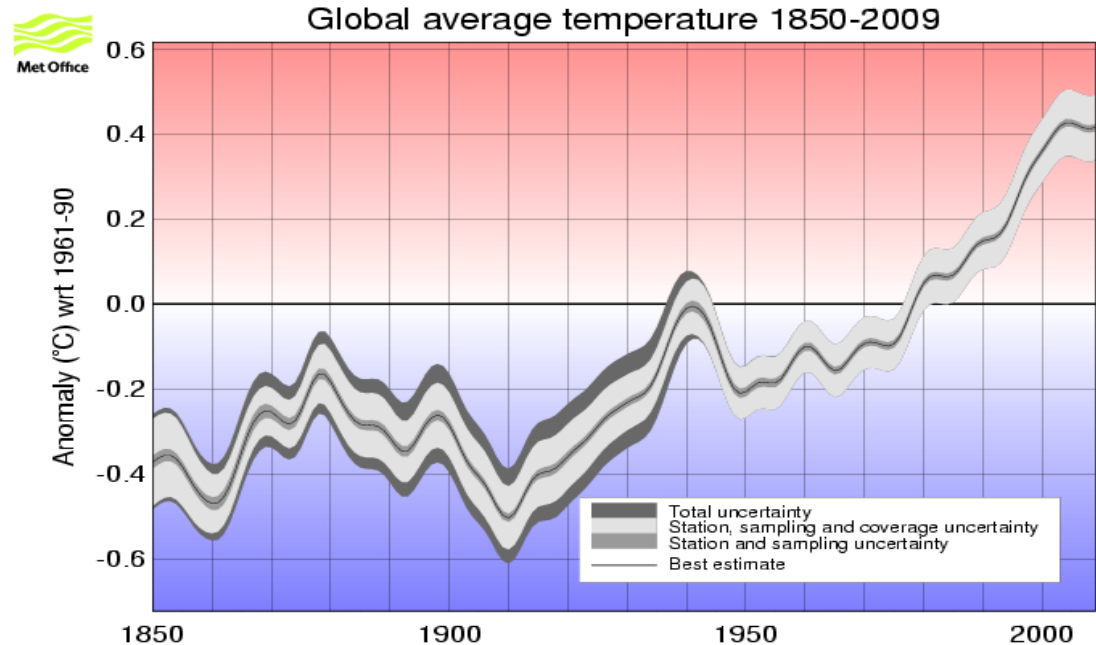
- Insurers exist to serve their customers – both individuals and businesses – by helping them to manage risk
- Flood, wind and storm insurance are standard components of buildings and contents insurance in the UK.
- Insurance against these perils transfers risk from the customer to the insurer, safeguarding people's homes and helping businesses to be resilient should the worst happen.
- To do this, insurers need to be experts in understanding risk.



A changing climate



- The climate is changing
- In the UK this is predicted to mean an increased **magnitude** and **severity** of extreme weather events



- Insurers are already experiencing this:
 - 1990s = Two £150m+ extreme weather events
 - 2000s = Five £150m+ extreme weather events





Flood Risk



- 5.2 million properties in England and Wales at flood risk.
- Only 2.4 million due to rivers and sea. 2.8 million due to surface water alone – just being away from a river does not guarantee safety!
- Flood risk is rising
 - Climate change, leading to more regular and more severe rainfall events
 - Shifting land use patterns
 - Development and urbanisation



Flood Risk - Assessment



Enter a postcode or place name:

EX4 8LY



Other topics for this area...

Risk of Flooding from Rivers and Sea

Risk of Flooding from Rivers and Sea

Map legend

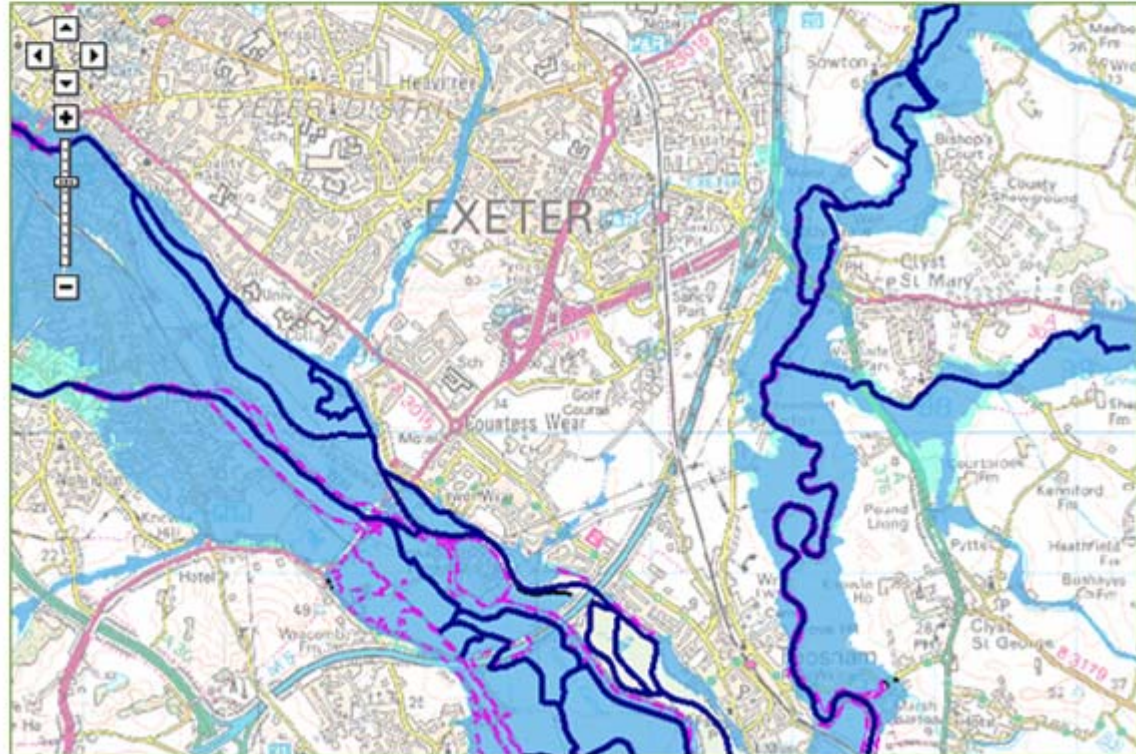
Click on the map to see what is the Risk of Flooding at a particular location.

Flood Maps

- Flooding from rivers or sea without defences
- Extent of extreme flood
- Flood defences
- Areas benefiting from flood defences
- Main rivers

X: 295,472;Y: 90,357 at scale 1:40,000

Text only version

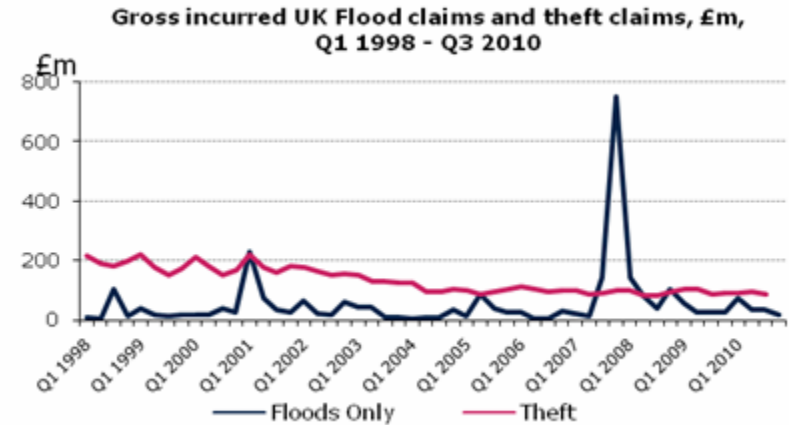




Insurers' Experience of Flooding



- Flood events are spiky – intermittent large losses. More problematic than theft, for example.
- 2007 Floods: 180,000 claims, £3 billion.
- Industry response praised after 2007 and 2009 floods.
- But lessons learned.
 - E.g. Many insurers now have disaster recovery teams ready to help their customers on the ground immediately.





The Statement of Principles

- An agreement with Government – the “Statement of Principles” from 2003-2013
- Insurers continue to offer cover on existing business
- Government manage flood risk effectively

- Flood insurance is a standard component of buildings and contents insurance in the UK.

- Applies to both household and SME policies. Larger commercial property not covered.



Association of British Insurers

ABI STATEMENT OF PRINCIPLES ON THE PROVISION OF FLOOD INSURANCE
Updated Version, November 2005

General policy

It is the intention of ABI members that flood insurance for existing domestic properties and small businesses should continue to be available for as many customers as possible. The premiums charged and other terms - such as excesses - will reflect the risk of flooding but will be offered in a competitive market. There is separate ABI guidance on flood risk and new development.

This revised Statement of Principles will apply from 1 January 2006 but is subject to review in the event of significant external shocks such as withdrawal of flood reinsurance. Successful operation of the Statement is dependent on action by the Government to manage flood risk effectively.

Current position

The majority of the 2.2 million properties in flood risk areas are already protected to a minimum standard of 1.3% annual probability (1 in 75 years) or better. However, around 10% of properties in the floodplain have a significant chance of flooding (greater than 1.3% annual probability). In some of these areas there are planned improvements to flood defences to reduce the risk, but there are other areas where there are no plans for improvement.

Despite these risks, insurers have continued to provide flood cover for the vast majority of customers in the UK.

Insurers' renewed commitment

1. Areas where flood risk is 1.3% annual probability (or 1 in 75 years) or less
Flood cover will be available as a standard feature of household and small business policies. The level to which properties are defended above this standard will vary considerably and premiums will reflect different degrees of risk. Highly populated coastal areas, in particular, should be protected to a higher standard because of the potential consequences should a flood occur.

2. Areas of significant flood risk (greater than 1.3% annual probability or 1 in 75 years) where improved defences are planned

Insurers will maintain flood cover for domestic properties and small businesses that they already insure where improvements in flood protection



Claims

- 16-17 November 2010, Extensive Flooding in Cornwall
- The morning after the floods some structures at the Eden Project are 3ft under water.

“With the combination of Eden’s own staff, local contractors and national firms, vigorous efforts from all those involved in the process ensured that 1 week later Eden Project was open again and, by 17 December 2010, all visitor attractions were operational and open to the public.” Steve Greenfield, Crawford





How businesses can help...

Cover

- Make sure its in place!
- Get the limits accurate – in particular Business Interruption

Risk Management

- Property improvements & building resilience
- Disaster Recovery plans

“The excellent disaster recovery processes the Eden Project had in place helped speed things up and were of great assistance.”
**Andrew Brown, Technical Claims Manager,
Ecclesiastical**

