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Flood Re and the future of flood insurance

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IFoA Flood Working Party



Agenda

Impact of flood

Flood Re since launch

Transition plan

Outlook



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Impact of Flood



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Impact of flood



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Impact of flood



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Impact of Flood UK: Christmas 2015



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Impact of Flood: Europe 2000 - 2016

Flood Events
268

People displaced
>1m

Insured losses
>€62bn

Fatalities
1296

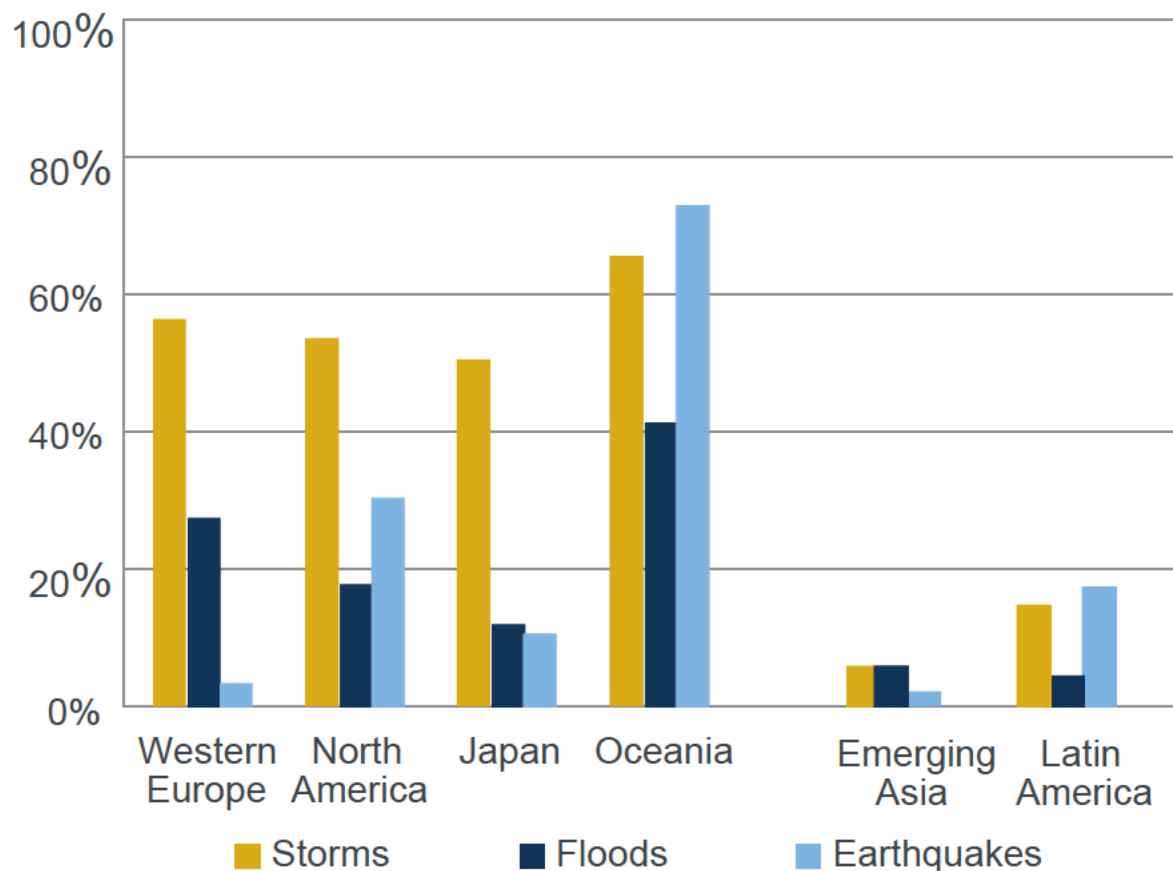
Losses insured
30%



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Underinsurance: a global problem

Natural catastrophe insured losses as a % of economic losses, by region, 1975–2014



Source: Swiss Re



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Flood Re

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ertise
ponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support

What is Flood Re?

FLOODRE

Homes built
after 2009

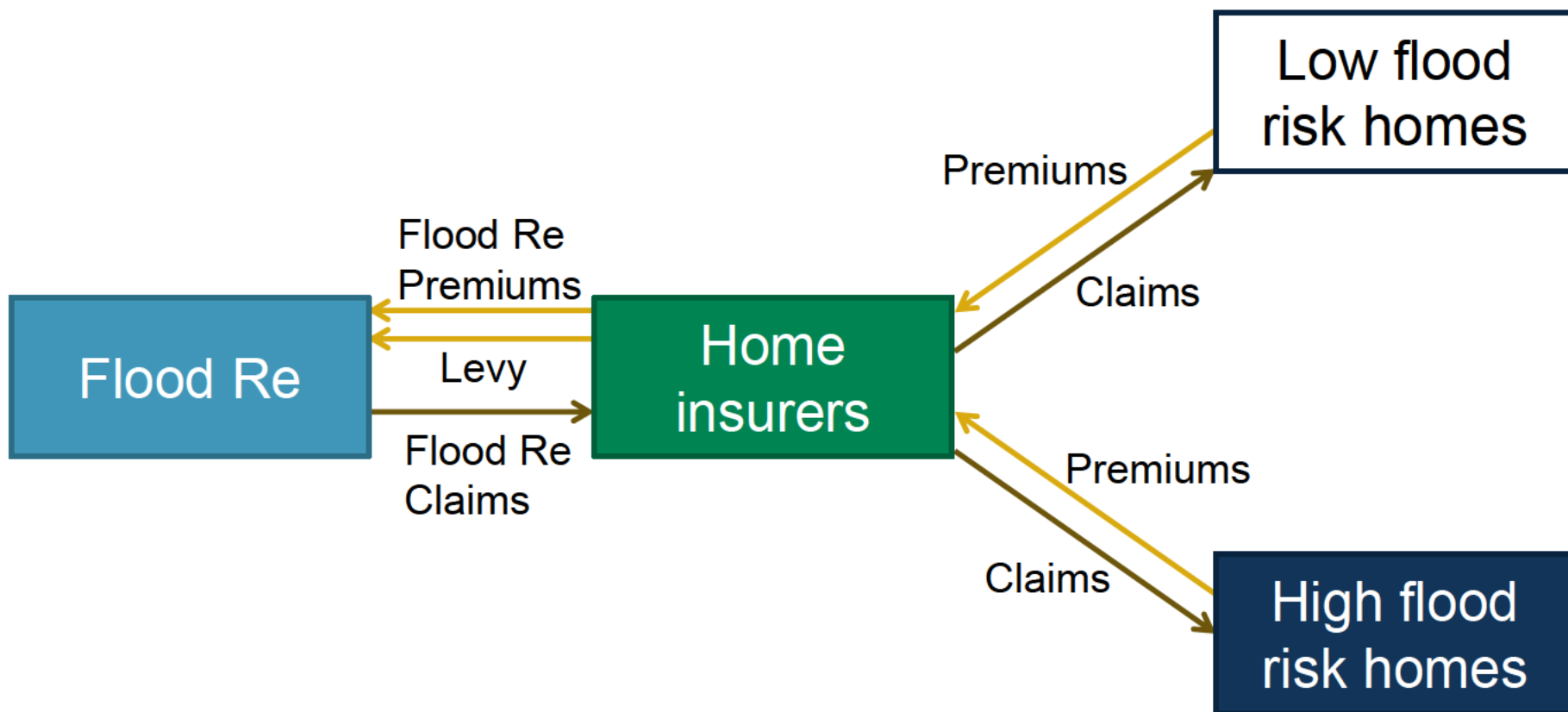
Commercial
properties

Buy to lets



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How does Flood Re work?

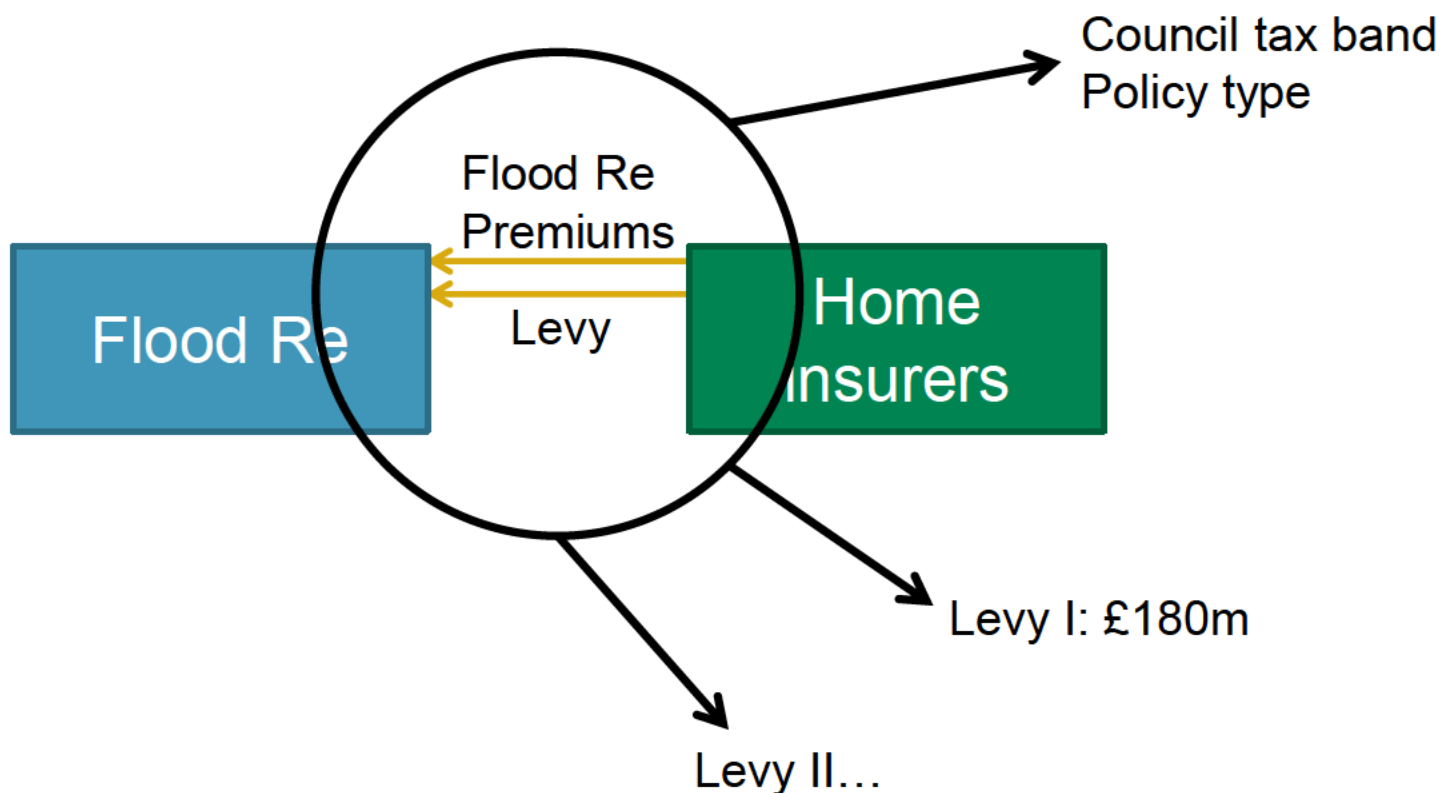


High risk homes: 1-2% highest risk, ~350,000



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How does Flood Re work?

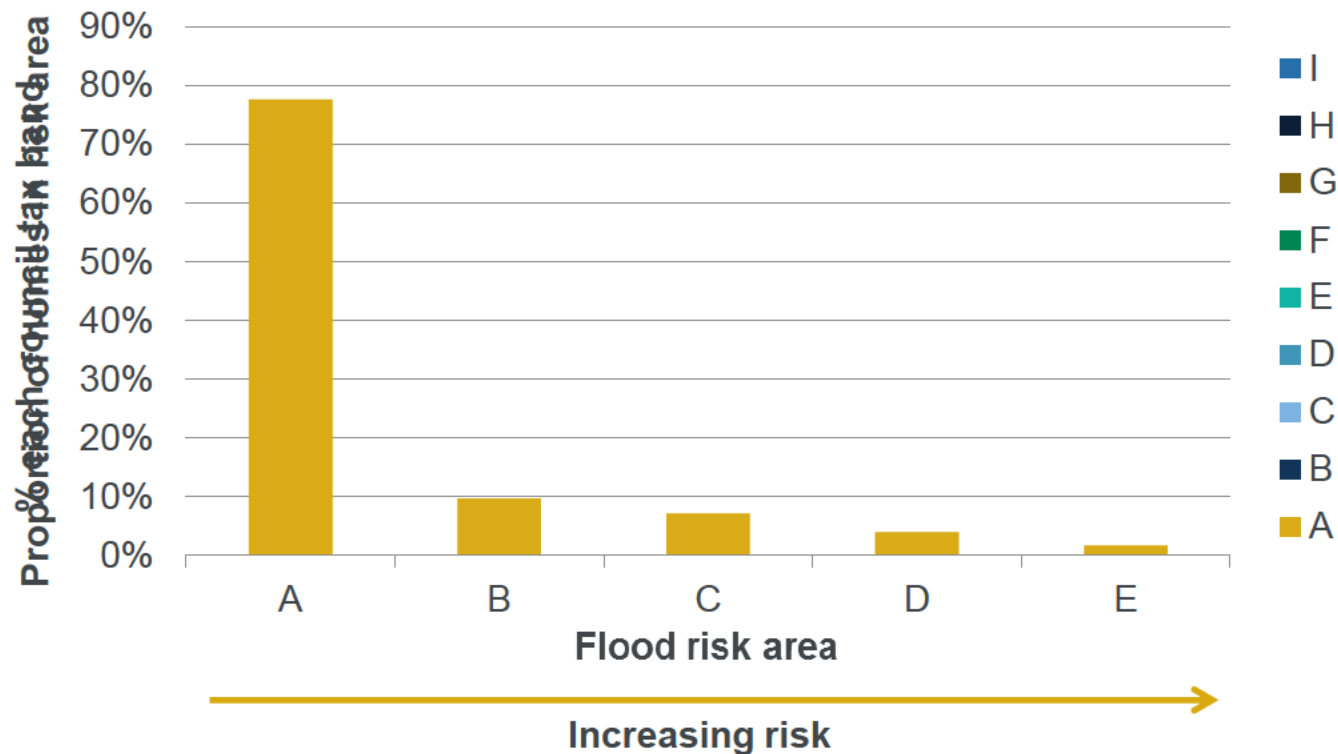


High risk homes: 1-2% highest risk, ~350,000



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Council tax vs flood risk



- Pearson weighted correlation coefficient: -0.17%
- Indicates little correlation between flood frequency and council tax
- Flood severity will be more correlated



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Flood Re since launch: April 2016

Admiral Ageas AIG Allianz Avantia Aviva Axa Bank of Scotland
British Gas Cherish Home Insurance Churchill Direct Line First Direct Halifax
Haven Insurance Hiscox HSBC inet3 Legal & General Liverpool Victoria

36 brands onboarded

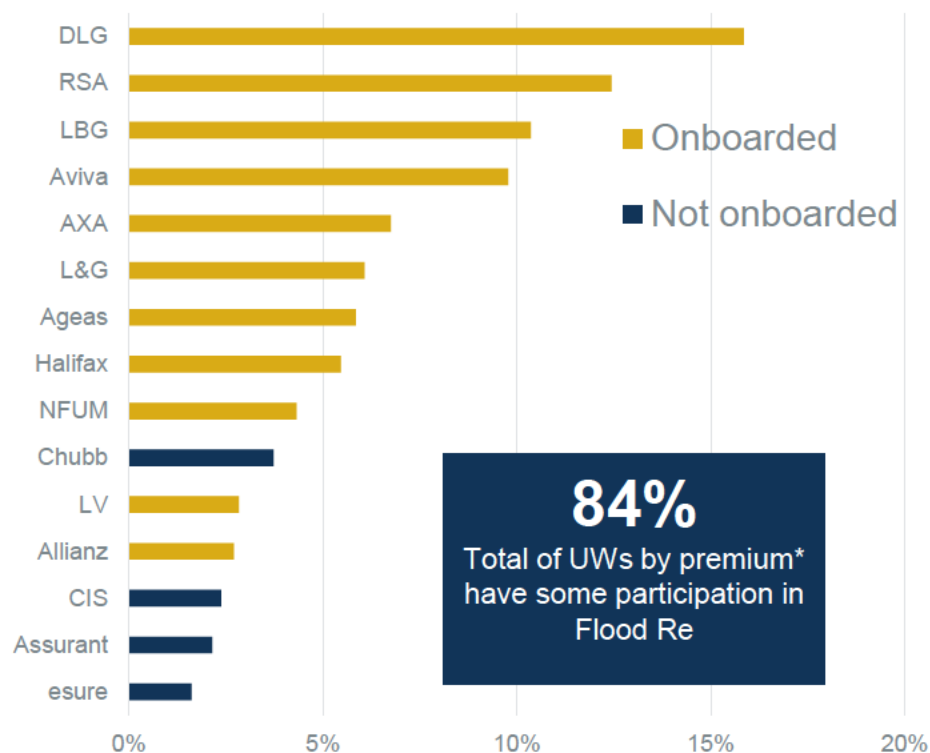
Lloyd & Whyte Lloyds Bank Marks & Spencer More Than Nationwide Natwest
NFU Mutual Oak Underwriting Ocaso Policy Expert Privilege Prudential RBS
Sainsbury's Bank Santander Home Insurance Swiftcover



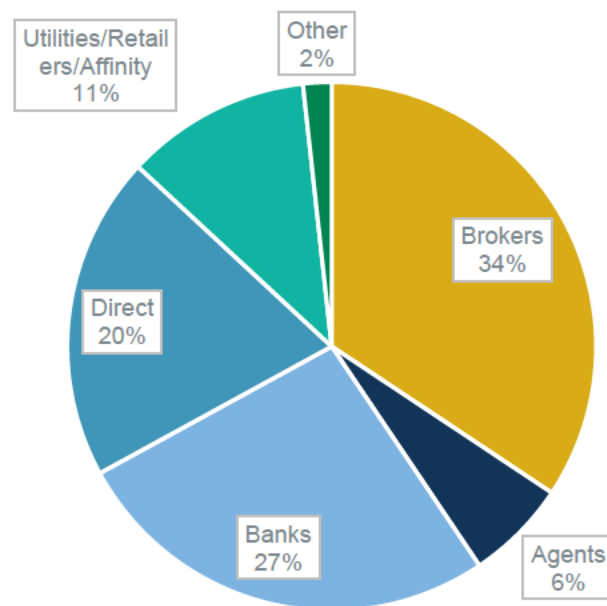
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Market coverage

UW participation by % premium*



Sales by distribution channel



* 2015 domestic net earned premium from PRA returns

** Source: AXCO 2015: 2012 distribution



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Software houses

Software houses ready to go on Flood Re

Source: Insurance Age 6 April 2016

“... we are dependent on brokers to develop their software capability. A trial solution could be available by Q2 2017, and hopefully all brokers by 2018.”

Why isn't Flood Re more widely available via brokers?

Source: Bureau Insurance Services News 12 April 2016

“We are in the hands of the software houses and we need to see how much they will charge us”



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Response from insurers

- Insurers who are able to use Flood Re report to have expanded their flood footprint to accept more risk
- Policies are evaluated for expected flood cost before being ceded to Flood Re
- Insurers are not expecting a sharp rise in flood claims
- Insurers with limited existing flood footprint remain cautious



Flood Re since launch: Raising awareness

<http://www.floodre.co.uk/lejog/>



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Flood Re considerations

Strengths	Issues?

Discussion: Experiences of Flood Re so far



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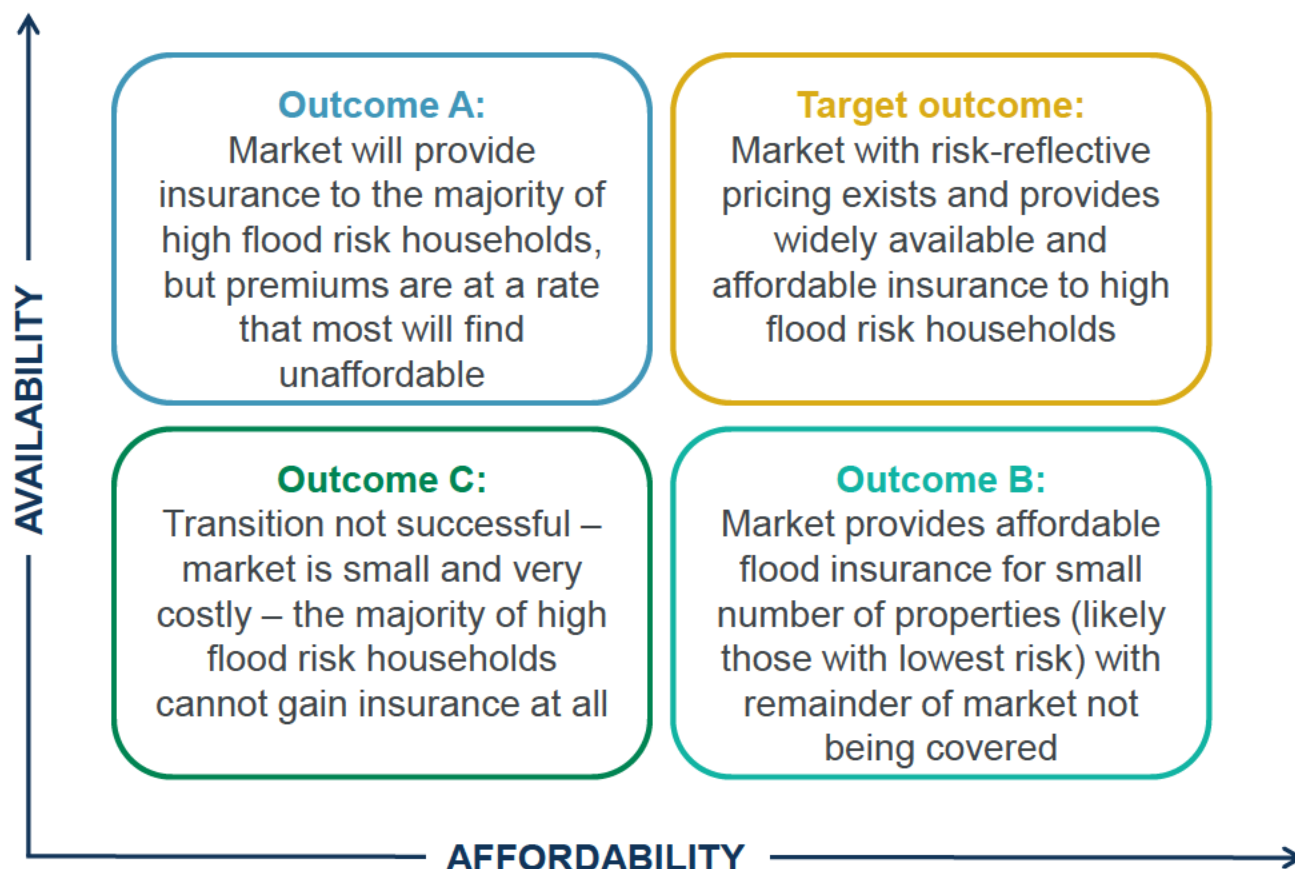
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Transition plan



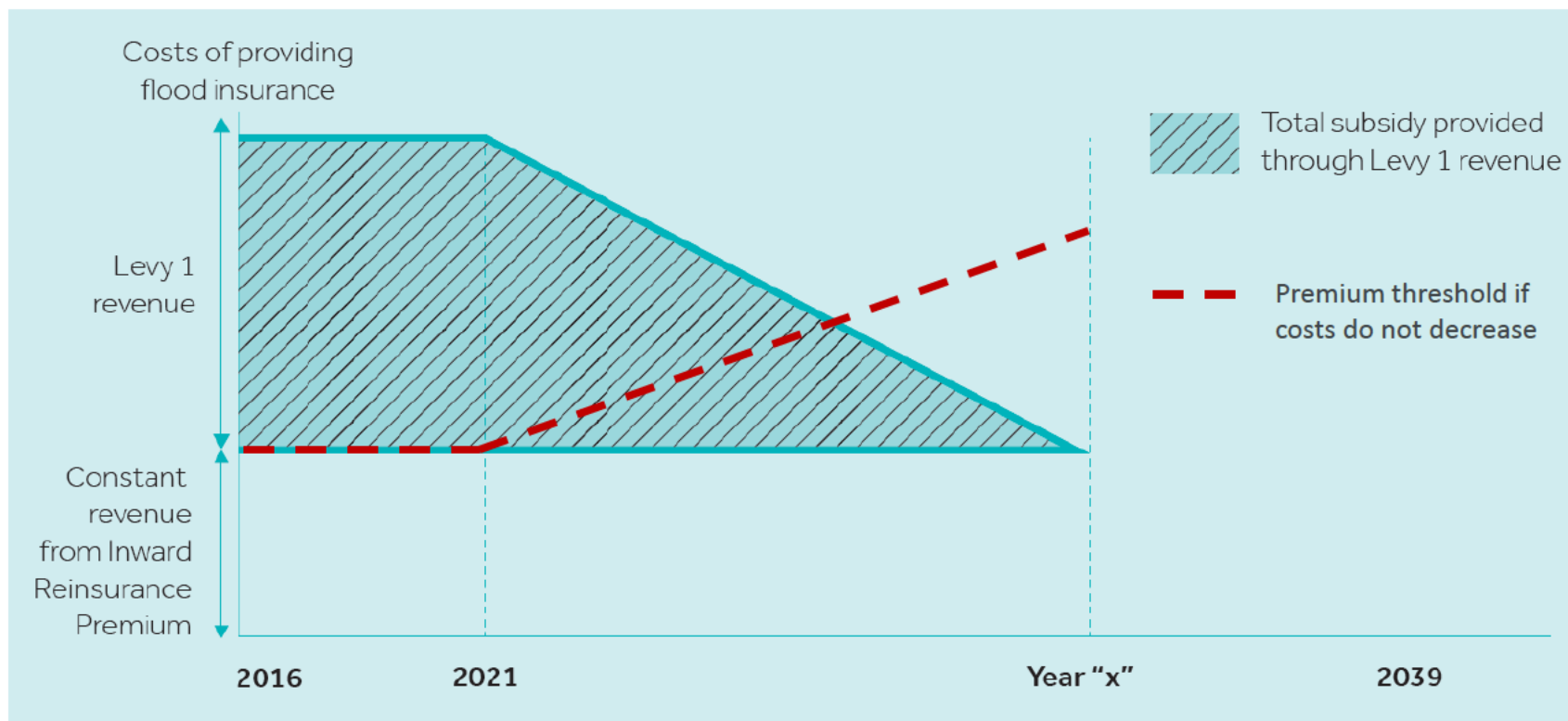
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“Risk-reflective” pricing



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Reducing subsidy



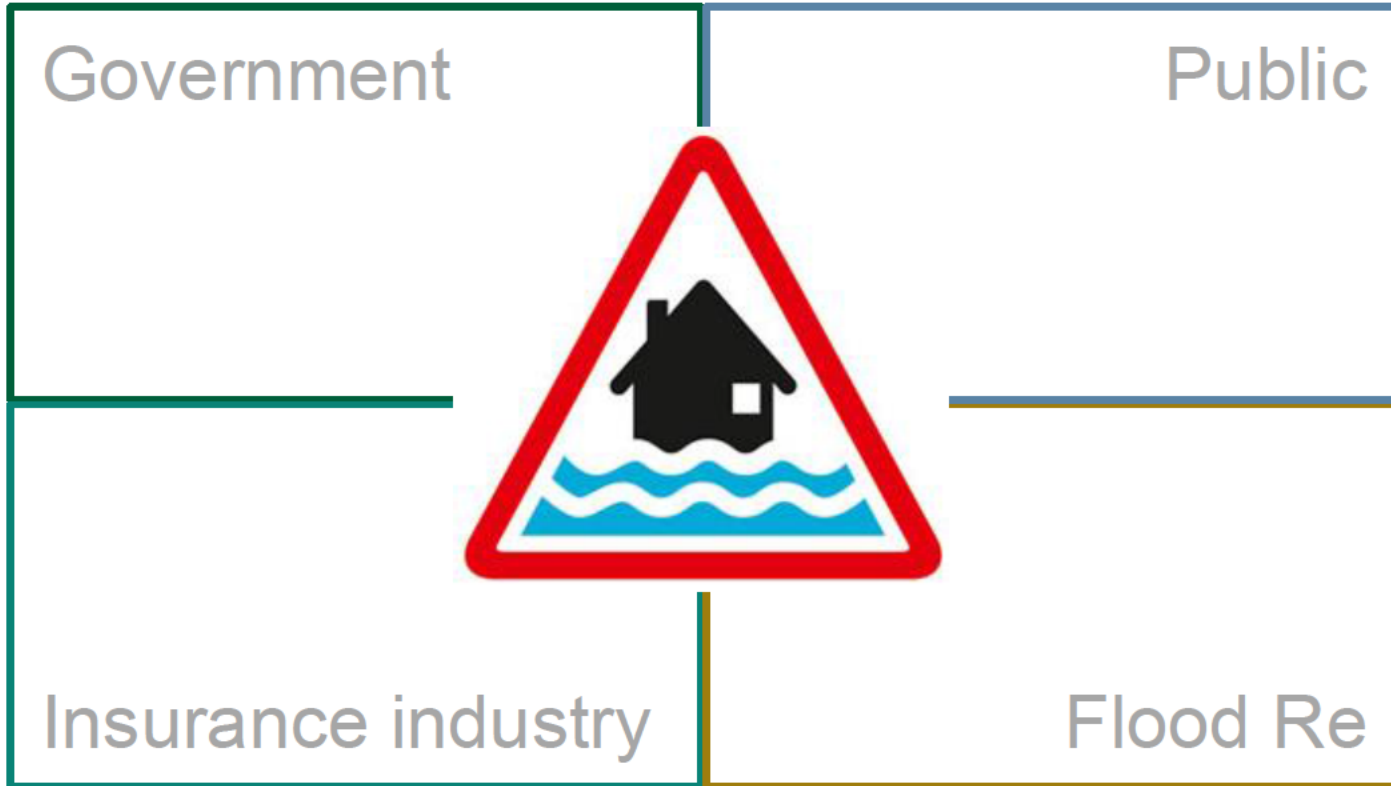
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Aims for an effective transition:

- Reduce cost of flood claims
- Reduce risk of flooding
- Improve the insurance market



Transition: Risk of flooding



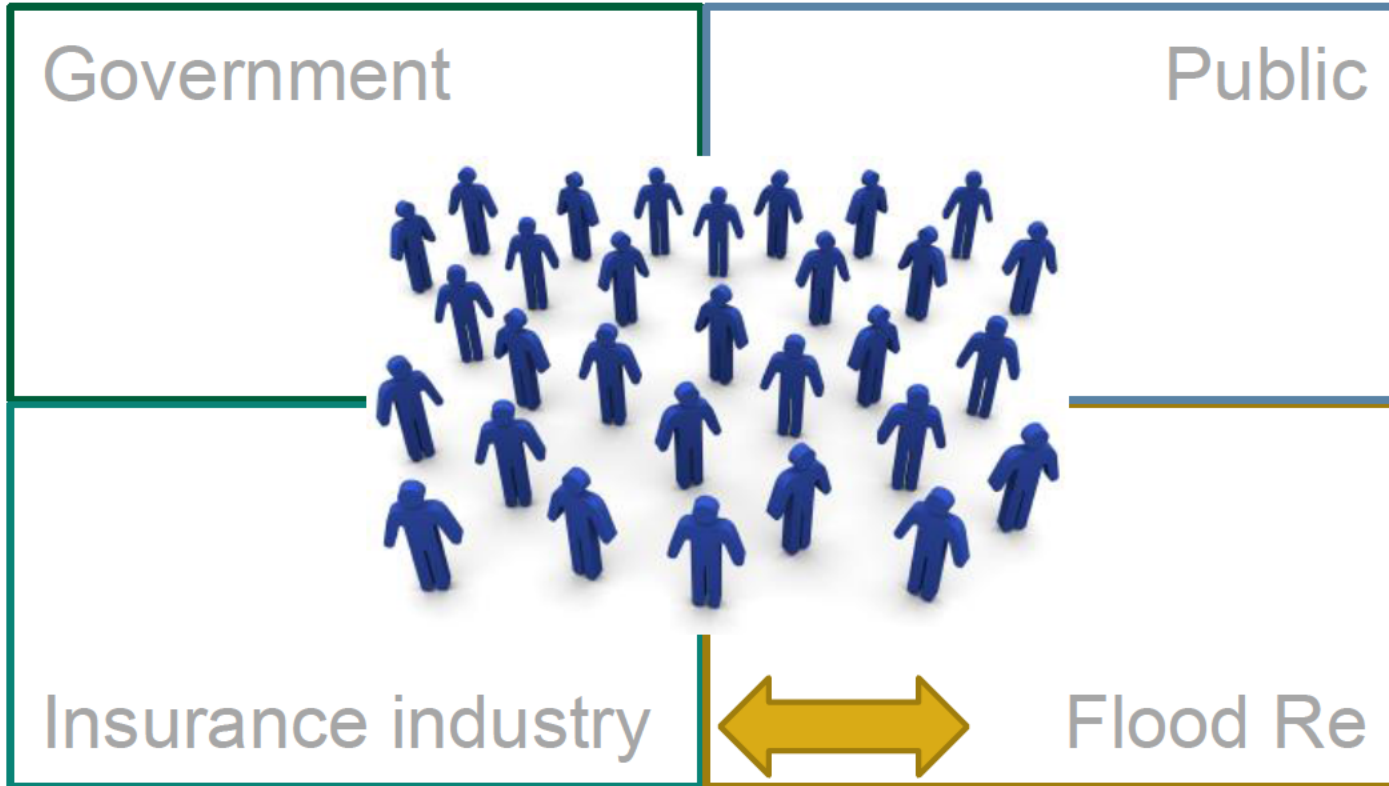
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Transition: Cost of flood claims



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Transition: Insurance market



Discussion: How to improve the market



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Final thoughts

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Climate change



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Questions

Comments

Thanks to Flood Re for their contribution to this presentation.

If you wish to join the Flood working party, please email:
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National flood resilience review

Modelling

Resilience of
infrastructure

Temporary
defences

Investment
strategy



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Netherlands

- Tens of billions of euros over 40 years
- €1bn per year maintenance



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Premium by council tax band

Cover Type		Property Council Tax Band							
		A	B	C	D	E	F	G	H
	Wales:	A/B/C		D	E	F	G	H	I
Buildings only		£132	£132	£148	£168	£199	£260	£334	£800
Contents only		£78	£78	£98	£108	£131	£148	£206	£400
Buildings and Contents combined		£210	£210	£246	£276	£330	£408	£540	£1,200



How to flood protect a home

- Flood-proof doors £750 – 2,500+ (or demountable door guards £2,380)
- Airbrick covers £180 – 1,680
- Resilient plaster £6,300 – 8,200
- Concrete/sealed floors £7,600 – 12,500
- Raise appliances £700 – 1,100
- Periphery wall/free standing barriers £5,000 - 12,000
- Additional external layer (render, bricks etc) £2,500 – 4,000 per property
- Automatic door guards £8,000
- Sump and pump £50 – 2,500
- Raise floor levels £28,200 – 44,700



How to flood protect a home

Property type	Option	Description	Low cost	Medium cost	High cost
Residential	Standard resilience	Resilient plaster, removable doors, internal wall rendering, resilient kitchen, raised electrics and appliances	£6,210	£7,830	£9,450
	Premium resilience	Concrete/sealed floors, resilient plaster, removable doors, internal wall rendering, resilient kitchen, raised electrics and appliances	£9,620	£11,870	£14,130



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