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Flood Re one year on, are we doing enough?

Philippa King, Ageas
Eleanor King, EY
IFoA Flood Working Party



Agenda



Flooding: A human issue



PUNIT PARRAB/PAPARENTY IMAGES

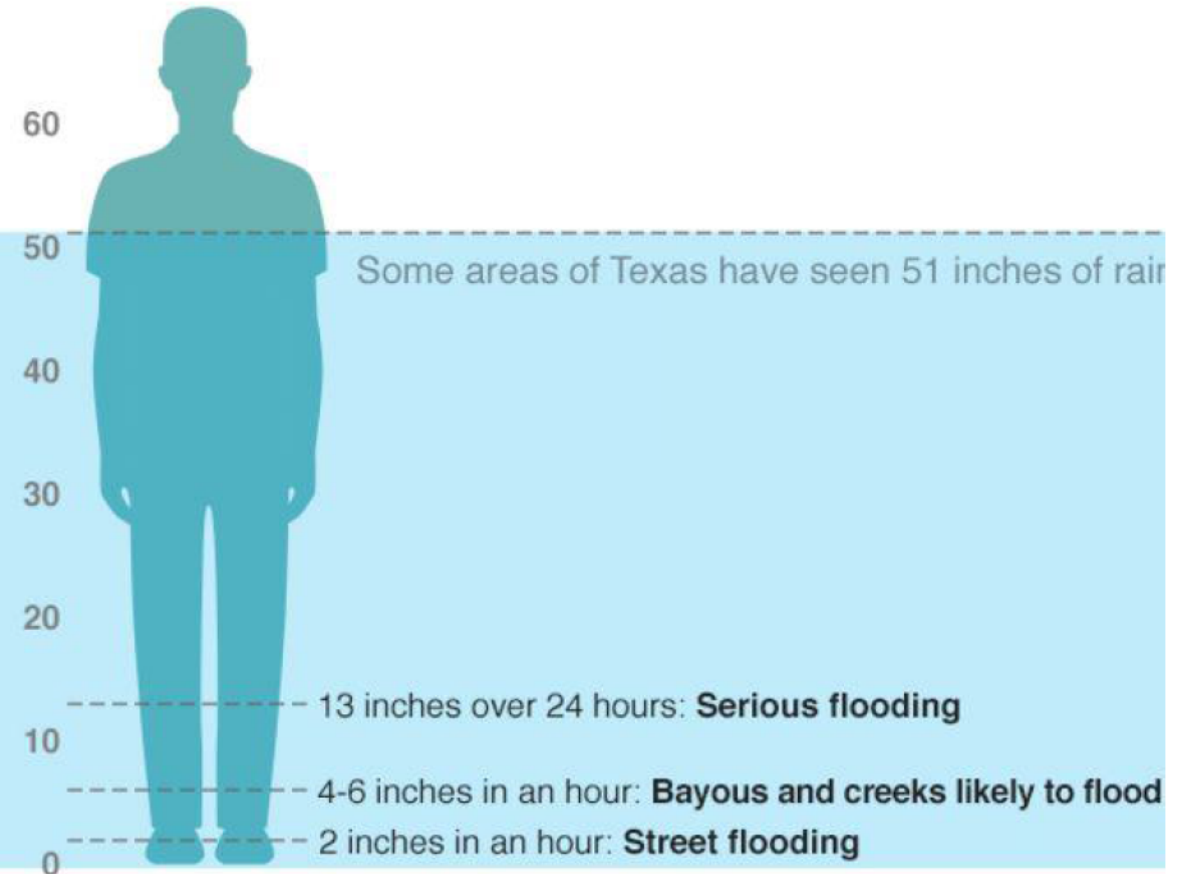
MUMBAI, AUGUST 2017

Flooding: A human issue



TEXAS, AUGUST 2017

Risks posed by heavy rainfall



Flood Re: How it works

FLOODRE

Homes built
after 2009

Commercial
properties

Buy to lets

Flood Re: How it works

- 25 year lifespan
- £180m industry levy
- Premium per policy fixed
- £2.1bn reinsurance cover

To year end March 2017:

- 127,326 policies written
- £28m gross written premium
- £130m surplus before tax





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Impact of Flood Re

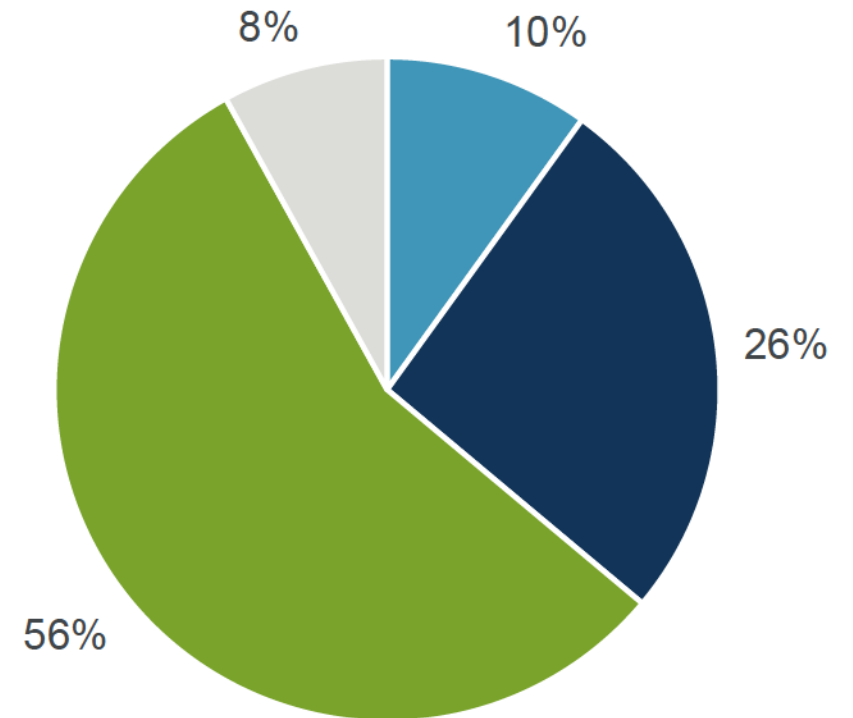
Results from the Flood Working Party's experience survey

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

Survey

- 13 participating insurers
- 56% by 2016 market share

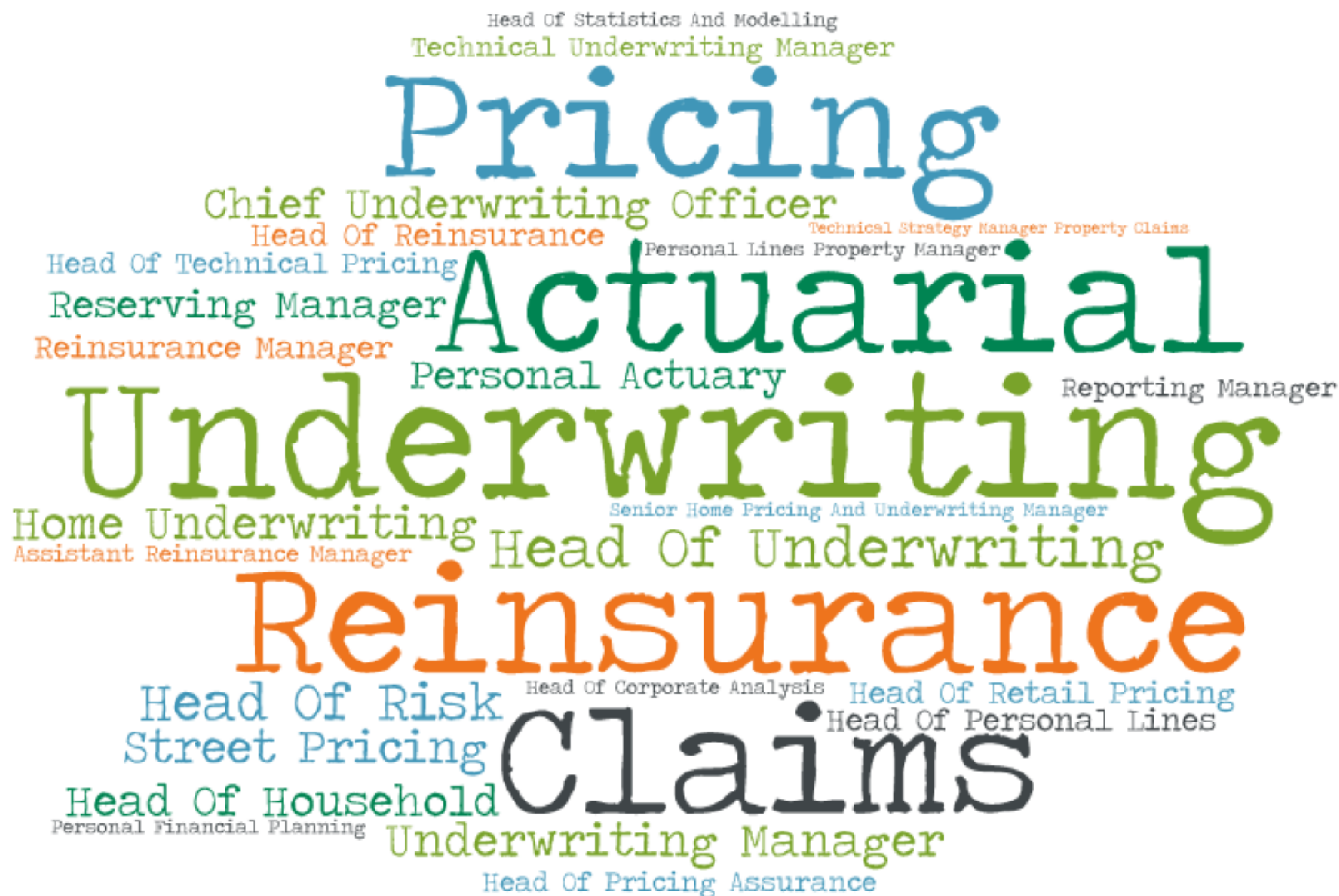
Proportion of the market



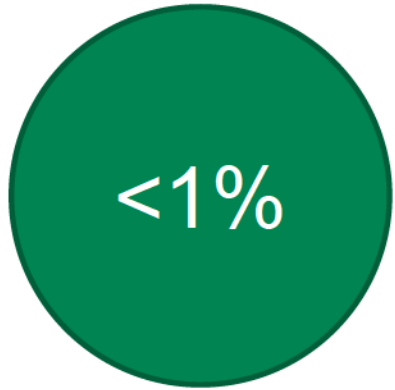
■ No contact ■ Declined ■ Participated ■ Overseas

Survey

- 13 participating insurers
- 56% by 2016 market share
- Range of stakeholders



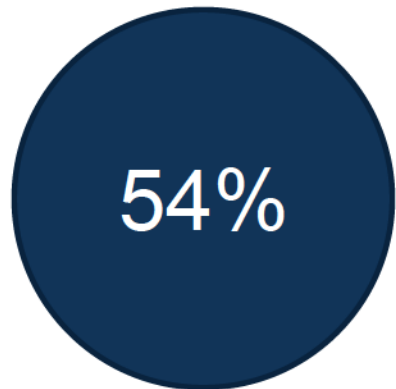
Use of Flood Re



Of book ceded to Flood Re
(everyone ceded less than 1%)

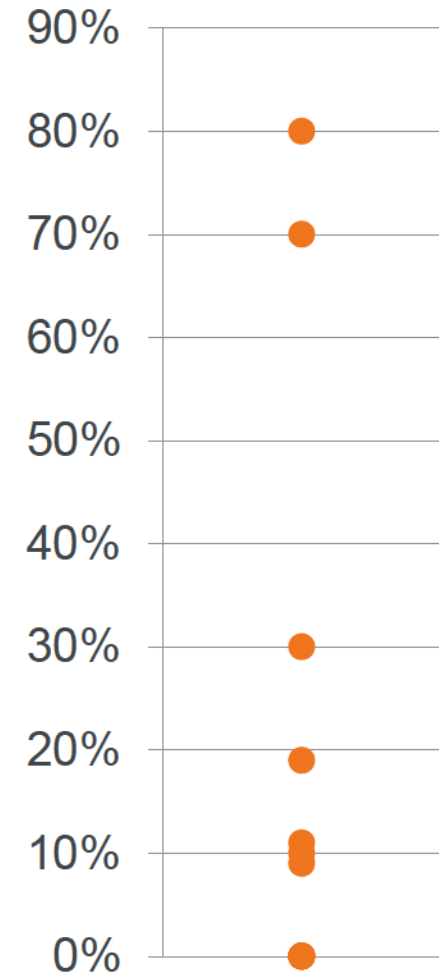
Majority ceded
more business for

Renewals

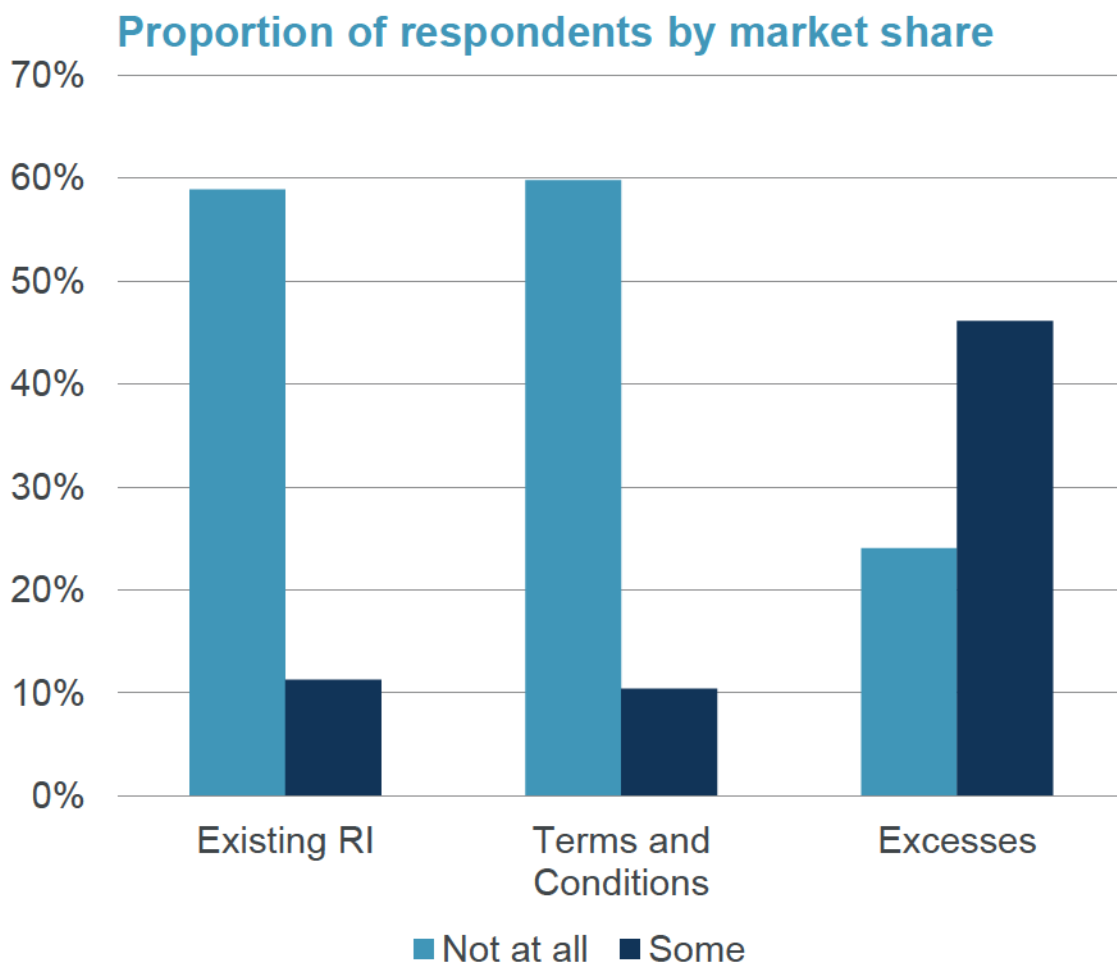


Have not expanded UW criteria

Proportion of long run claims:



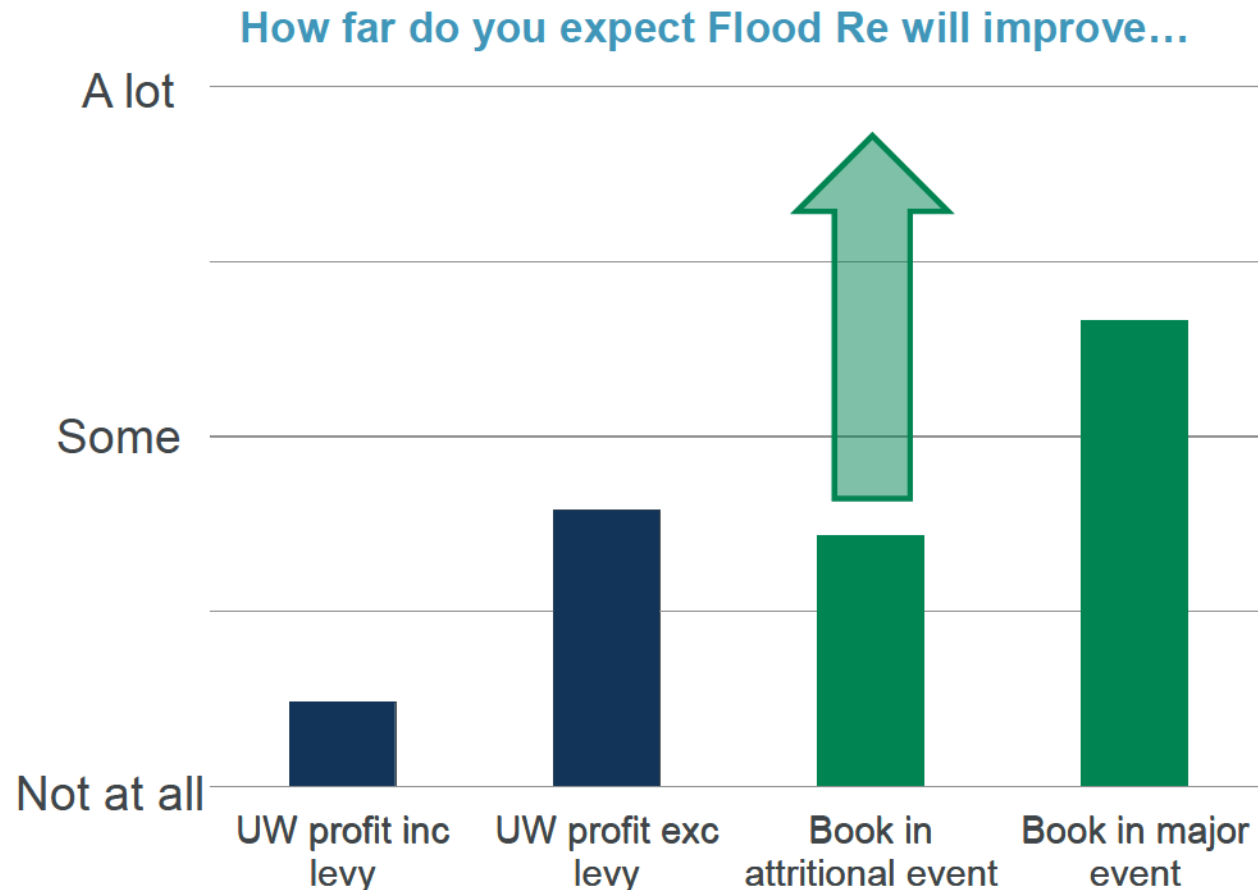
Changes to the business post Flood Re launch



Challenges faced

- Brokers may issue a common wording policy
 - Changes can be made, but take time and agreement
- Panels
 - Participation on the Panel's terms

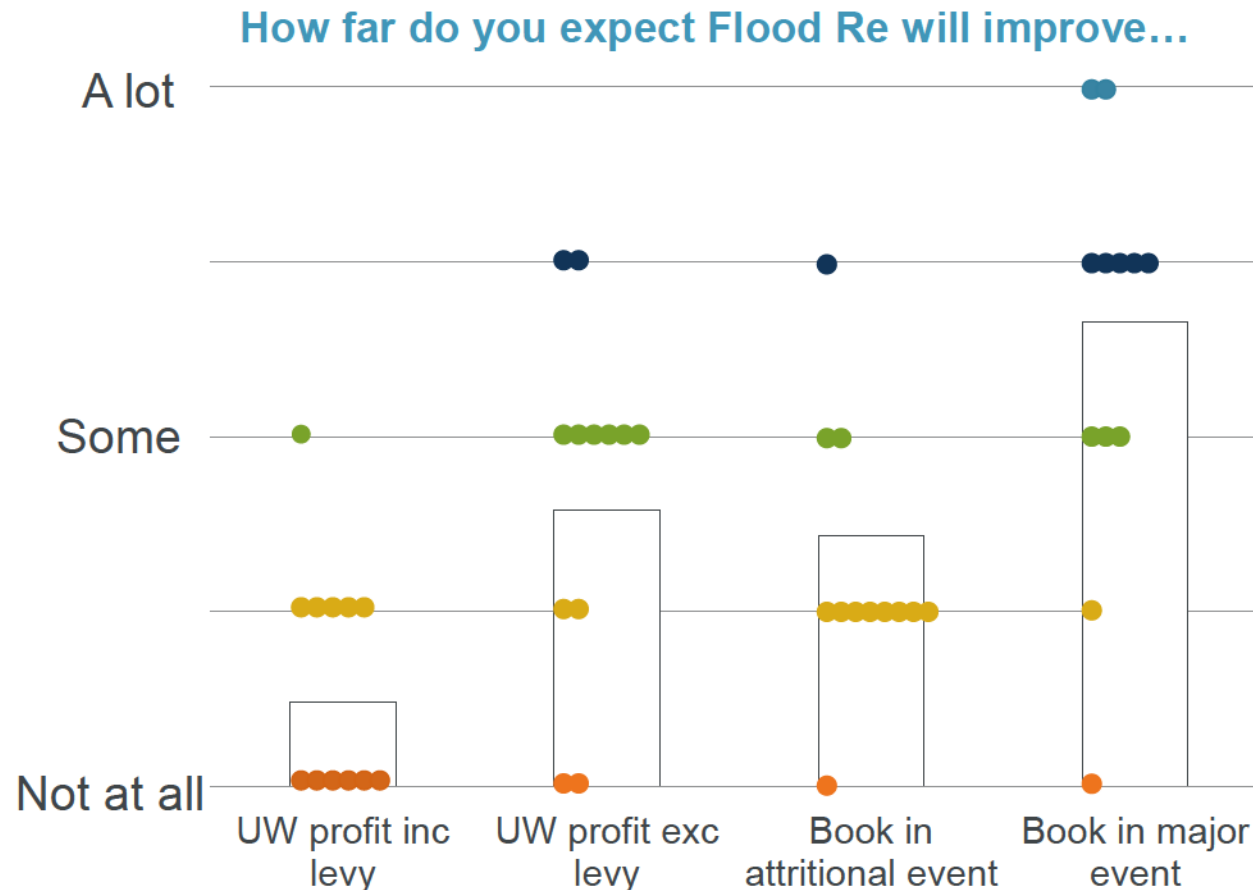
Benefits of Flood Re to your business



Other benefits

- Reduced volatility of financial results
- Greater risk acceptance rates for portfolio transfers
- Increased new business appetite - can offer insurance at a reasonable price to people in high flood risk areas
- Drives resilience

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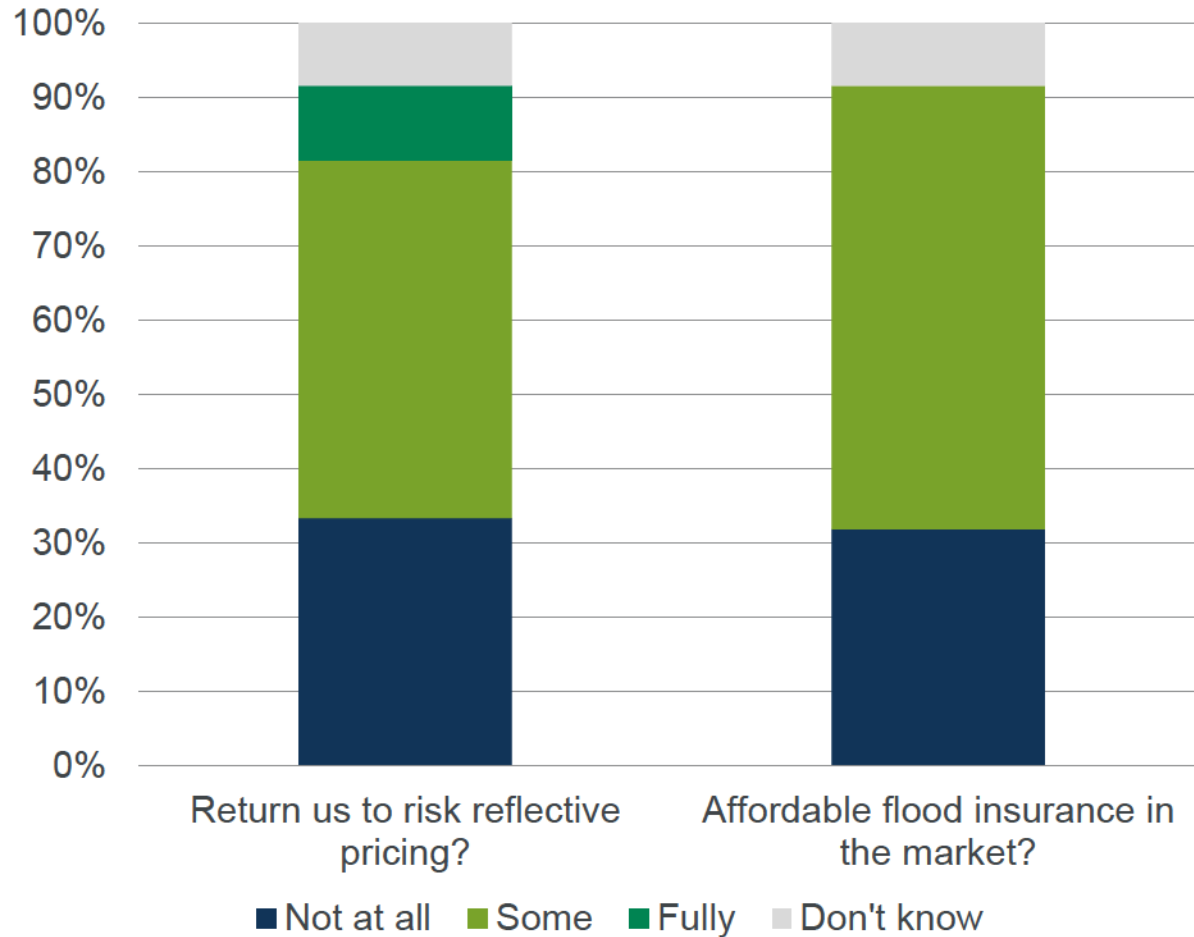
Flood Re's Objectives

- How far do you think Flood Re will meet the following objectives by the end of its **25 year lifetime**:
 - Please vote with your green piece of paper if you think **some or fully**
 - Please vote with your red piece of paper if you think **not at all**
 - Please just hold up your hand if you **don't know**

“Flood Re will return us to **risk reflecting pricing**”

“Flood Re will return us to **affordable flood insurance in the market**”

How far will Flood Re...



Observations

- 5 respondents think that Flood Re can achieve both objectives, to *some extent*
- 4 of 7 comments said it will be difficult to achieve risk reflective pricing that is affordable
 - The goals are incompatible
 - Reliance on the Government to increase spending
 - “Difficult to believe Flood Re and the insurance industry can effect this kind of change”

Factors affecting the aims of Flood Re

1. The government needs to spend more money on defences (especially given climate change)
2. Customers are not incentivised to improve their risk while the scheme operates
3. The industry need to properly grasp resistance and resilience measures



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Resistance and Resilience

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Who is taking action?

£2.3bn over 6 years to provide better flood defences [2014-2020]

Flood and coastal erosion risk management: current schemes and strategies [Oct 2017]

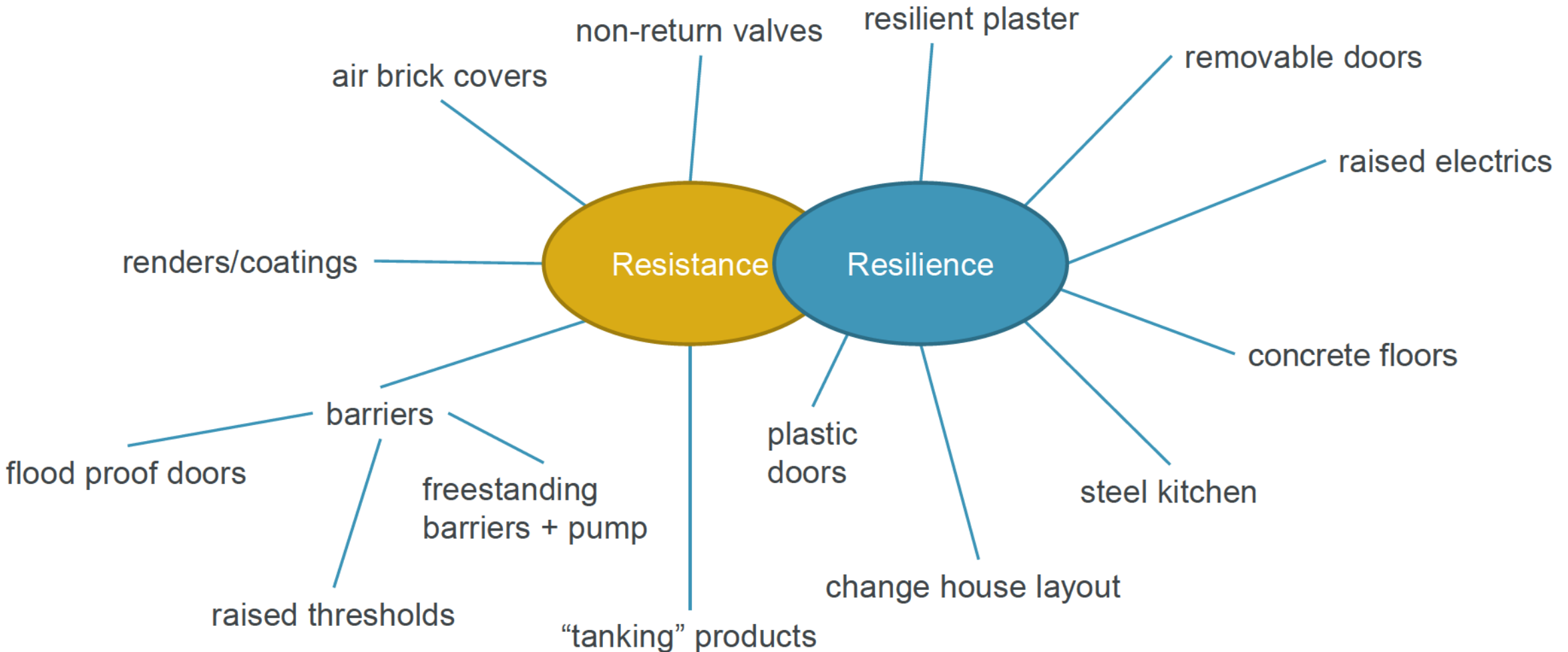


Helping pupils prepare for flooding [Sept 2017]

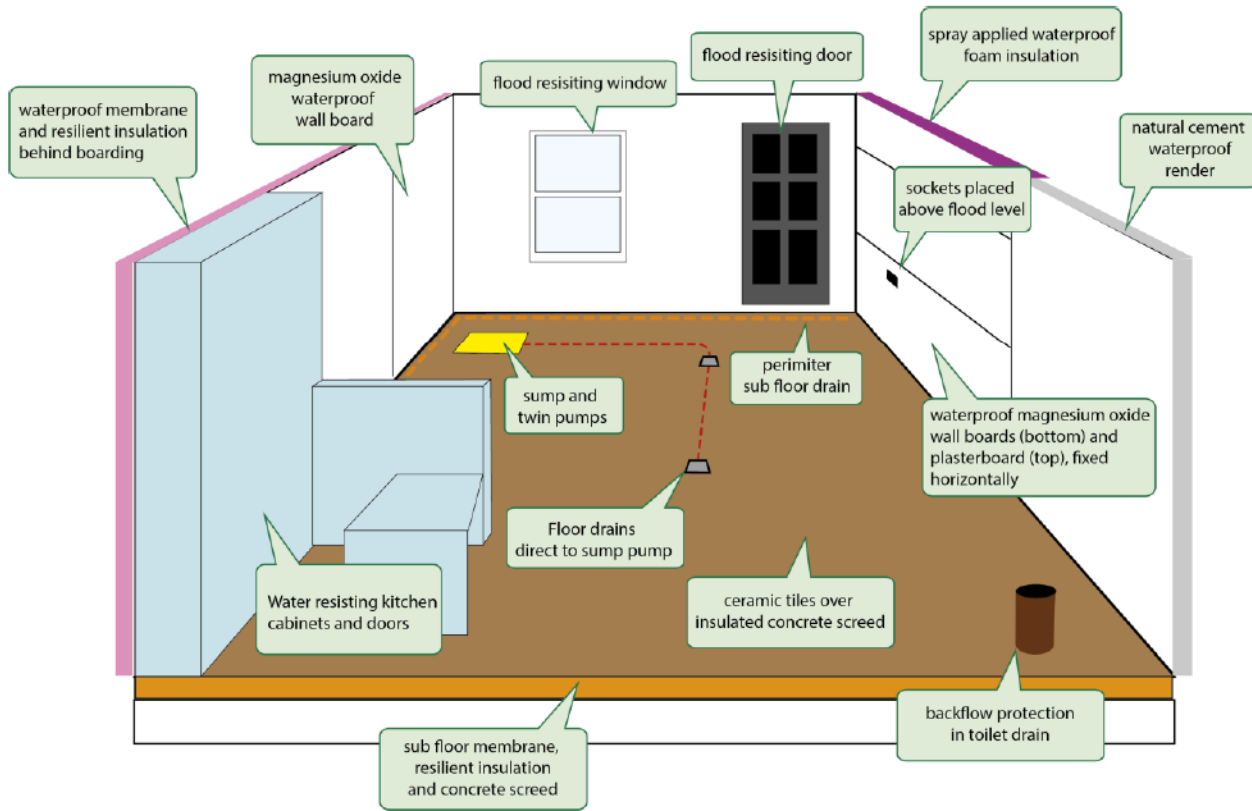
Environment Agency outlines recovery and repair projects [Feb 2016]

The National Flood Forum exists to support individuals and communities at risk of flooding and have been doing this across the country since 2002.

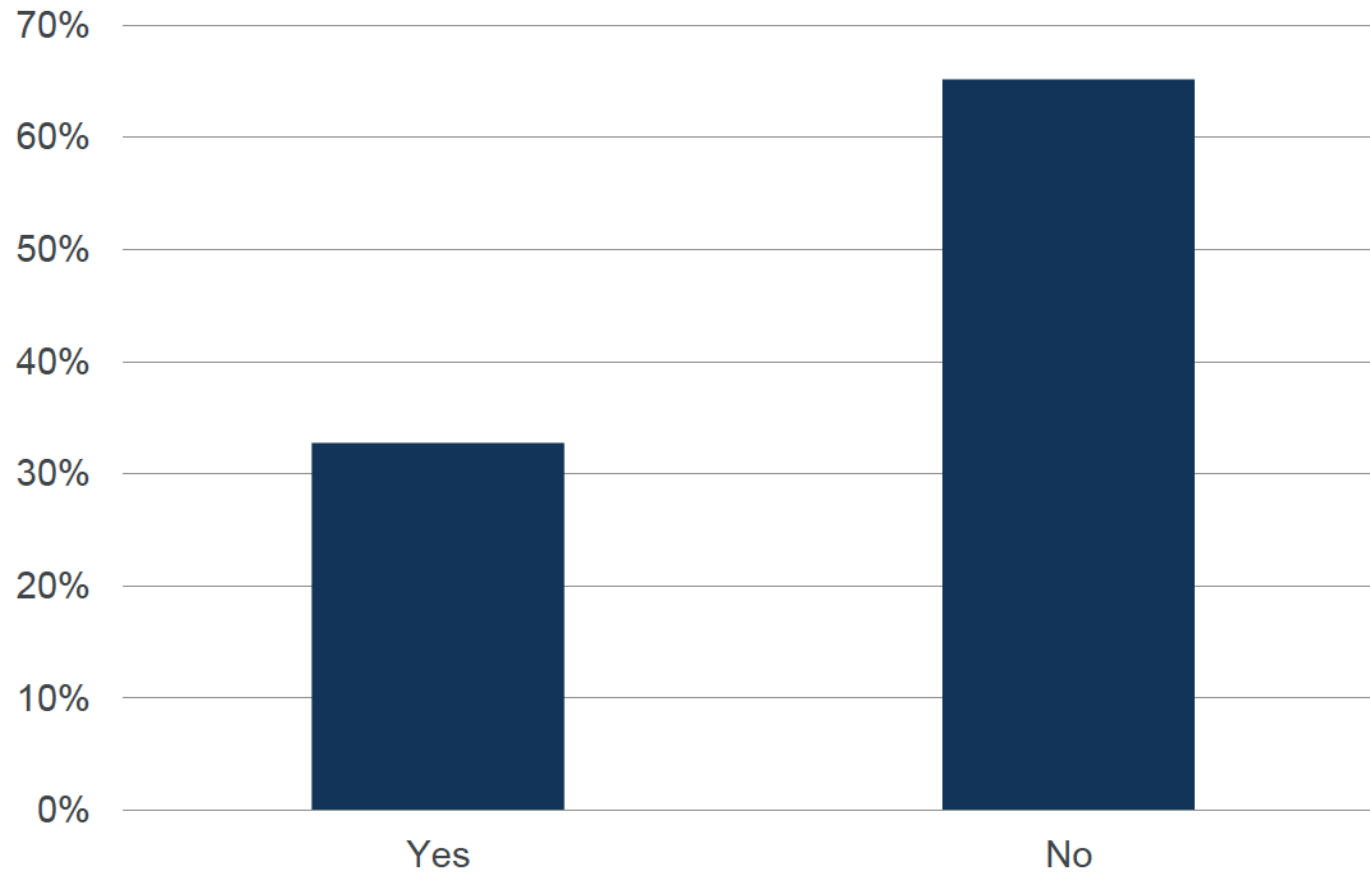
Resistance and resilience



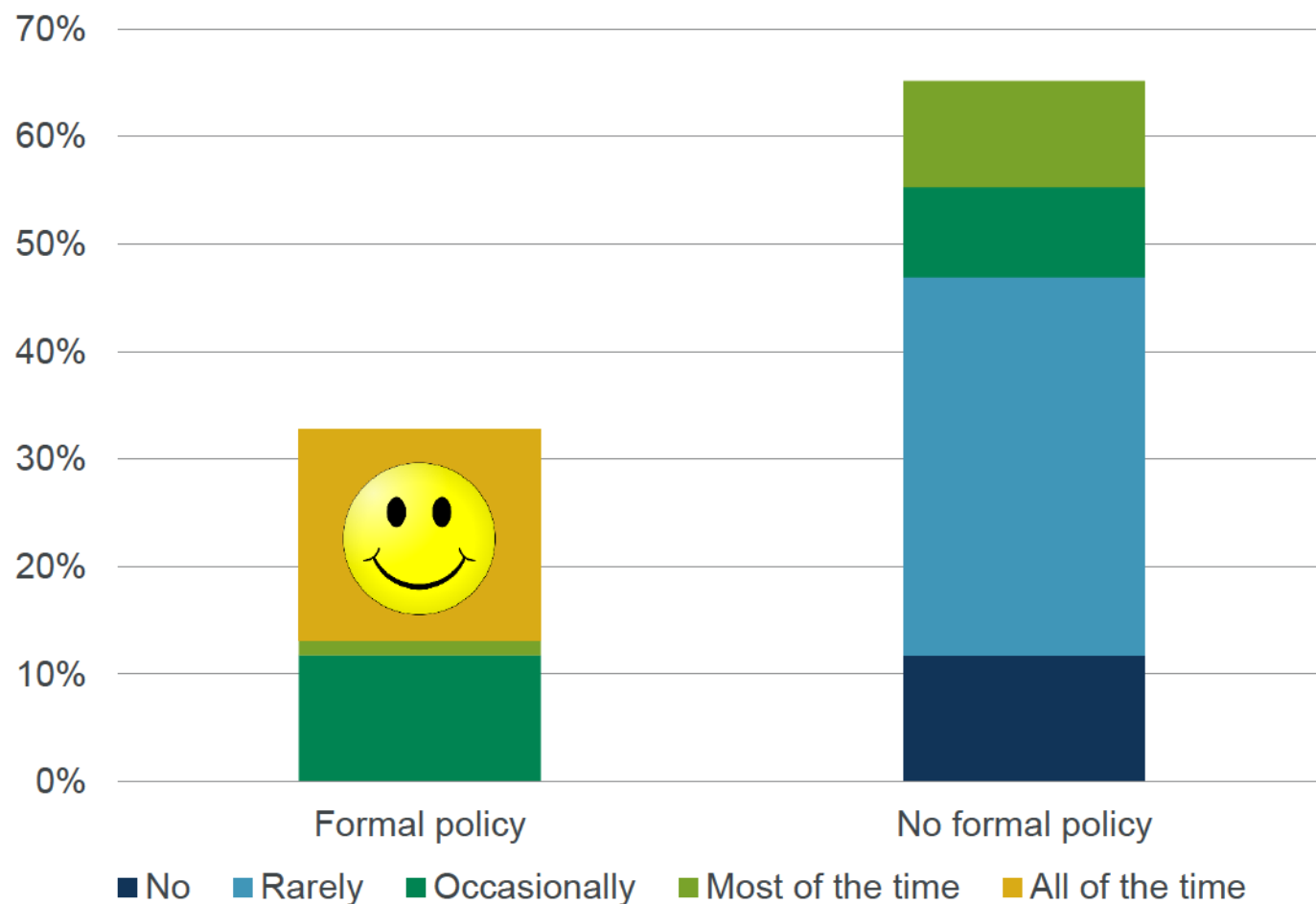
BRE's Resilient Home



Formal policy in respect of resilient repairs?

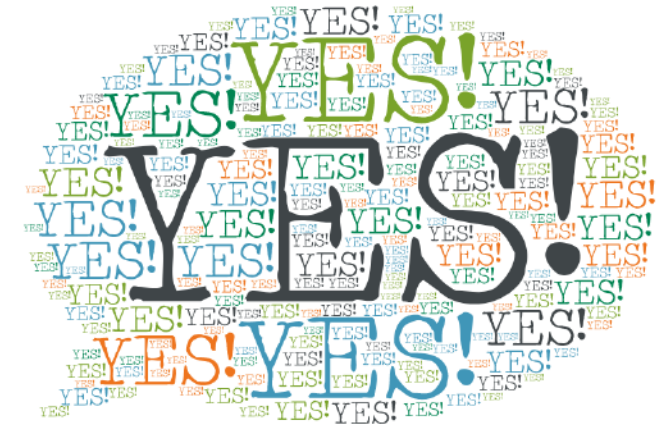
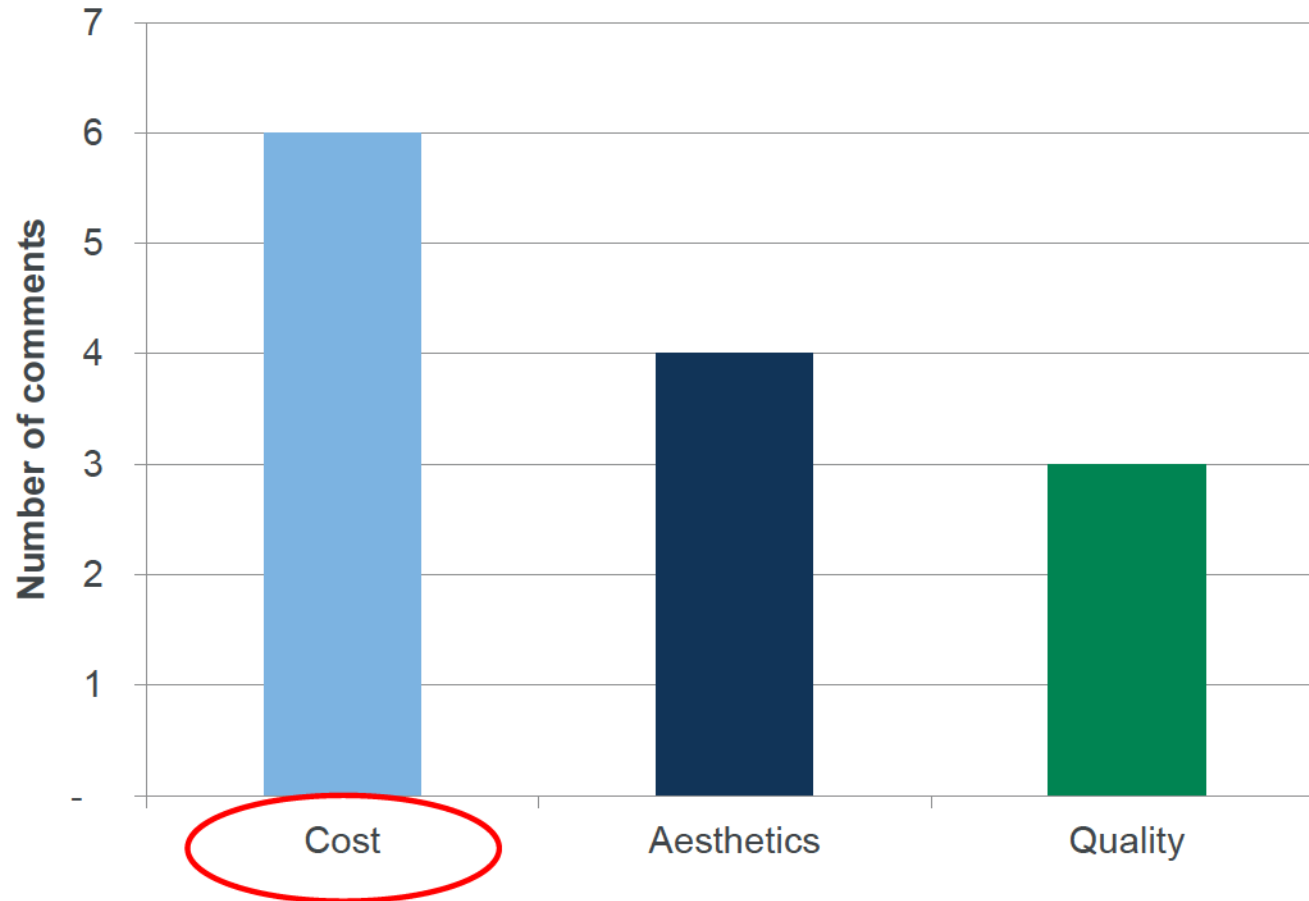


Deploy resilient repairs as part of flood claims fulfilment?



Is resistance and resilience beneficial to consumers?

But there are some barriers...



- No ABI code for pricing
- Insurers could lose business the next year
- Customers lack understanding



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What is next for the Flood Working Party?

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What's next for the Flood WP?

- 2017-2018 → What should the Flood WP focus on?

Market wide data
call?

Flood Re
engagement
(monitoring
objectives and value
for money)?

Can we really
“prove” that 25 years
is achievable for risk
reflective pricing?

Investigation: who
should be benefiting
from Flood Re and
isn't?

How does
resistance/resilience
impact the cost of
claims?

Other?

Questions

Comments

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#IFoAFloodWP #IFoAGIRO17 @PhilippaKingGI @FloodRe @actuary_news

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