

“Flood Re enables UK society a 25 year period to undertake spending on flood defences and investigate other ways to **mitigate risk** in high flood areas”

“The measures required to reduce the risk and/or cost of flooding relies on **large scale investment** from local authorities/government”

“This is subject to political whim so *possibly at risk...*”

“It would be beneficial to Flood Re in the longer term if **resilient repairs** were utilised where possible”

“Our initial offer to customers is *always* to repair their property in a resilient way”

“While we can inform customers on benefits of such repairs, ultimately it is down to **customer choice** as to whether these offers are taken”

“We see flood as an area where the market needs to **collaborate**”



Institute
and Faculty
of Actuaries

Flood Re one year on, are we doing enough?

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



Agenda



Flooding: A human issue



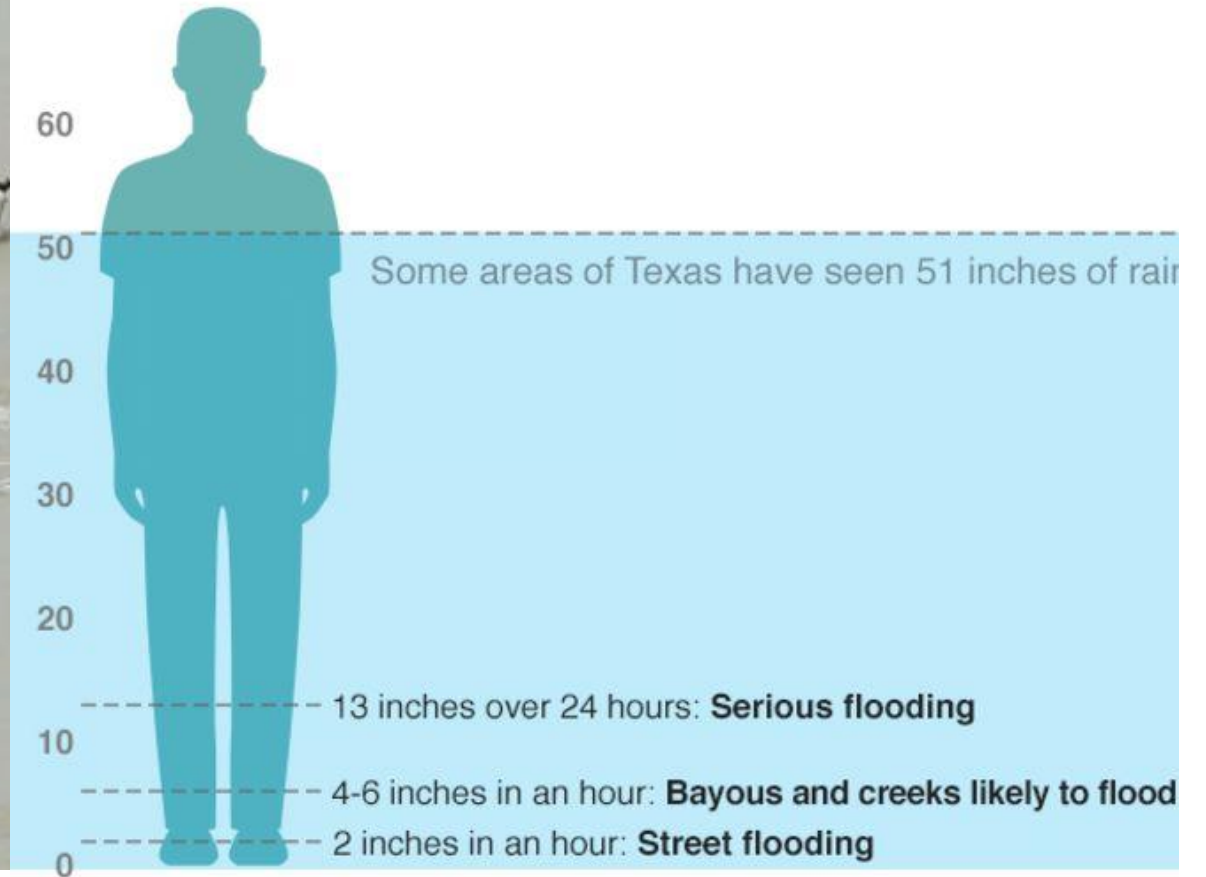
MUMBAI, AUGUST 2017

Flooding: A human issue



TEXAS, AUGUST 2017

Risks posed by heavy rainfall



Flood Re: How it works

FLOODRE

Homes built
after 2009

Commercial
properties

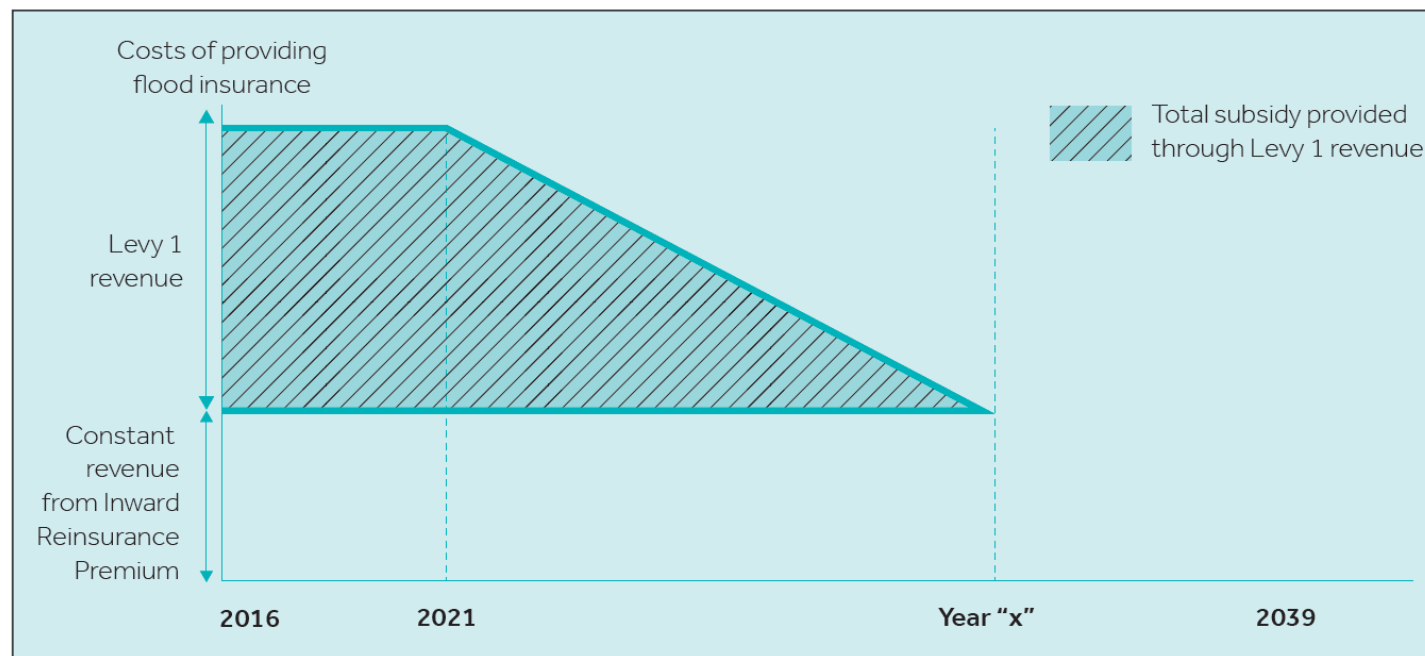
Buy to lets

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





Institute
and Faculty
of Actuaries

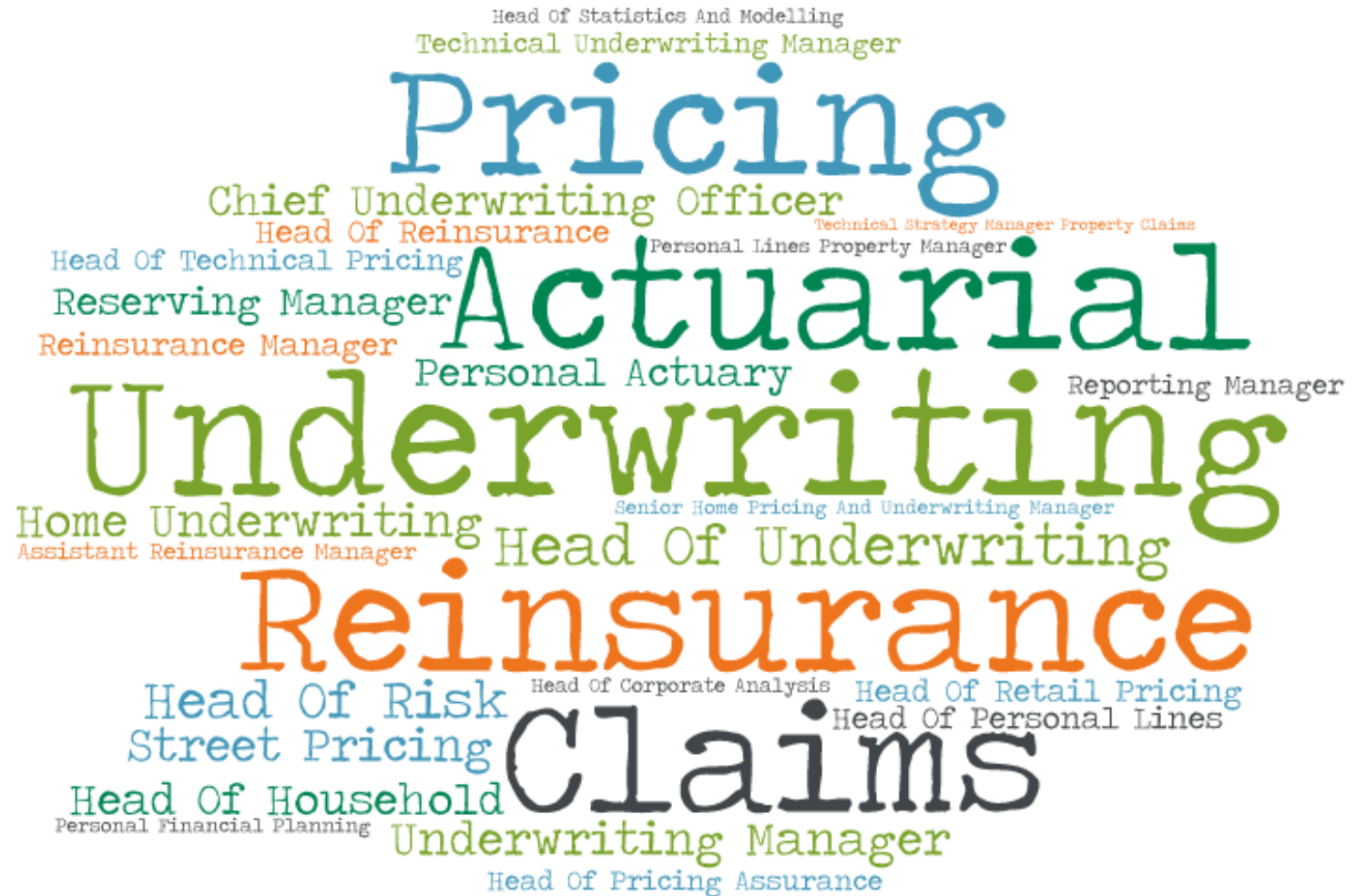
Impact of Flood Re

Results from the Flood Working Party's experience survey

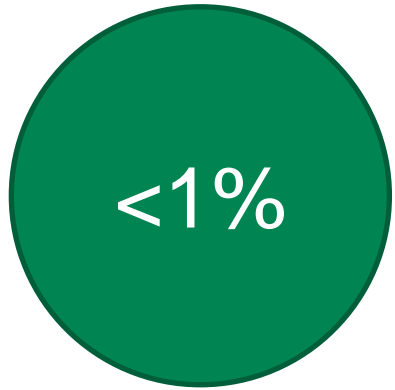
ertise
ponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support

Survey

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



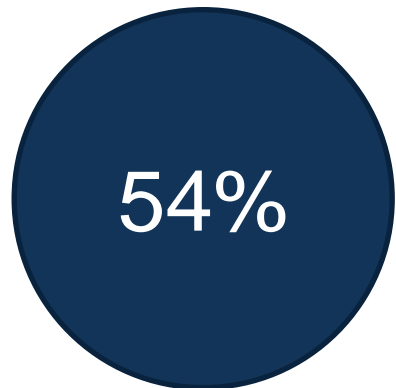
Use of Flood Re



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

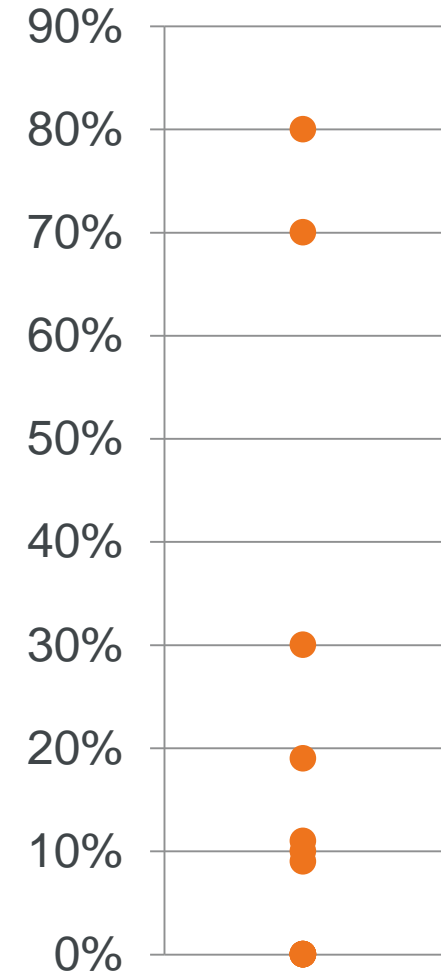
Majority ceded
more business for

Renewals

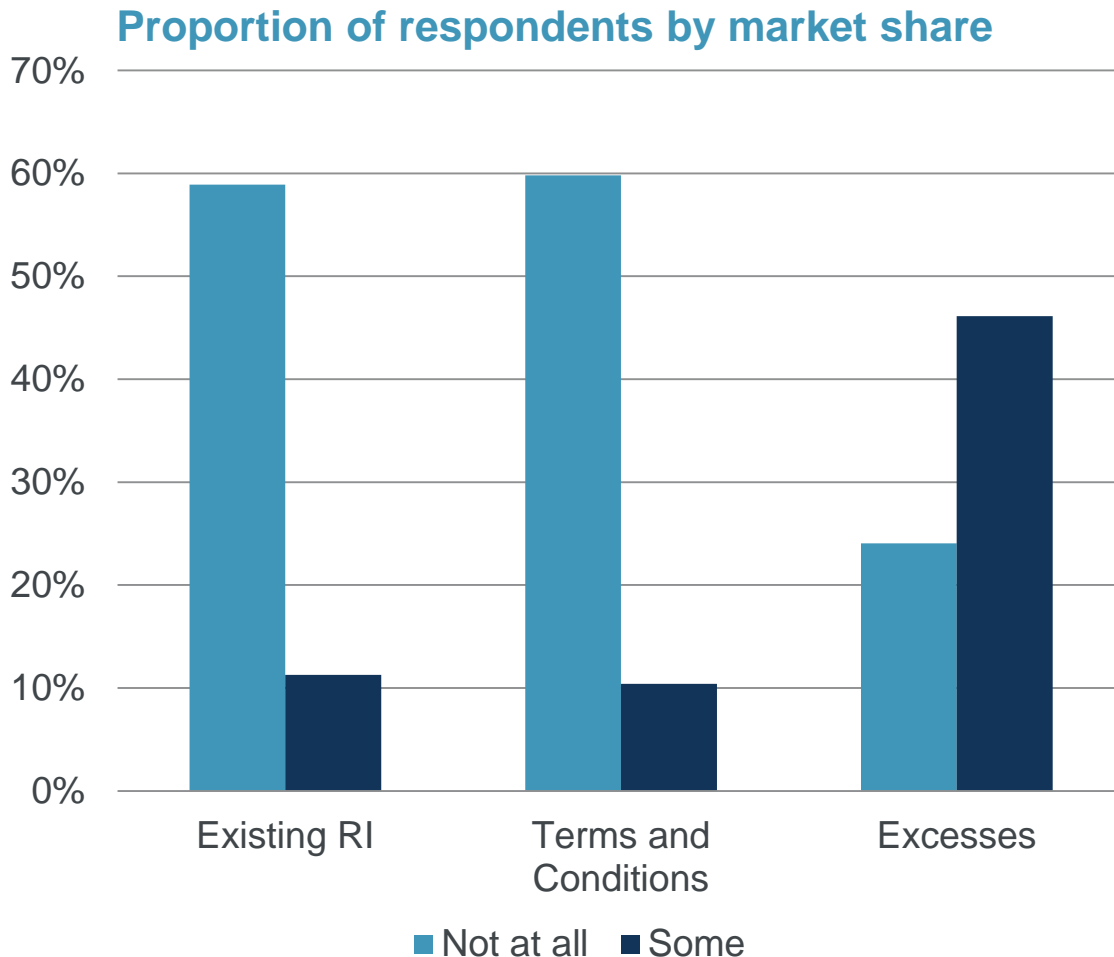


Have not expanded UW criteria

Proportion of long run claims:



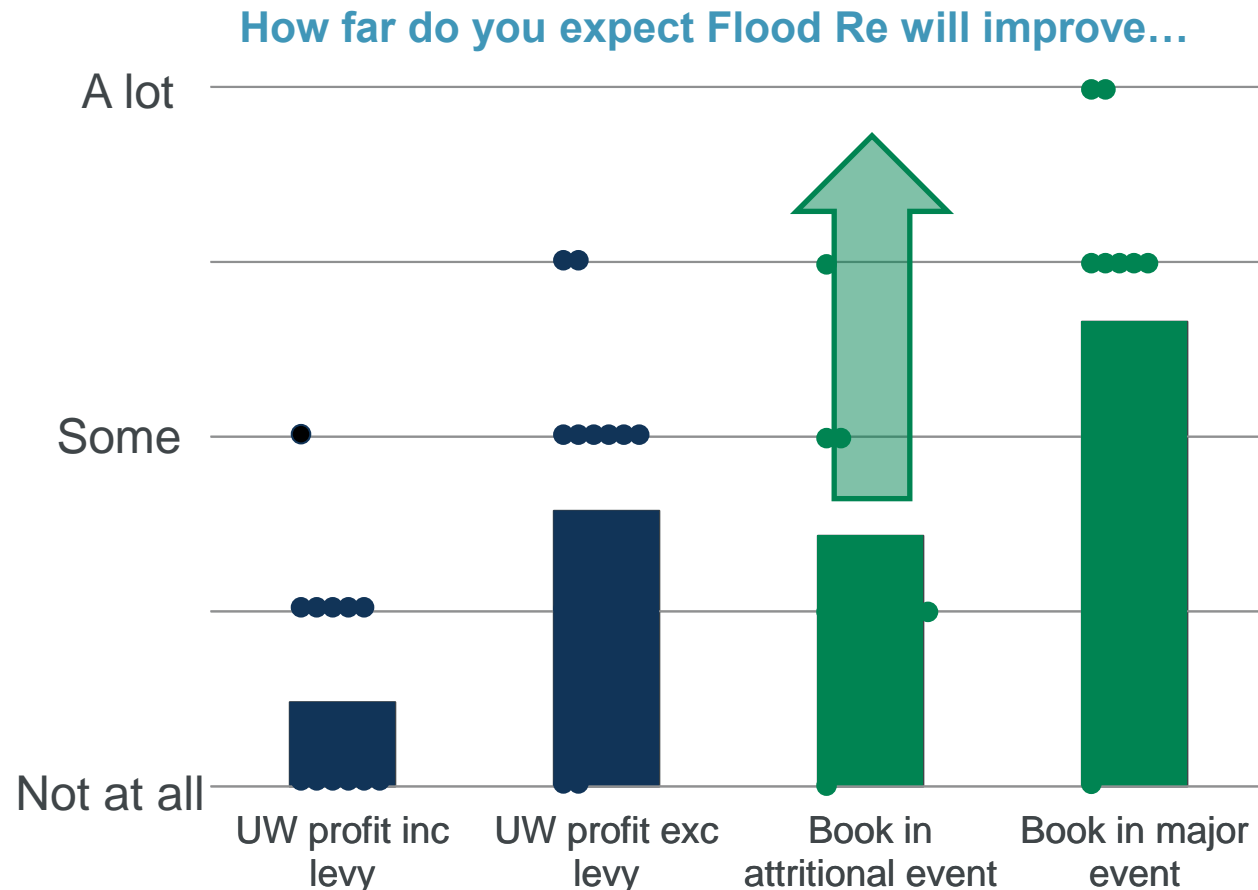
Changes to the business post Flood Re launch



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

How has Flood Re impacted...

Strongly positively

Slightly positively

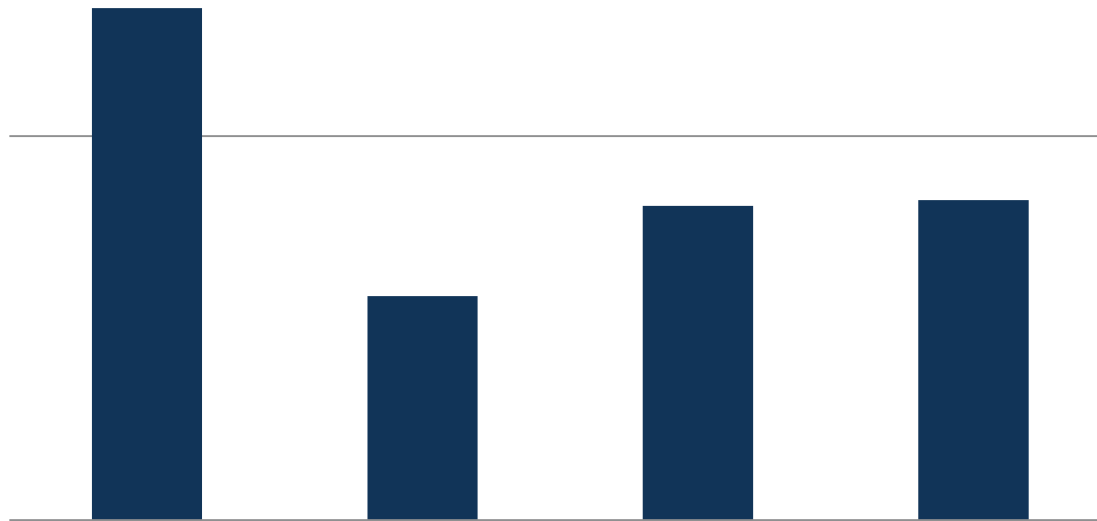
Neutral

Government

Insurance
industry

Consumer

Reinsurers



Flood Re's Objectives

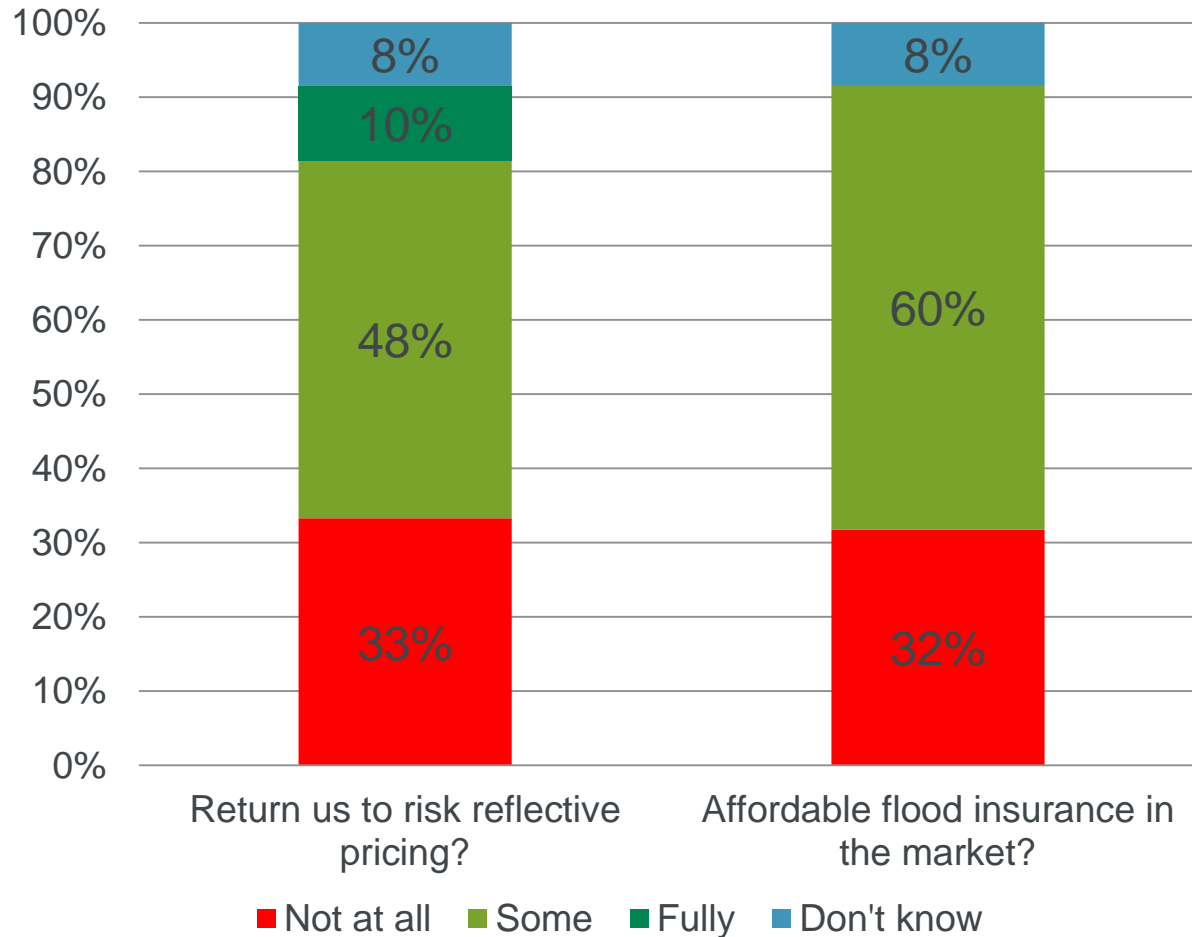
After it's 25 year lifetime Flood Re will return us to:

- **Risk reflective pricing**
- **Affordable flood insurance in the market**

How far do you think Flood Re will meet these objectives

- **Some or Fully**
- **Not at all**
- **Don't know**

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

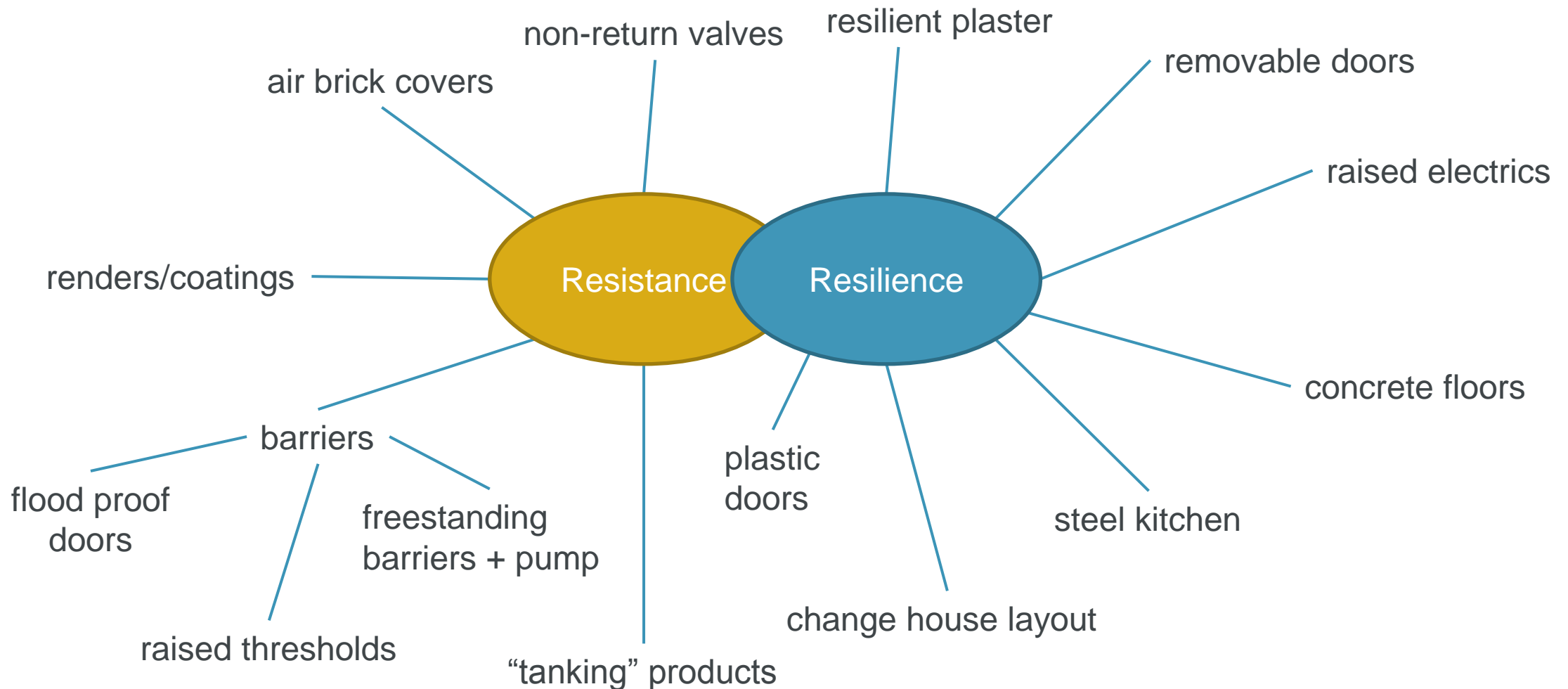


Institute
and Faculty
of Actuaries

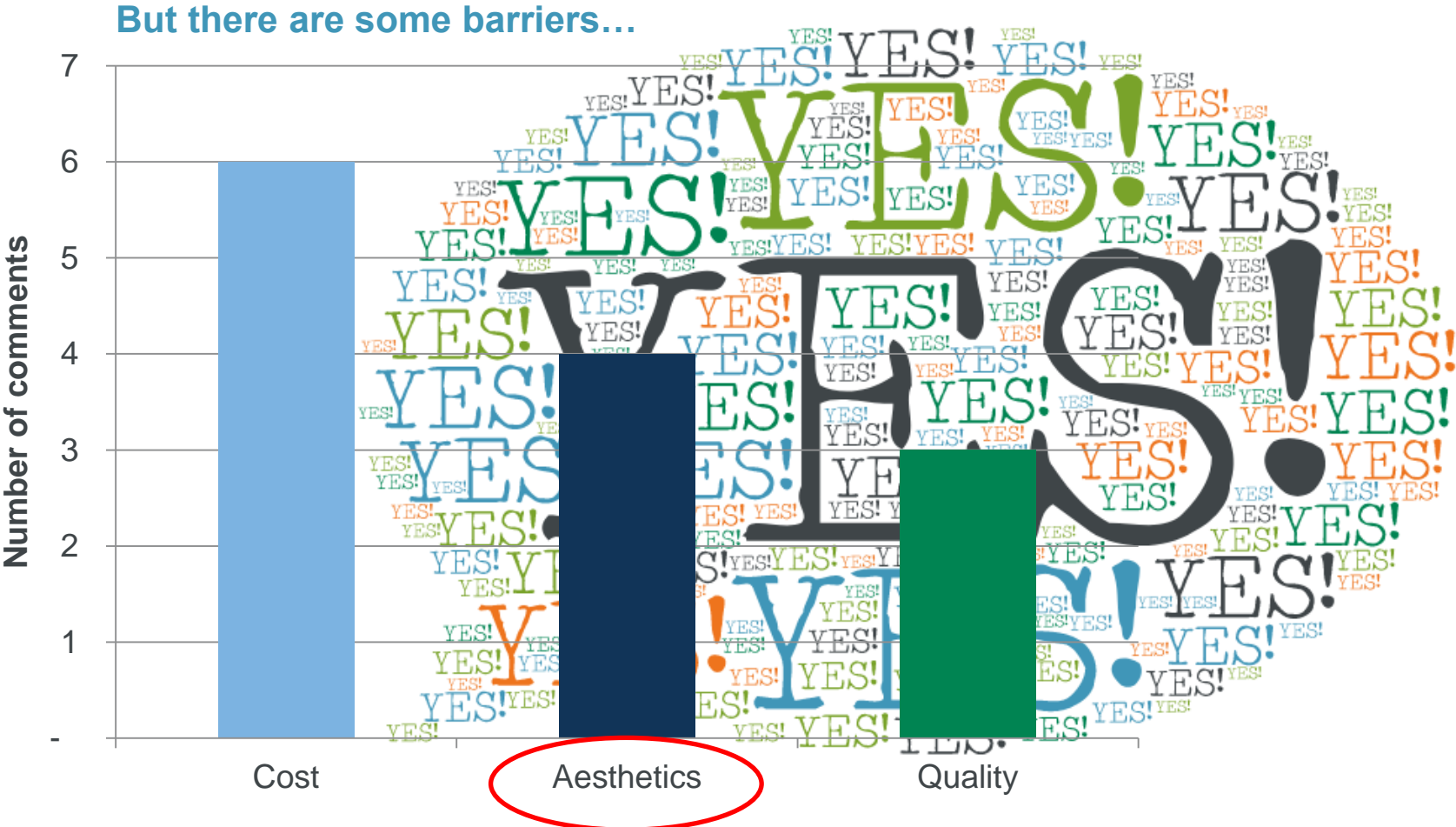
Resistance and Resilience

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

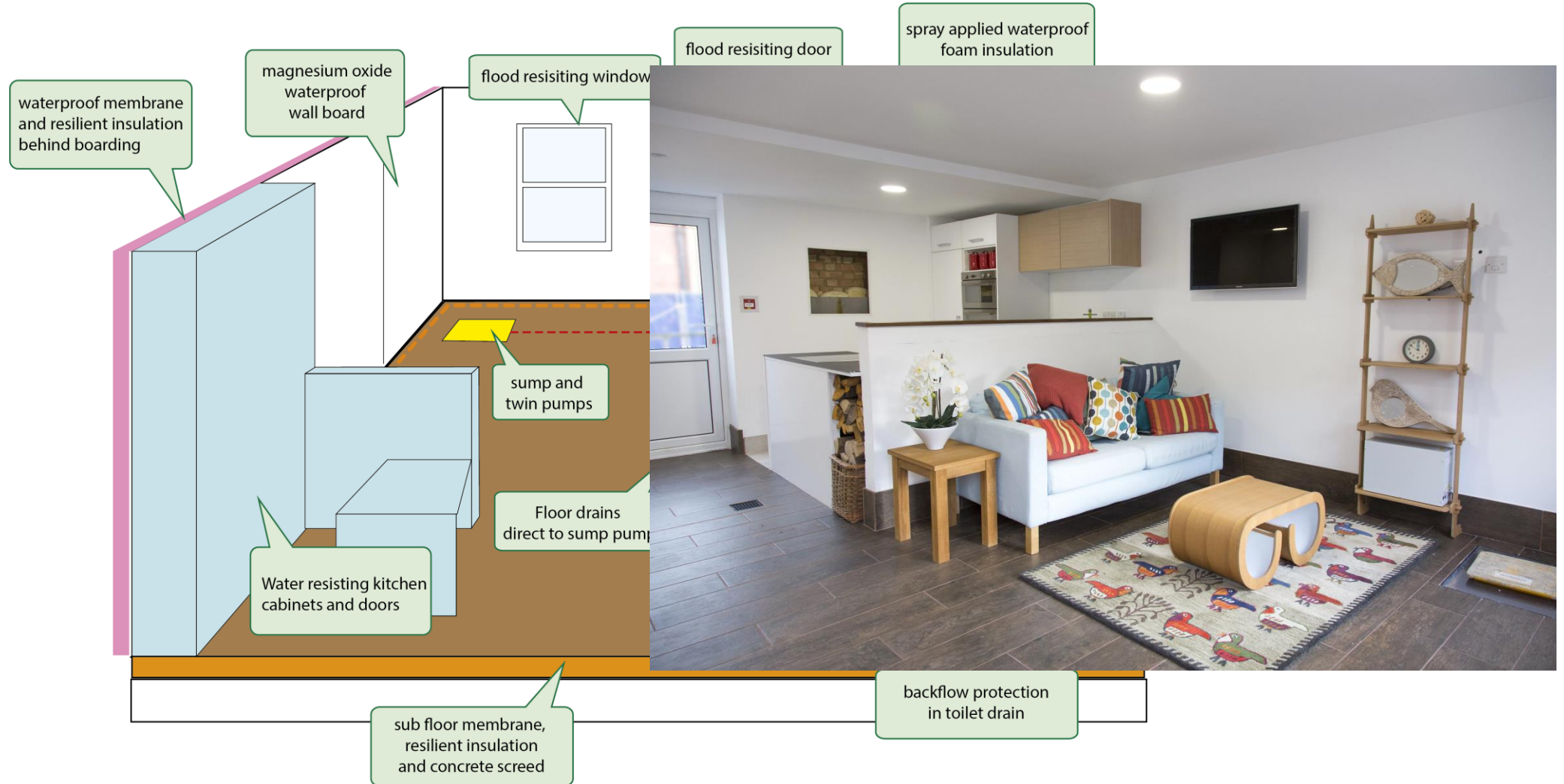
Resistance and resilience



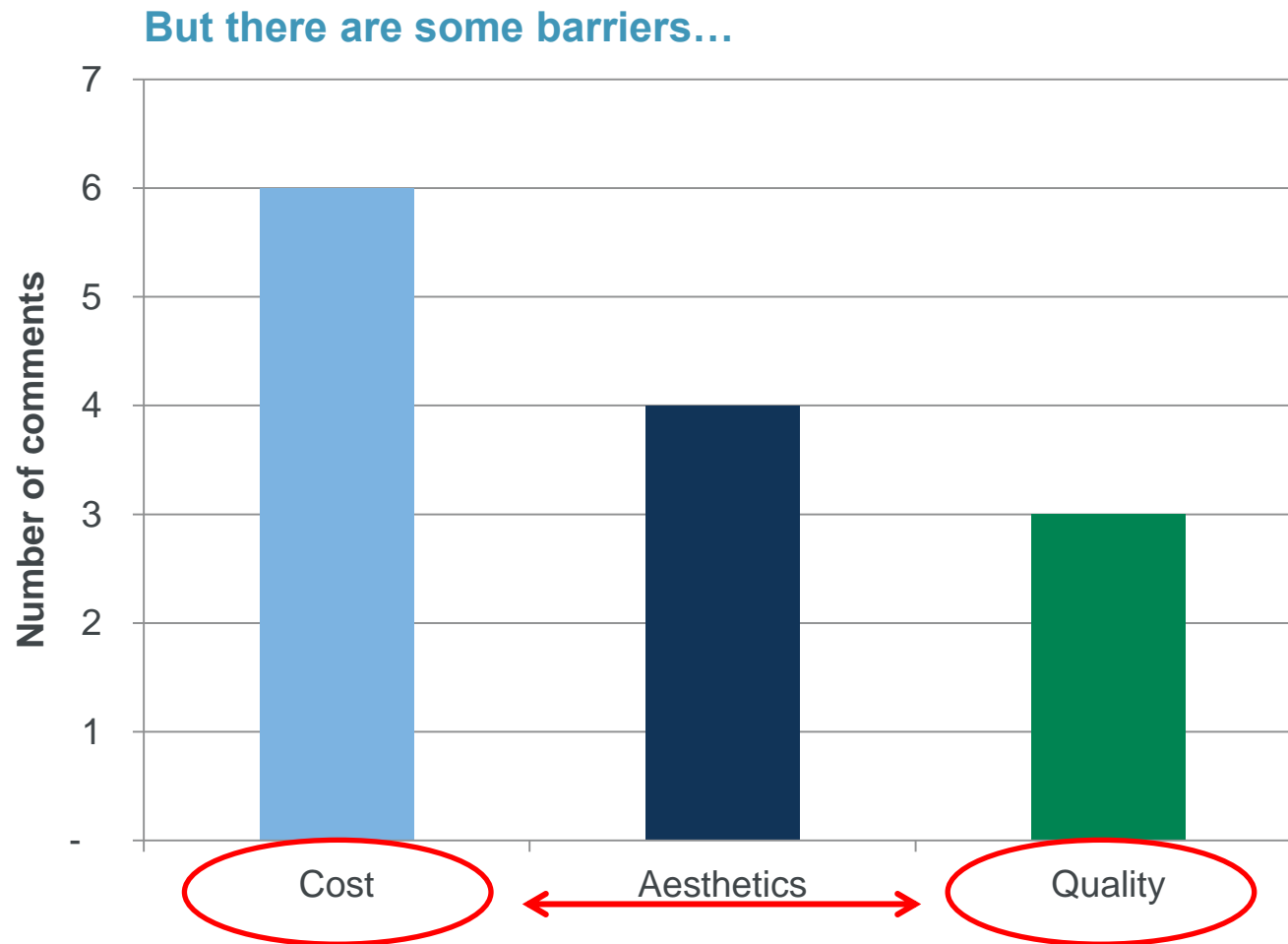
Is resistance and resilience beneficial to consumers?



BRE's Resilient Home

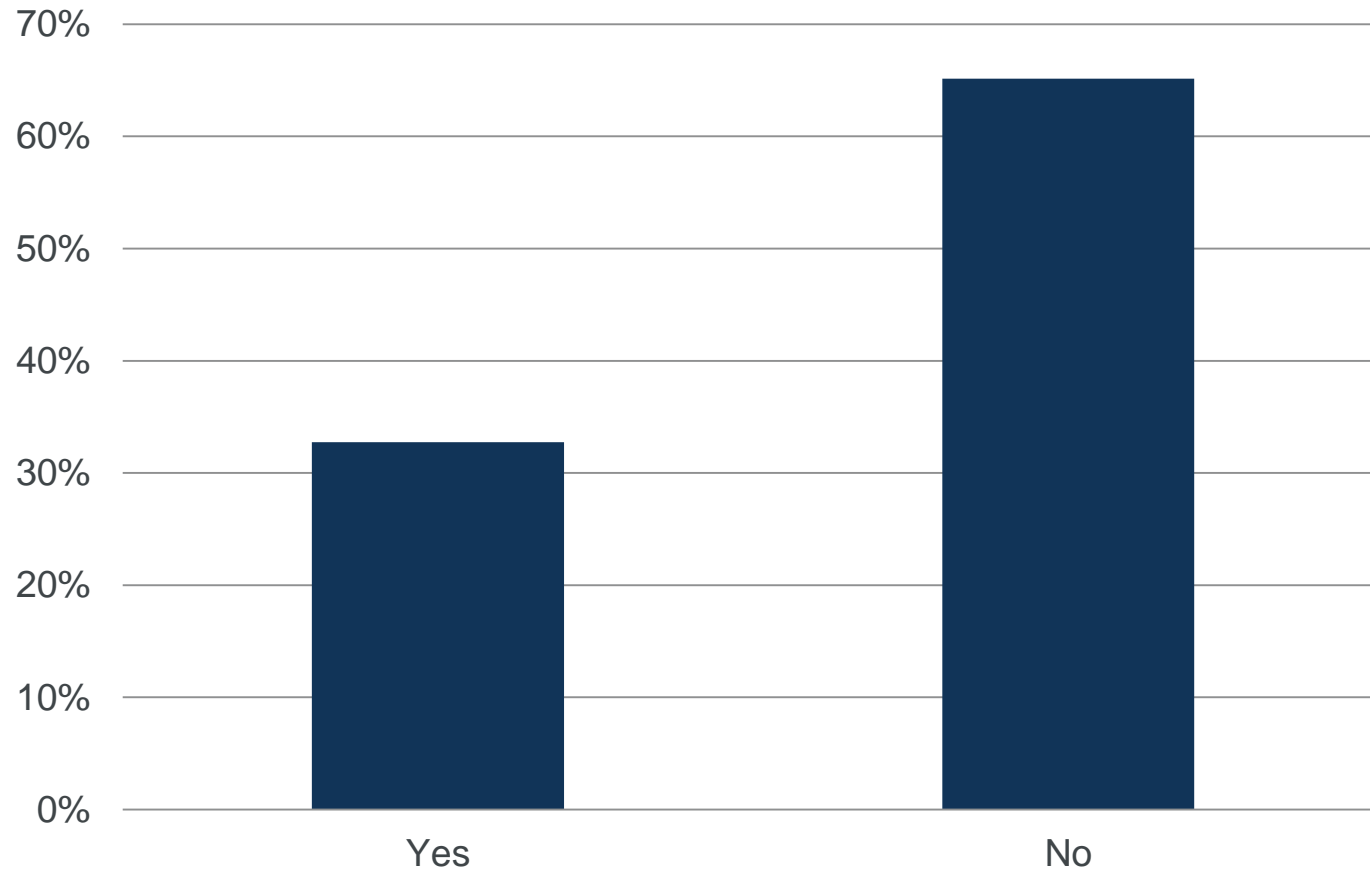


Is resistance and resilience beneficial to consumers?

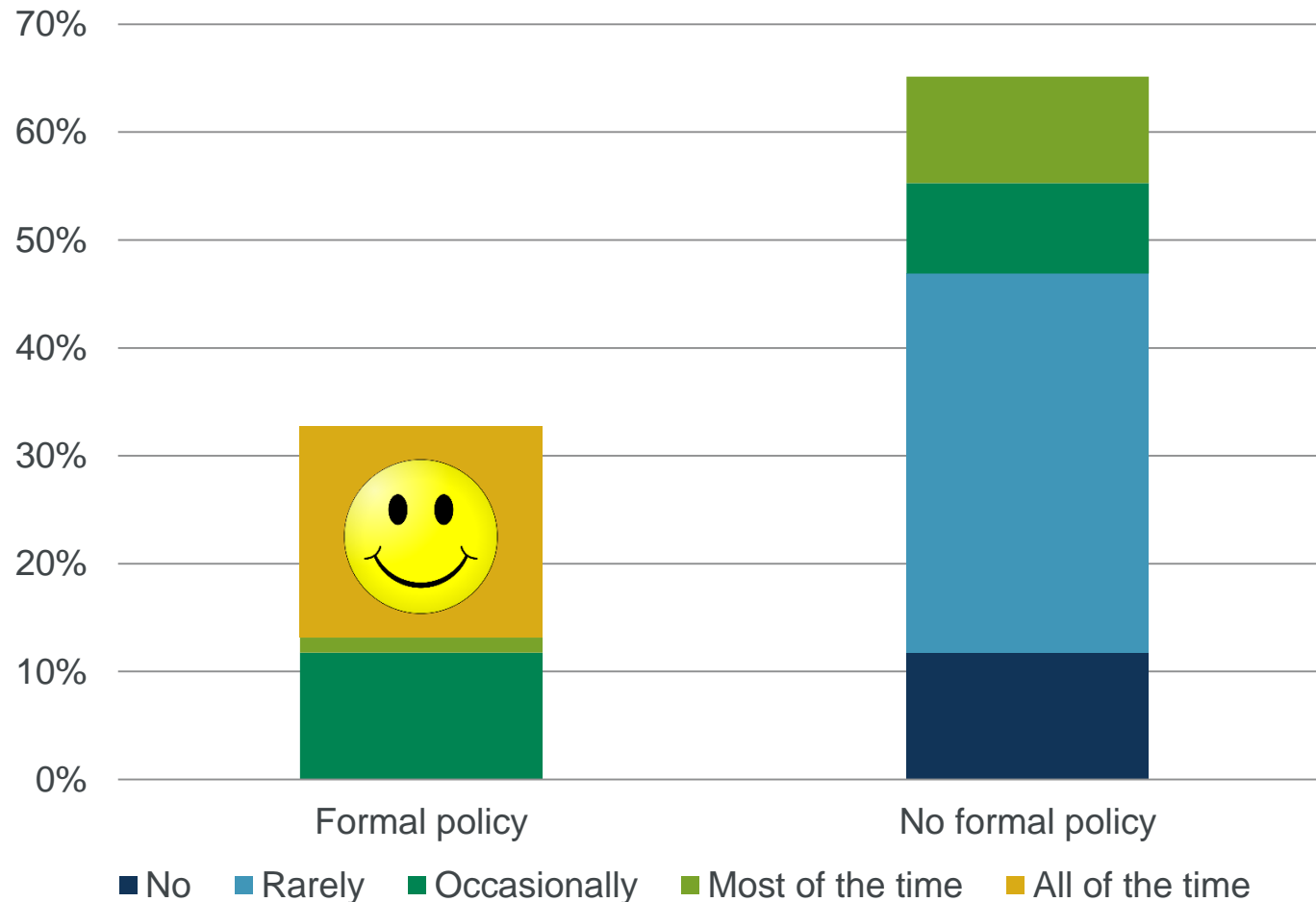


- Insurers could lose business the next year
- Customers lack understanding
- No ABI code for pricing

Formal policy in respect of resilient repairs?



Deploy resilient repairs as part of flood claims fulfilment?



- Formal policy - always offered but customer choice
- No formal policy – left to loss adjusters, some still encourage it
- **Could Flood Re help here?**



Institute
and Faculty
of Actuaries

What is next for the Flood Working Party?

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 should the Flood WP focus on in 2018?

**Market wide data
call**

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

**“Prove” that 25
years is achievable**
for risk reflective pricing

**Investigate who
else should be
benefiting from
Flood Re**

**How property level
protection impacts
the cost of claims?**

Other?



Questions



Comments

The views expressed in this presentation are those of invited contributors and not necessarily those of the IFoA. The IFoA do not endorse any of the views stated, nor any claims or representations made in this presentation and accept no responsibility or liability to any person for loss or damage suffered as a consequence of their placing reliance upon any view, claim or representation made in this presentation.

The information and expressions of opinion contained in this publication are not intended to be a comprehensive study, nor to provide actuarial advice or advice of any nature and should not be treated as a substitute for specific advice concerning individual situations. On no account may any part of this presentation be reproduced without the written permission of the IFoA.

#IFoAFloodWP #IFoAGIRO17 @PhilippaKingGI @FloodRe @actuary_news

“Flood Re enables UK society a 25 year period to undertake spending on flood defences and investigate other ways to **mitigate risk** in high flood areas”

“The measures required to reduce the risk and/or cost of flooding relies on **large scale investment** from local authorities/government”

“This is subject to political whim so *possibly at risk...*”

“It would be beneficial to Flood Re in the longer term if **resilient repairs** were utilised where possible”

“Our initial offer to customers is *always* to repair their property in a resilient way”

“While we can inform customers on benefits of such repairs, ultimately it is down to **customer choice** as to whether these offers are taken”

“We see flood as an area where the market needs to **collaborate**”



Institute
and Faculty
of Actuaries

Back-up slides

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

Who is taking action?

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

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



Helping pupils prepare for flooding [Sept 2017]

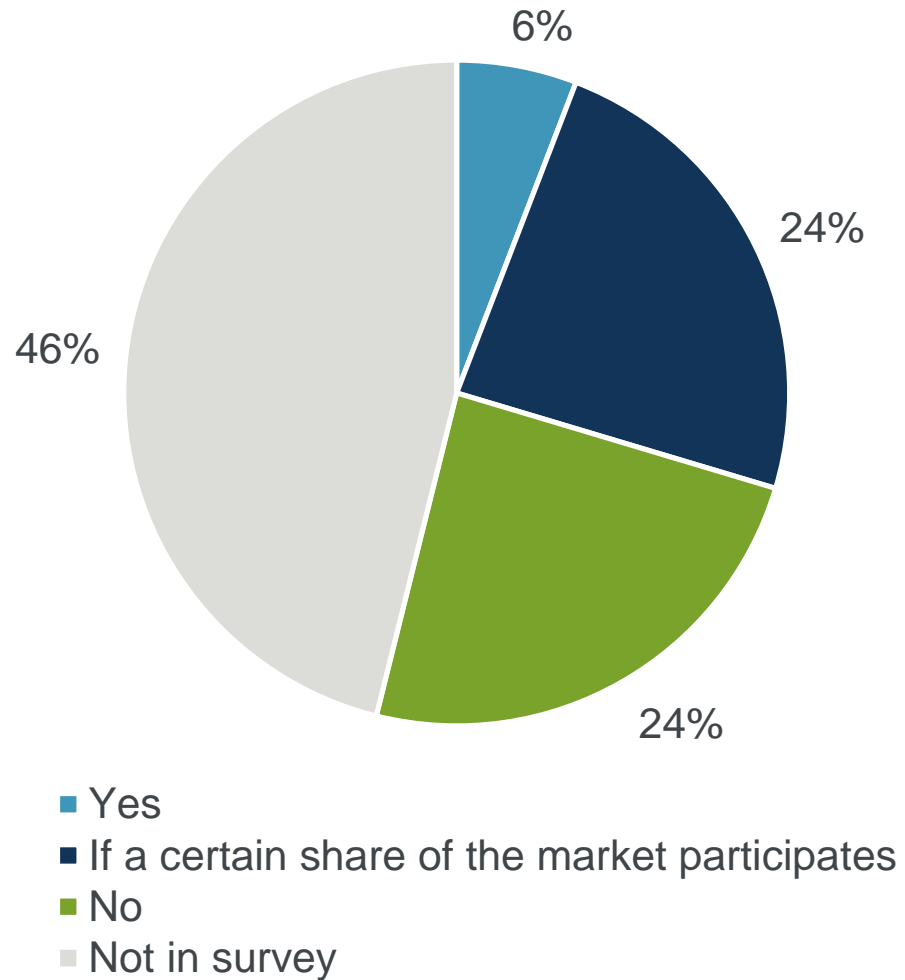
Environment Agency outlines recovery and repair projects [Feb 2016]

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

Proposed data exercise

- Environment agency view of risk in that postcode (can leave blank for us to populate)
- Number of policies each year
- Number of policies ceded to Flood Re
- Number of claims >£5000 each year
- Total claims incurred >£5000 each year
- Total GWP of portfolio described each year (and what % of total portfolio does this represent)
- Number of claims related to “major flood events” (as defined by our list).

Response



- Most would need at least 50-60% of the market to participate

Contributors thoughts on data sharing

Pros	Cons
We need to collaborate on flood	How does it differ from data provided to ABI already?
Will help inform the market's view of risk	How much more use is this data than flood modelling agency data?
Can set more accurate premiums	Reinsurers could increase prices

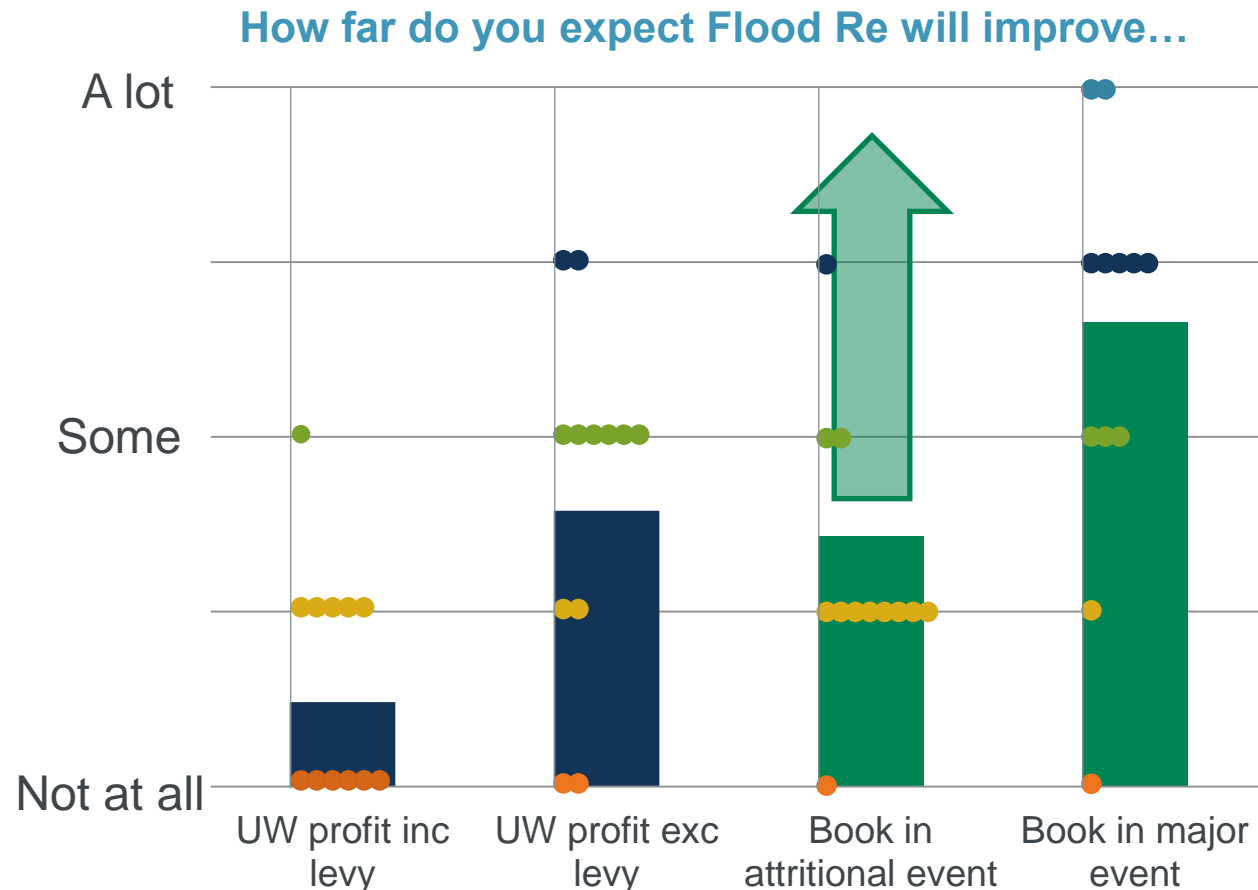
Question: What if we focussed more on resistance and resilience?

Formal strategy in terms of resilient repairs

By number of respondents

		How often do you deploy?				
		No	Rarely	Occasionally	Most of the time	All of the time
Formal strategy?	Yes	0	0	2	1	1
	No	2	3	2	1	0

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