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“We see flood as an area where the market needs to collaborate”
Flood Re one year on, are we doing enough?

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

09 October 2017
Agenda

Context

Impact of Flood Re

Resistance and Resilience

Where do we go from here?
Flooding: A human issue

MUMBAI, AUGUST 2017

http://floodobservatory.colorado.edu/Archives/index.html
Flooding: A human issue

TEXAS, AUGUST 2017

Risks posed by heavy rainfall

- Some areas of Texas have seen 51 inches of rainfall.
- 13 inches over 24 hours: Serious flooding
- 4-6 inches in an hour: Bayous and creeks likely to flood
- 2 inches in an hour: Street flooding

http://www.bbc.co.uk/news/world-us-canada-41094872
US National Weather Service
Flood Re: How it works

- 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
Impact of Flood Re
Results from the Flood Working Party’s experience survey
Survey

- 13 participating insurers
- 56% by 2016 market share
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:

Flood WP Survey

09 October 2017
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

Proportion of respondents by market share

0% 10% 20% 30% 40% 50% 60% 70%

Existing RI  Terms and Conditions  Excesses

<table>
<thead>
<tr>
<th>Market Share</th>
<th>Not at all</th>
<th>Some</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing RI</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Terms and Conditions</td>
<td>0.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Excesses</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

*30% did not respond to this question*
Benefits of Flood Re to your business

How far do you expect Flood Re will improve...

A lot

Some

Not at all

UW profit inc levy
UW profit exc levy
Book in attritional event
Book in major event

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
Benefits of Flood Re to your business

How far do you expect Flood Re will improve…

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Other benefits

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• Drives resilience
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*”
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
Resistance and Resilience
Who is taking action?

- Environment Agency outlines recovery and repair projects [Feb 2016]
- Flood and coastal erosion risk management: current schemes and strategies [Oct 2017]
- Helping pupils prepare for flooding [Sept 2017]
- 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

- Resistant plaster
- Removable doors
- Raised electrics
- Concrete floors
- Steel kitchen
- Change house layout
- Plastic doors
- Freestanding barriers + pump
- “Tanking” products
- Raised thresholds
- Freestanding bars + pump
- Non-return valves
- Air brick covers
- Renders/coatings
- Flood proof doors
- Barriers

BRE’s Resilient Home

With thanks to the Building Research Establishment for permission to use their pictures.

https://www.bre.co.uk/floodhouse
Formal policy in respect of resilient repairs?

- Yes: 30%
- No: 70%

Answers displayed by market share. 2% did not answer the question.
Deploy resilient repairs as part of flood claims fulfilment?

Flood WP Survey

Answers displayed by market share. 2% did not answer the question
Flood WP Survey

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

Cost
Aesthetics
Quality

Number of comments

09 October 2017

11 respondents said yes, 2 did not answer
What is next for the Flood Working Party?
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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