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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
 lực màu sắc cho PowerPoint presentations

- Dark blue: R17 G52 B88
- Gold: R217 G171 B22
- Mid blue: R64 G150 B184

- Secondary colour palette
  - Light grey: R220 G221 B217
  - Pea green: R121 G163 B42
  - Forest green: R0 G132 B82
  - Bottle green: R17 G179 B162
  - Cyan: R0 G156 B200
  - Light blue: R124 G179 B225
  - Violet: R128 G118 B207
  - Purple: R143 G70 B147
  - Fuscia: R233 G69 B140
  - Red: R200 G30 B69
  - Orange: R238 G116 B29

Resistance and Resilience

Context

Impact of Flood Re

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 rain

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

- 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

With thanks to Flood Re for permission to use this diagram
Impact of Flood Re

Results from the Flood Working Party’s experience survey
Survey

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

Flood WP Survey

Insurers list taken from Deloitte household insurance seminar and do not include Gibraltar-based or overseas
Total market GWP taken from ABI and GWP of participants self-reported
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:

- Majority ceded more business for Renewals

Flood WP Survey

16 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

16 October 2017

*30% did not respond to this question
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

Answers weighted by number of respondents
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
Resistance and Resilience
Resistance and resilience

- resistance:
  - non-return valves
  - air brick covers
  - renders/coatings
  - barriers
  - flood proof doors
  - raised thresholds

- resilience:
  - resilient plaster
  - removable doors
  - raised electrics
  - concrete floors
  - freestanding doors + pump
  - plastic doors
  - “tanking” products
  - change house layout
  - steel kitchen

Is resistance and resilience beneficial to consumers?

But there are some barriers…

11 respondents said yes, 2 did not answer
BRE’s Resilient Home

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

https://www.bre.co.uk/floodhouse
Is resistance and resilience beneficial to consumers?

But there are some barriers...

- Insurers could lose business the next year
- Customers lack understanding
- No ABI code for pricing
Formal policy in respect of resilient repairs?

Answers displayed by market share. 2% did not answer the question.
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?
What is next for the Flood Working Party?
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?
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#IFoAFloodWP #IFoAGIRO17 @PhilippaKingGI @FloodRe @actuary_news

16 October 2017
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“We see flood as an area where the market needs to **collaborate**”
Back-up slides
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.

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

16 October 2017

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

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

**Question:** What if we focussed more on resistance and resilience?
Formal strategy in terms of resilient repairs

By number of respondents

<table>
<thead>
<tr>
<th>Formal strategy?</th>
<th>How often do you deploy?</th>
<th>No</th>
<th>Rarely</th>
<th>Occasionally</th>
<th>Most of the time</th>
<th>All of the time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td></td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>No</td>
<td></td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
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Benefits of Flood Re to your business

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