TIGI 2019: Flood

IFoA Flood Working Party
Flood is still on the Agenda

2018
Flood warnings in place after Easter rain and snow

2019
UK weather: Hottest Easter Monday on record
Flood is still on the Agenda

Storm Gareth advances with floods and 75mph winds

13 March 2019

The wettest summer on record - 10 years on from the 2007 floods

By Jake Wright
BBC News

21 July 2017

Storm Callum: One killed as Wales suffers ‘worst flooding for 30 years’

13 October 2018

Institute and Faculty of Actuaries
2039

From Wikipedia, the free encyclopedia

This article is about the year 2039.

2039 (MMXXXIX) will be a common year starting on Saturday of the Gregorian calendar, the 2039th year of the Common Era (CE) and Anno Domini (AD) designations, the 39th year of the 3rd millennium, the 39th year of the 21st century, and the 10th and last year of the 2030s decade.

Predicted and scheduled events [ edit ]

- June 21 – Annular solar eclipse over the Northern hemisphere.
- September 2 – The Destroyers for Bases Agreement's ninety-nine-year rent-free leases granted to the United States by the United Kingdom will expire.
- November 7 – Transit of Mercury.
What is Flood Re?

Homes built after 2009
Commercial properties
Buy to lets
How does Flood Re work?

Flood Re

Flood Re Premiums

Levy

Flood Re Claims

Premiums

Claims

Home insurers

Premiums

Claims

Low flood risk homes

High flood risk homes
How does Flood Re work?

Flood Re

12.5% reduction in 2018

Flood Re Premiums

Levy

Home insurers

Levy I: £180m

Levy II...
Flood Risk in the UK

Flood Re

Flood Re

Home insurers

Low flood risk homes

High flood risk homes

Flood Re

Premiums

Claims

Flood Re premiums

Levy

Flood Re claims

Claims

Premiums

Not Flood Re

Not Flood Re Scope

Homes built after 2009

Commercial properties

Buy to lets

Super High Risk

Flood Re (2039?)

24 April 2019
Flood Risk in the UK

- Affordable flood cover for customers?
- Managed flood risk for insurers?
- Transition plan and acknowledgement of challenges?
- Stakeholder engagement on 2039 challenge?
- Customer & insurer buy-in to resilience and resistance?
- Customer awareness of flood risk?
- Buy-in from property developers/local authorities?
- Pressure to meet home building targets?
- Climate change adding to the underlying risk?
- Consistency and predictability of government policy?
Flood Re Action

**Action to Date**
- Raise awareness
- Increase understanding
- Engage widely
  - Additionality
  - Expertise
  - Impact
  - Sustainability
  - Partnership

**Next Steps**
- Continue with current work
- Develop the role of Flood Re
- Increasing resilience through resilient repair
- Building social capital and strengthening communities
- Incentivising action from households
Risks currently ceded to Flood Re must return to "Risk-reflective" pricing by 2039

Outcome A:
Market will provide insurance to the majority of high flood risk households, but premiums are at a rate that most will find affordable.

Target outcome:
Market with risk-reflective pricing exists and provides widely available and affordable insurance to high flood risk households.

Outcome C:
Transition not successful – market is small and very costly – the majority of high flood risk households cannot gain insurance at all.

Outcome B:
Market provides affordable flood insurance for small number of properties (likely those with lowest risk) with remainder of market not being covered.

Outcome B:

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Outcome C:
A reminder that the inherent risk is growing…and the challenge of risk reflective pricing does too…

Emissions

Population

Insufficient defences

Continued development near water

Removal of Natural Drainage
The challenge of “Risk-reflective” pricing by 2039

Reducing risk

Reducing Damage & Cost

Target outcome:
Market with risk-reflective pricing exists and provides widely available and affordable insurance to high flood risk households

Limits of Affordability

Achieve an Effective Market

24 April 2019
# Macro & Micro Flood Defences – Survey Responses from 2018 Working Party

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*24 April 2019*
Flood Risk in the UK

Not Ceded to Flood Re
- Could be ceded to Flood Re, but insurers choose not to
- Likely to mean that risk based pricing of these risks is within reasonable tolerances for both insurer and customer? Customers can switch insurers.

Homes built after 2009
- Excluded from Flood Re scope
- Should benefit from flood defences, resilience etc embedded into building planning, but is this effective? How many properties?
New Builds

Rush to build new homes will increase flooding, experts warn

Anger as council agrees new homes on flood zone at Claines, Worcester

Why do we insist on building on flood plains?

Residents living on new housing estate say they fear homes will flood every time it rains

Hundreds of homes are built each year despite flood risk objections
Developers were granted planning permission from the council, despite concerns about flooding

Affected by floods in 2012

Developers have since put in defences
Flood Risk in the UK

Not Ceded to Flood Re
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- Likely to mean that risk based pricing of these risks is within reasonable tolerances for both insurer and customer? Customers can switch insurers.

Homes built after 2009
- Excluded from Flood Re scope
- Should benefit from flood defences, resilience etc embedded into building planning, but is this effective? How many properties?

Commercial properties
- Excluded from Flood Re scope
- Commercial businesses should have the insights & acumen to manage their own Flood Risk. But is this true for Small & Medium Enterprises (SMEs)?

Buy to Lets
- Excluded from Flood Re scope
- Landlords should have the insights & acumen to manage their own Flood Risk. But is this true for ‘Domestic’ or ‘Accidental’ landlords?

Super High Risk
- Very likely to be ceded to Flood Re by insurers
- Flood Re: “continued support for those with unavoidably high level of flood risk” and “minimising the size” of this group. How many is too many?
Everybody’s happy?

Are building regulations & flood defences working?
How many? How many in flood areas?
What’s the impact of local flood defences? Consequent impact elsewhere?

Larger businesses have scale, knowledge & incentive to manage risk?
SME’s – should these be considered in scope of Flood Re?
How many? How many in flood areas?

Professional landlords have scale, knowledge & incentive to manage risk?
Accidental landlords – should these be considered in scope of Flood Re?
How many? How many in flood areas?

Everybody’s happy, until 2039?
What is “super high risk”?
How many? How many is acceptable?
Themes for the 2019/20 Flood WP to consider…

• Risk based affordable pricing for Flood Risk, in the absence of Flood Re from 2039
  – Continuing the work of the 2018 WP, quantifying Climate Change challenge, looking at resilience/resistance measures & effectiveness etc

• What is the “Super High Risk Pool” and what is our national tolerance for its size?
  – Establishing a ‘risk appetite’ for 2039

• Has Government spending on Flood defences been effective, sufficient and fairly distributed?
  – Understanding, analysis & potential to influence forthcoming spending review

• What is the profile of 2009+ new builds, specific flood defences effectiveness & impact?
  – Building a profile of the ‘out of Flood Re scope’ Flood Risk

• What is the size of the SME/Accidental Landlords exposure and its Flood Risk profile?
  – Building a profile of the ‘out of Flood Re scope’ Flood Risk
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