

**Romsey & District
Flood Defence Forum**

*An Insurance
Perspective*

AGENDA

- **Remembering Last Year.**
- **What Caused it?**
- **Background to the flooding issue in the UK.**
- **Getting Insurance in the Future.**
- **What is needed from an Insurance industry perspective.**

Flood – UK Reality

Now

- **More than 2 million homes at risk from coastal or inland flooding (10% of total homes in the UK) and;**
- **400,000 homes at very high risk of flooding (greater than 1.3 % annual probability or 1-in-75 chance);**
- **Number of ‘older’ people living in coastal communities projected to rise.**

Flood – UK Reality?

Future

- **Climate change impact *plus*;**
- **No change in government policies or spending leading to;**
- **Increase the number of properties at risk to 3.5 million;**
- **Continued pressure on land = even more new developments being situated in floodplains.**

Exposure is growing...

- **More people are living near the coast or rivers;**
- **In England, 89 hospitals and 2,374 schools are on floodplains. Over 70% have no flood defences;**
- **11% of new houses in England since 2000 have been built in flood hazard areas;**
- **90% of houses in Thames Gateway will be at high risk of flooding.**

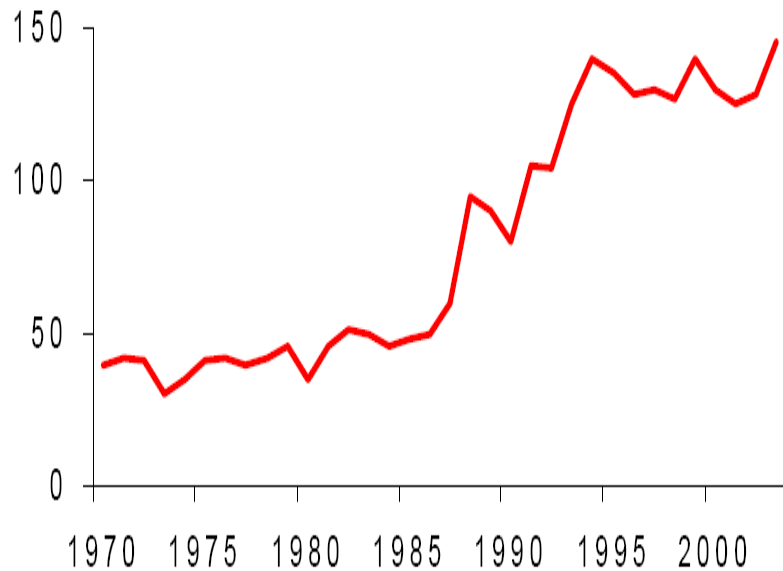
Source: Study, 2006 and
House of Commons Communities and Local Government Select Committee November 2006

Vulnerability is growing...

- **Demographic change - older population;**
- **Lightweight building construction since 1971;**
- **More dependence on electricity;**
- **More underground transport and parking;**
- **Poorer socio economic groups suffer most and;**
- **Social cohesion will break down??**

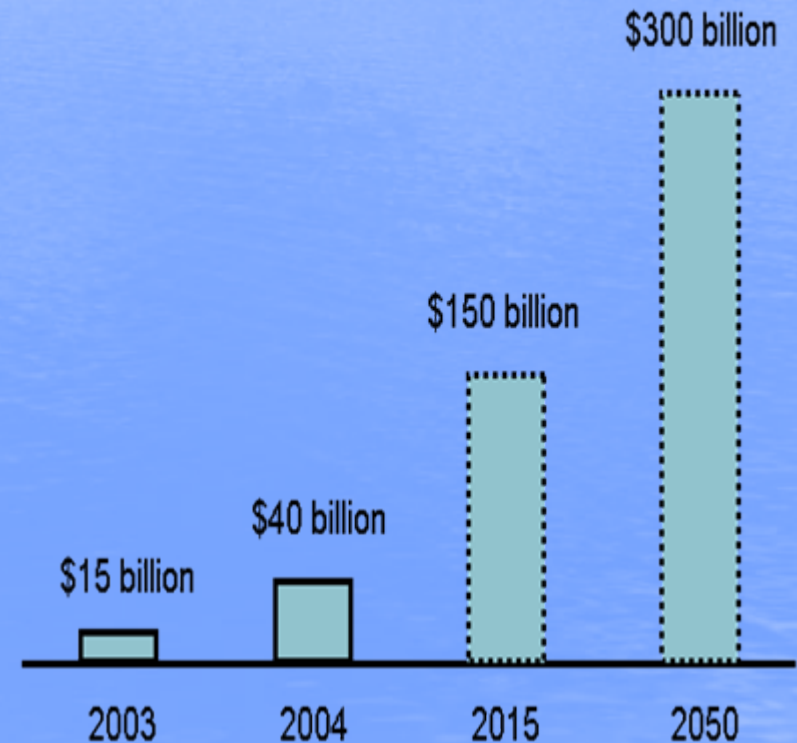
Is Climate Change the Cause?

Number of Extreme weather Events 1970 - 2004



Source: Munich Re (Insured damage 2004 excludes Asian Tsunami)

Cost of Extreme Weather Events



Summer 2007 – Why?

- **Jet Stream extremely strong and;**
- **Stayed further south than normal;**
- **Deep Atlantic depressions crossed UK;**
- **High pressure over Eastern Europe;**
- **Rain did not run out as normal as moisture continued to self generate from the North Sea.**

WETTEST MAY, JUNE & JULY SINCE 1700's.

Flood Insurance

- **Standard feature in UK household insurance since 1960's**
 - *Few EUI countries, Australia or North America provide flood automatically or without special conditions.*
- **20+ million properties in England & Wales**
 - c 2 million homes at risk of flood
 - 130,000 commercial properties at risk of flood
 - Aggregate of domestic, commercial & agricultural land at risk represents £220bn exposure.

Facts

- **2007 was wettest summer in England & Wales since 1766 (records began);**
- **Two distinct individual incidents**
 - 25th June: Sheffield, Doncaster, Rotherham, Hull
 - 20th July: Oxford, Gloucester, Tewkesbury, Evesham.
- **60,000 claims with losses totalling £3.25bn;**
- **Largest flood insurance losses in UK to date.**

Facts - June Event

- Event was primarily a 'drainage' issue;
- Most claims were not in recognised flood risk areas with some being 1.5km distant from any flood zone;
- 8% of notified claims were in Environment Agency 'significant zone' (1 in 75 years).

Facts - July Event

- Claims affected more traditional flood prone areas;
- 21% of notified claims were in Environment Agency 'significant zone' (1 in 75 years) compared to 8% in June;
- Many cases of flash-flood in non-traditional areas such as high streets which were exacerbated by poor drainage;
- 72% of notified claims are for postcodes outside the EA floodplain (1:1,000).

Seven Recommendations

- 1. Closer partnership between the insurance industry and government.**
- 2. Influence companies over their carbon emissions and environmental policies.**
- 3. Work to support and strengthen the European Emissions Trading Scheme.**
- 4. Advise government on the flood hazards of areas designated for new development.**
- 5. Encourage sustainable flood management solutions**
- 6. Produce own, more resilient, building standards for new build and repairs.**
- 7. Incentives to promote sustainable and responsible behaviour in developments and business practice.**

The Learnings

- **Parliamentary all party forum;**
- **Re-visit and reinforce contingency plans;**
- **Market agreements/Collaboration helps;**
- **Insurers Linkage to Local Authorities;**
- **Communications – Essential;**
- **Risk Control & Advice needs improvement;**
- **Insurance Acceptance & Pricing.**


'The Statement of Principles'

Seeking insurance after a flood - insurers attitude

- **Insurers (Assoc British Insurers) have agreed they will continue to provide cover in Flood Affected Areas subject to;**
- **Government agreeing to continue to spend adequately on Flood Defences;**
- **The 'Guarantee' is in respect of existing properties already insured only, and there is no guarantee with regard to the level of premium.**

Pricing & Attitude to Risk

- Insurance principle – ‘premiums from many pay the claims of the few’;
- Not designed to pay for inevitable damage;
- Properties that suffer multiple claims - rating increases and excesses;
- Insurers working with policyholders to help them mitigate the risks;
- Subject to Government investment and customers working with us to reduce individual risks, unlikely that any major insurer will decline risks;
- Increases in premium and excess



Town Centre

Questions?