

ABI Flooding Conference Summary

The ABI Flooding Conference, “Fighting Flood Risk Together”, sponsored by Ordnance Survey, took place on November 24th and attracted over 150 delegates. The summary page from the ABI’s conference publication is attached overleaf.

Introduction – Maggie Craig – ABI Acting Director General

Maggie Craig opened the conference by highlighting the work which the ABI has done on flooding issues. Brokering the Statement of Principles agreement with the Government in 2002, and renewing it in 2008, had been a key aspect of this. Maggie argued, however, that the Statement of Principles was not sustainable as it distorts the insurance market, reduces incentives to invest in flood risk management, and does not apply to new developments built after 2009. We must therefore find alternatives from 2013 onwards.

Other ABI work has included:

- Producing guidance on planning for new developments;
- Producing consumer guidance on resistant and resilient repair after a flood;
- Working with Government on the passage of the Flood and Water Management Act (2010)

Panel Session on Flood Defence Investment

Flood defence spending is a vital part of managing flood risk. The Environment Agency’s Long Term Investment Strategy (2009) stated that spending on flood defences must rise significantly just to maintain the current levels of protection. This session covered what the recent spending review announcements mean for new and existing flood defences. Key issues highlighted were:

- Everyone recognises the huge challenge of managing flood risk, particularly given current financial pressures;
- We need a focus on delivery of real outcomes for consumers;
- Real outcomes will depend on strong partnerships between all stakeholders;
- A long term, cross-party framework for flood defence spending is needed to provide certainty to insurers and the public.
- Local Authorities have more choice now as to how they spend their money which presents both risks and opportunities for flood defence spending. Overall, Local Authority funding is down, and new sources of income may have to be considered.
- The private sector, including utility companies, could potentially deliver both capital and operational flood defence projects effectively.

Speech by Tim Breedon – ABI Chairman

Tim Breedon spoke on the perspective of the insurance industry on flooding. He stressed that while insurance deals with the consequences of flooding, it is vitally important to effectively manage the causes of flooding as well. Particular emphasis was placed on the planning system, the case for investment in flood defences, and the dangers of climate change.

Tim concluded by highlighting three ways that the insurance industry could play its role in the partnership to manage flood risk.

- Investment in flood management infrastructure through mechanisms such as the Green Investment Bank;
- Explore practical, sustainable and equitable options to ensure that flood insurance remains affordable;
- Helping to ensure that flood hazard and flood risk data is kept as accurate and up to date as possible.

Keynote Speech – The Rt. Hon. Caroline Spelman MP

The Secretary of State for Environment, Food and Rural Affairs began by recognising the important role played by insurers and loss adjustors in dealing with the aftermath of flood events. She announced the publication of the draft DEFRA and Environment Agency 'National Strategy for Flood and Coastal Erosion Risk Management', which will be subject to a 12 week consultation ending in February. Defra have also begun a consultation into a new 'sliding scale' system for funding flood defences in England.

Breakout Session on Flood Risk Sharing (sponsored by Oxera)

Given the expiry of the Statement of Principles in 2013, participants agreed that there needed to be a sustainable and practical system in place to share flood risk between consumers, Government and insurers. Following the Ministerial Flood Summit on 16th September, DEFRA have set up a working group to consider this issue and the ABI have already commissioned research by economic consultants Oxera to analyse potential risk sharing models. The four panellists spoke on their perspectives on this issue, and highlighted a number of key issues:

- The UK has benefitted from a system where flood cover is widely available.
- The future risk is unknown, and it was questioned whether we properly understand risk now.
- The problem of ensuring that flood insurance remains affordable, if we move towards premiums that reflect flood risk better.
- What is the optimal balance between insurance and risk mitigation?
- How to incentivise consumers to take action themselves.
- Responsibility for dealing with these issues needed to be shared between consumers, Government and insurers.

Breakout Session on Flood Mapping and Data Sharing

Flood hazard and flood risk data is critical to the effective management of flood risk. Accurate data is needed to properly plan for implementing flood defences, to enable insurance companies to price flood risk accurately, and to enable consumers and developers to make informed choices about their investments in flood risk areas.

The discussion highlighted the following issues:

- Flood mapping is constantly evolving as knowledge and understanding of flood risk improves. 3D maps and models are replacing 2D maps, which should enable those with access to these

maps to understand their flood risks more accurately at local levels, even at individual property level.

- The Environment Agency's NaFRA data and first and second generations of surface water mapping have limitations, but should be used by Local Authorities as a starting point.
- Local Authorities are tasked with taking these maps and developing them into local level flood risk assessments and the challenge is to use these tools to inform the wider public, communities and businesses about flood risk.
- Sharing and pooling data presents a number of challenges for insurers, local authorities, water companies, the EA and others
- Larger insurers who have invested in understanding flood risk have gained competitive advantage through this investment. They would need to be persuaded that the upside of sharing data with their competitors outweighs the downside.
- Protocols between utility companies and Local Authorities are also developing but leadership is needed to implement these protocols at the local level.

Panel Session on Flood Resistance, Resilience and Recovery: Consumer and Business Perspectives

Encouraging flood resistance and resilience measures, both in new developments and as part of repair after flood events, is a key flood risk management strategy, but there has been relatively little research into consumer and small business perspectives on this. This session drew together thoughts on resistance and resilience measures, from the perspectives of flood victims (through the National Flood Forum), brokers, loss adjusters and insurers.

Panellist concluded that:

- It was accepted that the insurance industry is doing an increasingly good job when major flood events occur.
- It is vital to ensure that the industry communicates in a timely and appropriate fashion with flood victims, and understands the distress that flood victims face.
- Household resilience measures do work well, and do not have to be unsightly. However there is a general reluctance from the public to accept resilience measures, and better communication of the benefits is required.

The Scale of the Flooding Problem:

- The Environment Agency estimates that 5.2 million homes in England alone are at risk of flooding – that's one in six – and 185,000 businesses;
- Many properties are threatened by surface water flooding, as well as flooding from rivers and the sea;
- The 2009 floods in Cumbria demonstrated how devastating flooding can be not just to homes, but also to businesses;
- If investment in flood defences stays constant there will be 350,000 more properties in England at significant flood risk by 2035;

The insurance industry covers much of this risk. It paid out:

- £3bn after the 2007 floods;
- £174m after the 2009 Cumbrian floods;
- An average of £20-40K per household flood claim, and £60k per business claim.

The levels of flood cover provided by the UK insurance industry today are almost unparalleled in Europe.

Priorities for the future:

- Effective use of flood defence spending to deliver the best possible outcomes on the ground;
- World-class and up-to-date flood risk data available for use by insurers and the public;
- A practical and sustainable solution to replace the Statement of Principles in 2013;
- Research into the potential for implementing Resistance and Resilience measures widely.