

Flood insurance for homes and business: looking to the future

Seth Williams, Association of British Insurers



Association of British Insurers

Flood Re

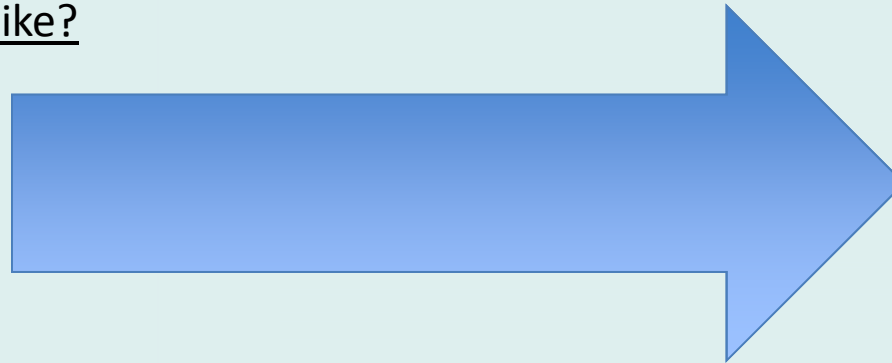
- Flood Re went live on 4th April, 2016. This year the customer benefits of five years of ABI innovation and industry leadership are finally being realised.
- We expect Flood Re to benefit around 350,000 homeowners when up to capacity, but its flexible design means it can cater for as many as the market wants to pass to it.
- Allows for a competitive insurance market for high flood risk homes that previously didn't exist.
- 22.5 years left to transition to risk reflective prices. Long-term future of flood insurance for the high-risk domestic market is dependent on reducing the risk or reducing claims costs from floods.
- Homes built after 1 January 2009 subject to open market pricing. New developments need to be properly managed with flood risk in mind.
- Large leasehold blocks and small businesses.



Transition

What will 2039 look like?

Flood Re
premiums



Risk-reflective
premiums

Availability?

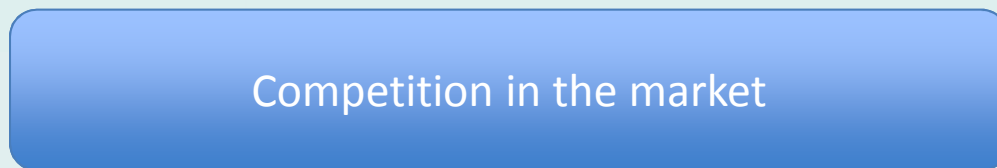
Affordability?

Flood risk

Claims cost



Repair costs,
Flood depth,
Customer
expectations



Considerations

- Understanding affordability and availability.
- Understanding current and future flood risk – Flood Re data.
- Flood defence investment.
- Natural flood risk management.
- Consumer awareness of flood risk.
- Resistance and resilience – including building regulations.
- Inappropriate development.
- Building design.
- Ways to reduce claims repairs costs.
- More radical solutions – moving communities?



Businesses

- Currently no indication from ABI commercial property insurers of a widespread failure in the market to provide flood insurance to businesses.
- There are pockets of the country where some businesses are experiencing problems, but in most cases solutions can be found.

For those where problems do exist – why Flood Re is not the solution:

- Flood Re is built to deal with a widespread issue in the home insurance market and based on key fundamentals of home insurance e.g. standardised product, Council tax bands.
- Sheer variety and complexity of business insurance products.
- Majority of businesses rent premises.
- What is affordable for an SME?
- Subsidising across sectors, or competing businesses, creates significant societal and potential legal challenges

More viable solutions

- More targeted assistance for businesses to understand flood risk and take action themselves:

- How to understand your risk of flooding;
- How to prepare your business for flooding;
- How to develop a business specific flood risk management plan;
- How to best access and shop around the insurance market;
- Are there actions you can take that might reduce your insurance costs or your future risk of flooding;
- How to make your business more resilient to future floods;
- Signposting to any Government assistance.

- Better protection of communities.
- Direct Government support for businesses at high risk.
- Broker-led solutions.
- Business community solutions.
- Some form of Government cover for those unable to access the market – examples in other forms of insurance.

