



Association of British Insurers

Flooding, planning and beyond– a UK perspective on climate change and insurance

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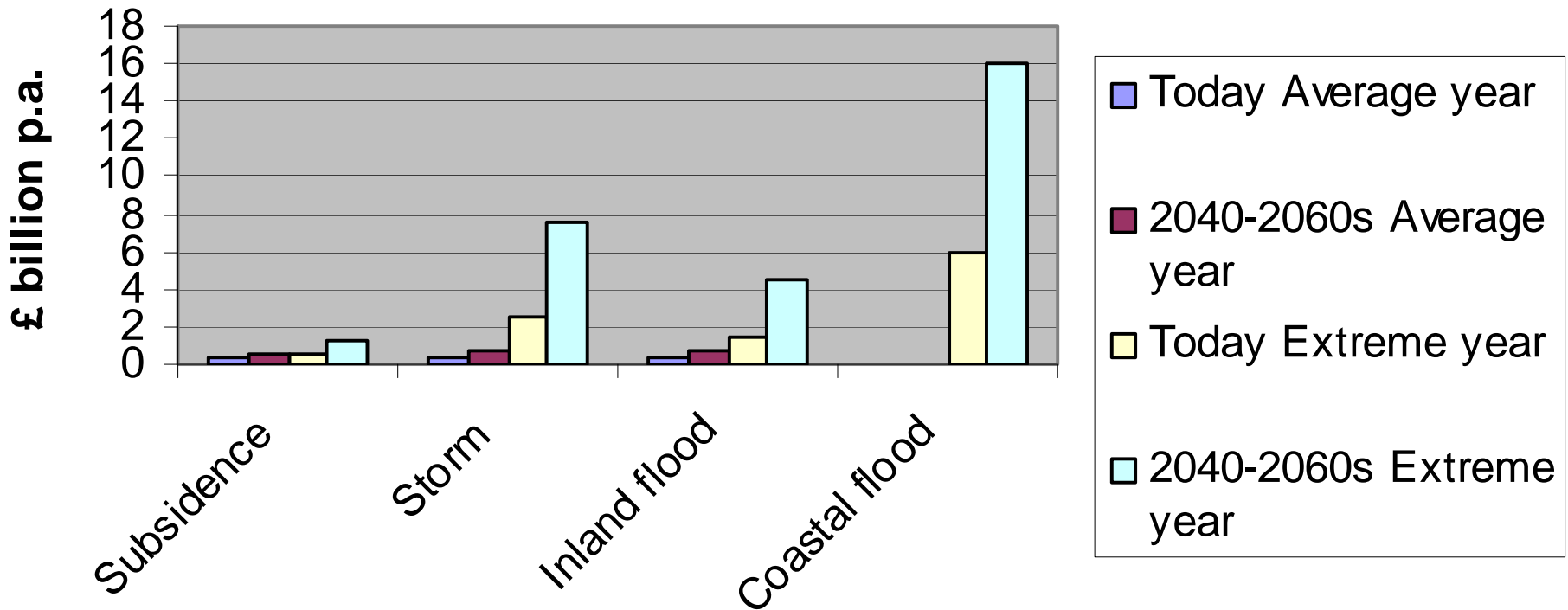
The story line

- Climate Change is happening.
- Investors and insurers are looking to understand the implications and decide the returns the risks require.
- Insurers rely on data and scientific analysis to assess the risks.
- Adaptation and mitigation need to go hand in hand.
- **Loss prevention and increased resilience are the key pillars – but clear regulatory signals are still missing.**
- **A public-private partnership approach is needed to keep the risks manageable, so that insurance will remain an affordable and sustainable solution.**
- It is a challenge, but there are new opportunities too!



Climate Change and Cost of insured losses

Climate change and UK weather damage





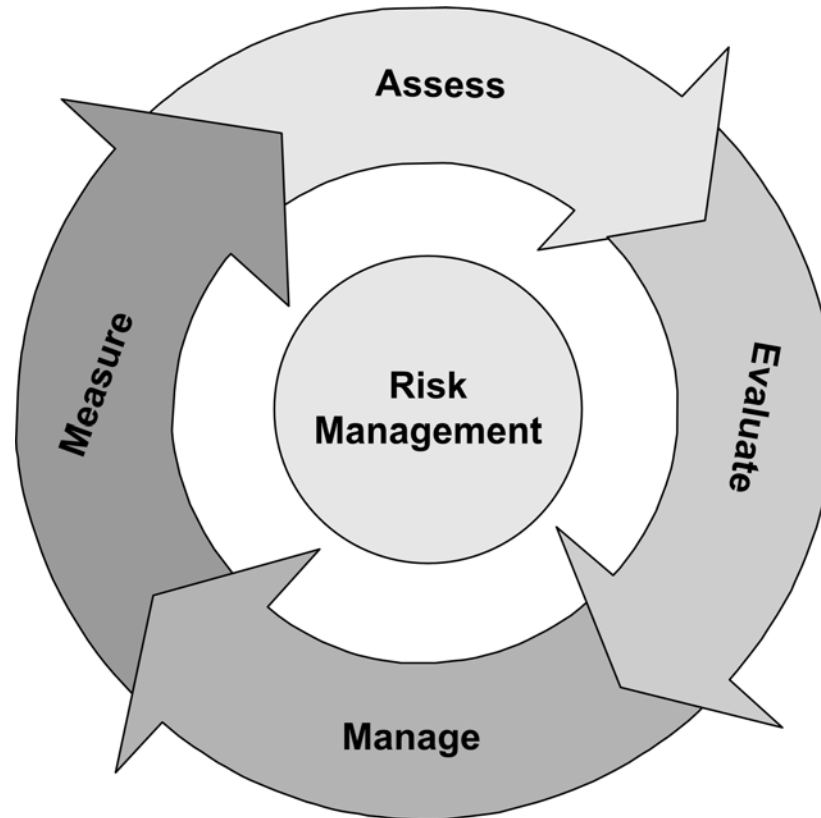
Managing risk

- Actions to prevent further climate change
- Actions to protect us from inevitable climate change
 - community and regional planning
 - development planning
 - building design
 - product design
 - institutional behaviours
 - individual behaviours





Adaptation = Risk Management





Adaptation responses needed – the ABI's Adaptation Manifesto



- Habitable housing
- Flexible commercial buildings
- Risk based development
- Reliable transportation
- Secure energy supplies
- Safe and secure water supplies
- Well educated workforce
- Healthy people
- Resilient trading partners



Insurance and adaptation

- In markets with an existing natural hazard insurance market: adaptation is the key to maintaining insurance products affordable and available
- In emerging markets: adaptation is one of the conditions for establishing a functioning market



Summer Floods 2007 – the insured costs

Total cost: estimated to be £3bn

Total number of claims: around 165,000

Total domestic claims: around 120,000
(45,000 major, 75,000 minor)

Total commercial claims: around 27,000
(15,000 major, 12,000 minor)

Total motor claims: around 18,000





Problems and solutions

We call on the Government to develop a 25-year strategy to manage Britain's growing flood risk.

Action is needed in the following four areas:

- national targets and leadership supporting local empowerment;
- identifying and reducing flood risk for today and tomorrow;
- planning policy fit for the future;
- preparing for floods and how to respond.





ABI Statement of Principles

- Provide flood cover as standard feature under normal competitive market for those at less than 1.3% annual probability of flooding (1-in-75 yr)
- Continue cover to existing policyholders in areas where defences will be in place within 5 years that reduce risk to less than 1.3% annual probability
- Use best efforts, on a case-by-case basis, with existing policyholders where no defences planned
- Dependant on government managing flood risk



What does it mean for Government?

- Sustained flood risk management expenditure
- Implement floodplain planning guidance fully
- Improve flood risk maps
- Improve flood warning systems
- Develop integrated drainage management
- Tackle sewer/urban flooding



Statement of Principles Review

July 2008

Joint Industry/Government Review

- Improve data available to assess flood risk
- Agree approach for a long term strategy to manage flood risk
- Prevent inappropriate development in flood risk areas and promote increased resilience



But: The Statement of Principles doesn't apply to New Developments

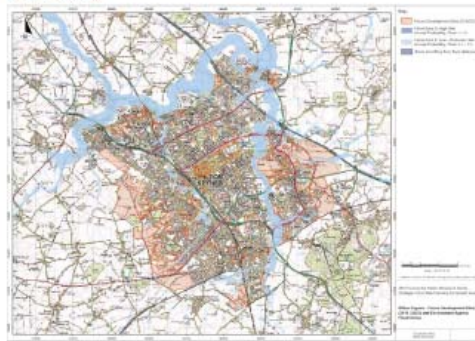




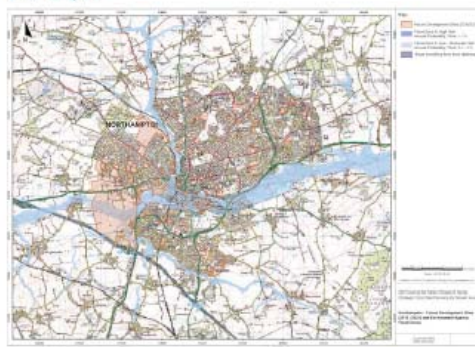
“It would be barmy to go ahead with large numbers of dwellings in areas where flood risk was great”

Lord Rooker

c. Milton Keynes



d. Northampton

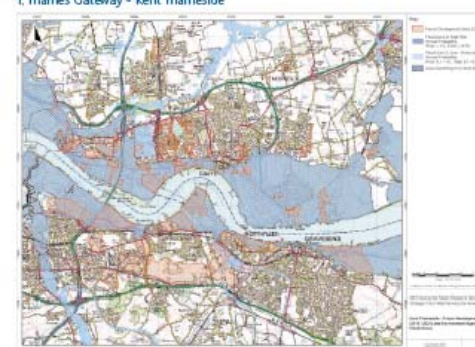


e. Thames Gateway - East London



Note Thames Gateway sites with residential potential

f. Thames Gateway - Kent Thameside





How can Developers ensure new properties are insurable?

- ABI will publish guidelines in Winter 2008
- Developers will be encouraged to provide a New Build Flood Certificate for inclusion in Home Information Packs to allow insurers and homeowners to assess risk



Hierarchy of choices for adaptation – the planning approach

Can site/properties be located outside the floodplain?

If not...

Can properties be located in the lowest flood risk areas?

If not...

Can occupied areas be raised above flood heights?

If not...

Are flood defences feasible/ cost effective?

If not...

Identify relevant property resilience options and examine alternative flood alleviation measures.



The regulatory framework – examples:

- Making climate change adaptation an integral part of existing policies/regulations
- Focus on certain hazards: “UK Flooding Bill”
 - Surface water flooding and drainage are fully assessed and considered as part of the planning process
 - Sustainable Urban Drainage Systems are used where practical
- Building Regulations
 - Revision to require resilience in flood risk areas
 - A voluntary ‘quality’ standard for resistance/resilience
 - Sustainable Building Codes



New market opportunities



Increasing market penetration and uptake of existing weather-related insurance products.

New climate-friendly and resilient products – cover options/customer relations/added services.



Changing business risk profiles.



ClimateWise

REDUCING THE RISK FOR TOMORROW

The commitment

1. Lead in risk analysis
2. Inform public policy making
3. Support climate awareness amongst our customers
4. Incorporate climate change into our investment strategies
5. Reduce the environmental impact of our business
6. Report and be accountable





Thinking for tomorrow, acting today

