



Association of British Insurers

# Tim Humphreys ABI

IFAA Conference

[abi.org.uk](http://abi.org.uk)



## Agenda

- Recent flooding events
- The Pitt Report
- Responding to floods: The role of the ABI
- The ABI Statement of Principles on flood insurance
- The future of flood insurance in the UK
- The recent riots in England

[abi.org.uk](http://abi.org.uk)



# The cost of flooding

**2007 floods** total insurance claims cost: estimated to be £3bn

Total number of claims: around 185,000

Total domestic claims: around 130,000 (50,000 major)

17, 000 insured households went into alternative accommodation

Total commercial claims: around 35,000

Total motor claims: around 20,000



**2009 Cumbrian floods** total insurance claims costs of the floods and storms between 19 and 25 November: around £200m (property and motor)

4,000 are flood claims and 32,000 storm claims

Approximately 300 households re-housed in alternative accommodation

Around 60% of the cost of the claims is from businesses



abi.org.uk



## The Pitt Report

- Pitt Report described the floods as the largest peacetime emergency since WW2 and made 92 recommendations.
- Recommended long term plan to reduce flood risk, greater role for the EA, better flood warning etc.
- Report recognised the insurance industry played a major role in the recovery process and “responded well” to the floods.
- Feedback from the Pitt team was that the response of the insurance industry was a “positive story” and that whilst the industry could further improve, there is no need to fundamentally change the way it operates.
- We must continue to reinforce the value of insurance to businesses and individuals



abi.org.uk



## Responding to floods: The role of the ABI

- Monitor the scale of the event, collect statistical information from members.
- Provide authoritative source of advice, guidance and comment on insurance issues to the media, Government, local responders, customers and the public.
- Arrange for insurance representation at meetings of Gold, Silver and Bronze command meetings and on relevant recovery groups.
- Meet Ministers, MPs and others to explain the industry's position and facilitate meetings between members and key people.
- Facilitate meetings and teleconferences between members and CILA and the BDMA at senior levels.
- Arrange visits to affected areas by senior ABI, CILA and BDMA staff.
- Arrange for the insurance industry to be represented at community meetings in affected areas.



## Agreement on flood insurance

Until 30 June 2013, ABI members commit to:

- Continue to make flood insurance for domestic properties and small businesses available as a feature of standard household and small business policies if the flood risk is not significant (this is generally defined as no worse than a 1.3% or 1 in 75 annual probability of flooding).
- Continue to offer flood cover to existing domestic property and small business customers at significant flood risk providing the Environment Agency has announced plans and notified the ABI of its intention to reduce the risk for those customers below significant within five years. The commitment to offer cover will extend to the new owner of any applicable property subject to satisfactory information about the new owner.





## The future of flood insurance in the UK

- When the ABI and the government agreed the first Statement of Principles on flood insurance in 2000 it was intended as a short term agreement to provide assurance that insurance would continue to be available while the government undertook to better understand and manage flood risk.
- The EA estimates 5.2 million homes in England alone are at risk of flooding and a doubling of public spending on flood risk in the next 25 years will only maintain the current position.
- So insurers are facing a far higher exposure to flooding than they expected in 2000.
- The SoP will not be renewed when it expires in June 2013.
- A new way forward is needed, which will need Government, insurers and consumers to take a share of the responsibility for managing flood risk.

abi.org.uk



## Recent Riots in England

- Between 6 and 9 August riots took place in several cities in England.
- Riot is covered as standard in UK home and business policies.
- Around 4000 claims have been made.
- 2,500 from businesses.
- Cost around £200m.
- Some of this is recoverable under the Riot Damages Act 1886.
- Huge media event, ABI took part in dozens of broadcasts.
- Industry has again responded well to these events.



abi.org.uk



# Any questions?

