



Association of British Insurers

# SAFE AS HOUSES?

## flood risk and sustainable communities

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#### BOSCASTLE, MONDAY 16 AUGUST 2004:

20 cm of rain fell in 24-hours in a highly localised storm. At its peak, water in the River Valency flowed at 140 tonnes per second. Helicopter rescue services helped prevent fatalities, but 80 homes and businesses and around 100 cars were damaged or destroyed.

**Financial cost:** damage to property and cars £5 million, business interruption £5 – 10 million, met by insurance.

#### CARLISLE, WEEKEND OF 8 – 9 JANUARY 2005:

Over 20 cm of rain fell in two days. The river over-topped all 8 km (5 miles) of the town's flood defences with up to 1 metre of water. Two elderly women died and 150 people were admitted to hospital. 1,700 homes and businesses and around 1,500 cars were damaged.

**Financial cost:** currently estimated at £240 million, being met by insurance.

### SOCIALLY RESPONSIBLE PARTNERS

Insurance companies understand that we have an important role. The industry:

- communicates risk, including via risk-based pricing, so that customers can take informed decisions to manage flood risk;
- provides funding and expertise to restore customers' properties, enabling normal life to resume as soon as possible after a flood;
- sets out the facts so that government and local communities can take appropriate action to manage flood risk; and
- acts as a strong voice in the national debate, speaking up for customers.

### WORKING WITH CONSTITUENCY MPs

**More than 5 million people in the UK live and work in areas at risk of flooding, including locations in your constituency. Around 1 in 5 properties in flood risk areas are not adequately protected.**

Over the last 5 years, the ABI and our members have campaigned consistently for improvements in flood risk management in the UK. We have made real progress. But more needs to be done. Flooding will continue to be a priority issue throughout the next Parliament.

The insurance industry is keen to continue our work with MPs and other elected representatives to reduce the threat from flooding in your communities. This leaflet sets out our agenda for joint action.

### DELIVERING PROTECTION TO COMMUNITIES

Society expects government, central and local, to ensure that appropriate social and physical protections are in place.

Adequate flood defences, sensible development planning and effective flood warning and evacuation measures are all crucial. **But for most people and businesses protection from the financial consequences of flooding is provided by the insurance industry.** In fact all the pieces of this jigsaw need to be in place if prosperity is to be sustained in our riverside and coastal communities.

The financial impacts of flooding could be devastating to a community without insurance. Individual homeowners and businesses could be ruined – typically it

costs £15,000 - £30,000 to repair a flooded home. Insurance provides financial support in such times of emergency.

**Every year, the UK insurance industry pays out between £500 million and £1 billion in weather-related claims.**

Insurers ease the burden on customers by managing the repair process and by bringing in supplies and quality-assured repairers if local resources are overwhelmed. Insurance provides for temporary accommodation while repairs are undertaken.

## LEADING THE DEBATE – THE ABI'S AGENDA FOR REDUCING FLOOD RISK

### WHERE WERE WE FIVE YEARS AGO?

- **Investment** – flood defences were chronically under-funded at £332 million a year, and budgets under-utilised by 14%. Over the years expenditure had been fitful, and was administered by around 700 bodies resulting in a lack of coherence and unnecessary costs.
- **Planning** – government guidance to planning authorities was largely silent on flood risk as a material consideration.
- **Risk information** – was in its infancy. Although the Environment Agency produced maps for planning authorities, few other decision makers used them, and few people signed up to receive or acted on flood warnings.
- **Urban drainage** – wasn't even on the agenda. Nobody took responsibility for flooding from roads or drains. Water companies were under-resourced in dealing with sewer flooding.

## COMMITMENTS SECURED AND PROGRESS MADE

### WHERE ARE WE NOW?

The ABI lobbied for improvements in all these areas. As a direct result of our activities progress has been made as follows:

- **Investment** – government raised annual spending to reach £564 million in 2005, and has promised to sustain this higher level until at least 2008. Nearly all funding now goes directly to the Environment Agency. But many existing flood defences are at the end of their effective lives and efficiency savings of at least £15 million each year are needed at the Environment Agency to meet rising costs.
- **Planning** – new guidance in 2001 introduced flood risk assessment. But too often Environment Agency advice is still ignored. A staggering 1 in 5 developments go ahead despite sustained Agency objections.
- **Risk information** – better maps give the public, planners, insurers and lenders more information, and an extended, multi-media flood warning service is being put in place. But the central database on defences is incomplete and only 16% of people at risk of flooding know how to respond if faced with an imminent flood.
- **Urban drainage** – the role of the road drainage network in managing sudden rain fall is now accepted. Ofwat's recent pricing decisions should allow 9,000 properties at high risk from sewer flooding to be dealt with by 2010. But no over-arching mechanism yet exists to bring together all the agencies involved, either at national or local level, to take an integrated view on the drainage system.

## ENSURING ACTION TO MANAGE RISK

### WHERE DO WE NEED TO BE?

• **Investment** – must continue to rise in real terms over a sustained period, with funding taking account of the condition and level of defences and the potential impacts of flooding. Early estimates suggest that London alone needs over £4 billion to upgrade its defences – that's around 8 years of the national budget at current expenditure levels. Better ways to measure the effectiveness of investment need to be developed so that we can see how well and where risk is being managed.

Defra/Environment Agency responsibilities and procedures need to be streamlined further to minimise administrative costs.

• **Planning** – government's improved guidance needs to be acted on consistently. We need to make a reality of proposals to give the Environment Agency a statutory role on flood risk in planning, with call-in procedures where Agency advice is ignored. Crucially, development planning needs to take account of flood risk at the strategic level, so that developers are directed towards low risk areas, and not caught between competing planning priorities.

• **Risk information** – the Environment Agency's flood defences database needs to be complete and up-to-date before maps are revised later this year. Communities need to be more involved in emergency planning

so that everyone understands what they should do in response to warnings. Vulnerable people need additional support from local agencies.

• **Urban drainage** – forthcoming Department for Transport guidance on road drainage systems needs to be matched with money, and all relevant agencies need to co-ordinate efforts to ensure that real benefits are delivered in our towns and cities. Water companies must use 2005 price increases to address sewer flooding now, not in 2010.

## MAINTAINING PROGRESS

### WHAT DOES THE FUTURE HOLD?

Several factors could reverse recent gains if nothing further is done to address them. These include:

• **Development pressures** – particularly in South East England. Planning sustainable communities needs to take account of flood risk. The Government's proposals could increase the national cost of flooding by £55 million a year, on average. Most of this is avoidable through sensible planning, innovative design and improved local defences.

• **Climate change** – could increase the annual costs of flooding to between £5 billion and £20 billion by 2080, if the actions described above are not taken. The decisions we take now will determine the burdens that future generations inherit.

• **Technological changes** – offer both opportunities and challenges. For example, new building methods could reduce construction times and costs, but may be more vulnerable to flooding than traditional methods. Building regulations need to ensure new and refurbished homes are able to withstand worse storms and floods in the future.

## A LONG TERM COMMITMENT BY INSURERS

Insurers have been working to reduce the threats of coastal and inland flooding for over a decade. In September 2000, **the ABI published research estimating that heavy rain around our major rivers could cause between £1 billion and £2 billion** damage in a single event. Flooding that winter proved the point. Over £1 billion was paid out to householders and businesses.

**Immediately after the floods of 2000, ABI members offered reassurance to customers** by guaranteeing continued insurance for 2 years. The ABI used that time to secure a commitment to improve flood management from the Government. **In return for key improvements in flood risk management,** from January 2003 **ABI members committed themselves to:**

- **offering competitive flood cover as a standard feature** of Household insurance in adequately protected areas;
- **continuing to provide cover** for existing customers in areas **where the Government has committed to bringing defences up to a reasonable minimum standard** by 2007; and

- **working closely with customers** to continue to provide cover wherever possible in high risk areas even **where no improvements to flood defences are planned.**

Insurers have improved their own flood risk assessments considerably in recent years, whilst remaining highly competitive on pricing and other customer service issues. **Innovations such as temporary defences and flood resilient repairs have been investigated and encouraged.**

**Insurers work continually to improve their claims management services** – lessons from each event are built into future customer service. On the weekend of 8-9 January 2005, some insurers recorded a ten-fold increase in

claims call volumes due to the floods and storms in northern Britain. Insurers quickly deployed additional staff to handle calls and assess damage levels, including setting up mobile or temporary local offices immediately following the storms.

In Boscastle and Carlisle, **insurers acted quickly to work with local authorities** to co-ordinate the clean-up operation. Further lessons have been learnt and these are being discussed with emergency planning professionals.

## CONTACT US

When a crisis strikes, constituency MPs are often heavily involved in finding solutions to local problems. The ABI has worked closely with MPs in resolving insurance-related problems, and in lobbying for effective action to manage flood risk locally. We welcome these opportunities to co-operate on this important issue affecting your communities.

If you have any questions on flooding issues affecting your constituency please visit our website on [www.abi.org.uk/flooding](http://www.abi.org.uk/flooding) or [www.abi.org.uk/climatechange](http://www.abi.org.uk/climatechange)

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