



UK Flood Risks Project

**Notes from Project Team Meeting
13:30 to 16:00 on Wednesday, 8 September 1999
at Benfield Greig, 55 Bishopsgate, London**

Attendees:	Nigel Arnell	University of Southampton
	David Crichton	Association of British Insurers
	Bill Finlinson	ENTEC
	Colin Green	University of Middlesex
	Andrew Mitchell	Benfield Greig
	James Orr	TSUNAMI
	Edmund Penning-Rowell	University of Middlesex
	Julian Salt	Loss Prevention Council
	Simon Waller	ENTEC

Apologies:	Mike Clark	University of Southampton
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Accompanying Documentation:

Outline project plan attached. See also index of references.

Actions:

- JO and JS to liaise in drafting and distributing meeting notes, to include contacts details for the project team
- JS to produce and distribute a computer version of the "Map of Current Flood Research Activities", based on the hand-drawn sheet tabled at the meeting.
- NA, MC, CG and EPR to prepare and distribute (via JO) a detailed project plan.
- AM to forward details of IIASA's European Flood Risks proceedings to JO.
- DC and AM will investigate the appropriateness of AM attending the ABI interviews with insurers. At a minimum, AM will join DC and MC for the visits to members of the TSUNAMI consortium.
- BF and SW to develop and distribute (via JO) an outline project plan for ENTEC's work for the ABI.
- UK Flood Risks Project to be tabled as a potential presentation at the Royal Society TSUNAMI Conference on Monday, 10 and Tuesday, 11 April 2000.
- Next two meetings of the Project Team set as Thursday, 2 December 1999 and Tuesday, 9 May 2000.



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Notes:

1. Current Activities

JS presented a hand-drawn map describing the various parties known by the Project Team to be involved in flood research. The resulting information exchange included the following:

(a) General Policy Development Research

- **Department of Health** – Natural catastrophe health impacts study, including coastal flooding, by Dr Peter Baxter, Consultant Occupational Physician, from the Department of Community Medicine at the University of Cambridge.
- **Environment Agency** – Developing a National Centre for Flood Warnings, under Peter Heywood (*spelling?*), based in Frimley (*spelling?*).
- **Environment Agency** – Risk in Reservoirs (*further details?*). Includes consideration of climate change effects, under CYRIA (*spelling?*).
- **Halcrow** – World Bank backed proposal to study Hungarian flood management, looking to prioritise 120 major flood basins.
- **HR Wallingford** – Bid submitted to study vulnerability to coastal/river flooding in Europe (*verification and further details please?*).
- **MAFF Research** – Looking at the overall flood strategy for the Ministry, under Kevin Burgess of Halcrow, with HR Wallingford and EPR, due to complete in early 2000. Based on an “Assets at Risk” methodology, focusing on infrastructure and agricultural land.
- **National Audit Office** – Value for money review of flood protection, under Stuart Lindguard (*institution and spelling?*) and due to submit a draft report in March 2000.
- **Sustainable Urban Drainage** – Detention, retention (*and the rest?*).
- **UK Met.Office Extreme Weather** – With focus on infrastructure.
- **World Commission on Dams** – Based in South Africa, with global sponsorship. 17 thematic studies, to include flood impacts and due to report in January 2000.



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(b) Specific Insurance-Related Research

- **CNARA** – Based in Belgium, was to look at reviewing the Rampans Fund (*spelling?*) backed by the Government, to consider private sector solutions, with the Government as reinsurer of last resort.
- **HGN Consultancy, based in Germany** – Collaborating in existing ENTEC research project.
- **Hungarian Catastrophe Bond** – Targeted at local authorities, but poor demand as risk deemed too remote.
- **Italian Government** – Looking to reduce burden on state, to meet single currency participation criteria (budget deficit no greater than 3% of GDP). Past solutions involved levy on all bank accounts and practice of exploiting financial services industry in dealing with disasters.
- **Middlesex Flood Hazard Research Centre** – Hungarian flood study (partly distributed at meeting and full paper attached) including review of Australian, French, UK and US practices. Recommended three-tier system of “safety net”, “pooling of insured risks” and “actuarially priced top-up cover”.
- **Wharton Business School** – Currently evaluating the RMS and EQECAT catastrophe flood models. It is also believed that the Florida Joint Underwriting Commission may be carrying out similar research.

2. TSUNAMI UK Flood Risks Project

DC confirmed that the aim of the project was to deliver a new ABI Flood Strategy, based on consultation with the industry, which would be informed by data coming from the ENTEC project.

The target would be to hold a workshop in September 2000, at which the results of the consultation process would be developed to arrive at a mandate from the ABI membership, to approach the UK Government on Flood Risks in the UK.



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DC explained that with the improving quality and quantity of data on flood risks, there was a trend (on the basis of anecdotal evidence only) amongst companies to fractionally increase their rates on high-risk areas (e.g. by 10%) in order to withdraw from the market. The companies that did cover the high-risk areas (possibly by not following this practice) would ultimately be left with significantly greater risk than that implied by the premium they had charged.

If unchecked, this process could be expected to lead to increased fragmentation in the market, with the cost of insurance rising to the theoretically correct (a.k.a. “actuarial”) rate, which for many would be unaffordable. Property blight may then result.

(a) ENTEC River Flood Risks Study

The study by ENTEC would be more fully described in a project outline which BF and SW will forward after the meeting. However, the essence of the research is to look at the available data on flood risks and assess its quality, in estimating flood losses.

A review of catastrophe flood risk modelling (e.g. by RMS, EQECAT and ISL) would also be included, if at all practical, as well as a review of the new Flood Estimation Handbook and the Indicative Flood Maps from the Environment Agency. Looking forward, the research would take a “5-10 year perspective” in looking at likely trends in the provision and availability of flood risks data.

Finally, two quantitative deliverables from the research would be an estimate of the total housing value at risk from fluvial (river) flooding and an estimate of the probable maximum loss (*whatever that means*).

BF and SW distributed examples of the Indicative Flood Maps and explained that these would be distributed to all local planning authorities, on a CD ROM (including a basic Geographical Information System). These moves were prompted by changes in the conveyancing regulations, which now require solicitors to check on flood risks for properties. The maps would be launched at local Environment Agency AGMs on 16 September.

ISL currently held a licence for the distribution of elements of the data to the insurance industry, so these CDs could not be distributed to insurers. Alternative means of distribution were being discussed with ISL.



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(b) Project Plan (refer to Outline Project Plan – Phase I)

It was agreed that CG and EPR would deliver a paper to NA and MC, identifying and reviewing the policy issues relating to the research.

This “Policy Issues” paper would be delivered in sufficient time to enable NA and MC to develop discussion support products for MC, DC (and possibly AM’s) interviews with targeted UK-based insurers, *beginning mid-January 2000*.

NA and MC would develop the end-user requirements for the Insurance Industry and Government *between January 2000 and June 2000*, on the back of the visits to UK-based insurers.

The review of the available policy instrument options for market intervention would be carried out by CG and EPR, in preparation for a workshop (to be hosted by the ABI) in *September 2000*.

The “interim review” of the strategic options available would be carried out by NA, MC, CG and EPR, at the completion of the research project in *December 2000*. Following this review, it was hoped that the proposed “Phase II” research project could then commence.

As described under “Actions”, NA, MC, CG and EPR would collaborate to produce a detailed project plan, incorporating the above milestones.

TSUNAMI

Linking Insurance and Science

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REFERENCES

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2. "FASTER FORM – Flood And Storm Event Report Form", David Crichton, General Accident.
3. "Flood Appraisal Groups NPPG7 – and Insurance", Association of British Insurers, Third Edition, May 1999.
4. "Flood Damage in the UK – A report presenting the Dundee Flood Loss Tables", by Andrew Black and Sally Evans, Department of Geography, University of Dundee
5. "Flood Insurance as a Management Strategy for UK Coastal Resilience", Michael J Clark, Department of Geography, University of Southampton, Southampton SO17 1EJ. The Geographical Journal, Vol. 164, No. 3, November 1998, pp 333-343.
6. "Flood Insurance Systems in Selected European Countries", Caroline Van Schoubroeck, Fund of Scientific Research, Belgium.
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8. "How the Insurance Market will Use its Flood Research", David Crichton, General Accident and Chris Mounsey, ABI - MAFF Conference 1997.
9. "Insurance in the Big Event", Chris Mounsey, ABI – ICE Flood Seminar, March 1999.
10. "UK Climate Change Programme, Minutes of Evidence", David Crichton and Dr Julian Salt – Environmental, Transport and Regional Affairs Committee, House of Commons, March 1999.
11. "World Disaster Forum 1999 – Environmental Change and Natural Disasters", British Red Cross report on the proceedings of the International Programme Advisory and Development Department, June 1999.