

INVESTIGATION OF FLOOD RISK CONTROL METHODS FOR THE UK INSURANCE INDUSTRY

The 45 years since the 1953 East Coast Flood have seen:

- The introduction of extensive coastal and estuarine sea defences.
- An undertaking by the Association of British Insurers to the Government in the 1960s that flood insurance cover would continue to be made available on the open market.
- A rapid expansion and alteration of the UK property infrastructure, in quantity, type and location.

Various recent minor flood events, mostly of a fluvial inland nature, have revealed that a certain percentage of domestic property is not insured, often for economic reasons. Also, some housing has been built in areas that are particularly vulnerable to flooding. In a new political climate and with a highly competitive insurance market, there may be growing social and ethical pressures to ensure the wider use of flood insurance for household protection. Consequently, insurers may need new techniques to control the risk and its accumulation, when traditional pricing and risk transfer mechanisms are no longer applicable.

These techniques may include, for example:

- Encouraging new planning controls, to limit property development in vulnerable regions.
- Sponsorship of further river and sea defence measures.
- Insurance product pricing including protection for low cost housing.

The objective of this study is to detail the risks faced by the industry and then set out and discuss the options available. This should include an analysis of the economic implications, the issues for implementation and the consequences of any change in either the property regulations or the insurance market. This analysis would be referenced against an assessment of flood risks which would be determined in collaboration with representatives from the insurance industry.

Project proposals of total value between £20,000 and £50,000 are invited. Project duration should be no longer than 18 months from notification of the award of funding.