

Response ID ANON-D7DZ-33HW-X

Submitted to **Draft National Flood and Coastal Erosion Risk Management Strategy for England**
Submitted on **2019-07-03 16:29:18**

About you

Please tell us if you are responding as an individual or on behalf of an organisation or group.

Responding on behalf of an organisation or group (representing collective views)

If 'other' please specify: :

If you are representing collective views, please specify which organisation or group and what type it is e.g. environmental group, business.

Organisation or group::

Institute and Faculty of Actuaries

Can we publish your response? We will not publish any personal information or parts of your response that will reveal your identity.

Yes

Introduction and setting the context

1 To what extent do you agree with the vision: a nation ready for, and resilient to, flooding and coastal change – today, tomorrow and to the year 2100?

Strong agreement (I can support it)

Please explain your answer::

The IFoA is supportive of the Environment Agency's ambitious plan for managing and adapting to the UK's changing flood risk profile. It is important that the impacts of changing weather patterns caused by climate change are managed in the short, medium and long term. It is helpful that the strategy is forward-looking and focuses on a long time horizon. The long-term nature of the strategy will however mean that it will be necessary to conduct periodic reviews of the assumptions about the changing climate to ensure the objectives and measures remain achievable.

One area of concern is that the strategy and objectives do not directly align with Flood Re's 2039 end date. Some acknowledgement of, and alignment with, this target date in the strategy could help to build a more coordinated effort across the various actors involved in the management of, and response to, flooding. If the high risk of flooding still persists for large parts of the country in 2039 when Flood Re ceases to exist, the return to risk-reflective insurance pricing will not be affordable for many homeowners.

The following question relates to the strategic overview role of the Environment Agency.

2 To what extent do you agree with the Environment Agency's proposed strategic overview role as set out in the chapter 'setting the context for the draft strategy'?

Not Answered

Please explain your answer::

Climate resilient places

3a To what extent do you agree with strategic objective 1.1: Between now and 2050 the nation will be resilient to future flood and coastal risks. Over the next year the Environment Agency will work with partners to explore and develop the concept of standards for flood and coastal resilience?

Not Answered

Please explain your answer::

3b Please provide comments on the measures described under strategic objective 1.1, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under this ambition, and tell us about any additional measures you think there should be and how they might be delivered. :

4a To what extent do you agree with strategic objective 1.2: Between now and 2050 risk management authorities will help places plan and adapt to flooding and coastal change across a range of climate futures?

Not Answered

Please explain your answer::

4b Please provide comments on the measures described under strategic objective 1.2, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 1.2, and tell us about any additional measures you think there should be, and who could implement them. :

5a To what extent do you agree with strategic objective 1.3: Between now and 2030 all those involved in managing water will embrace and embed adaptive approaches to enhance the resilience of our environment to future flooding and drought?

Not Answered

Please explain your answer::

5b Please provide comments on the measures described under strategic objective 1.3, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 1.3, and tell us about any additional measures you think there should be, and who could implement them. :

6a To what extent do you agree with strategic objective 1.4: Between now and 2030 risk management authorities enhance the natural, built and historic environments so we leave it in a better state for the next generation?

Not Answered

Please explain your answer::

6b Please provide comments on the measures described under strategic objective 1.4, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 1.4, and tell us about any additional measures you think there should be, and who could implement them. :

7a To what extent do you agree with strategic objective 1.5: Between now and 2030, risk management authorities will use funding and financing from new sources to invest in making the nation resilient to flooding and coastal change?

Not Answered

Please explain your answer::

7b Please provide comments on the measures described under strategic objective 1.5, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 1.5, and tell us about any additional measures you think there should be, and who could implement them. :

Today's growth and infrastructure - resilient to tomorrow's climate

8a To what extent do you agree with strategic objective 2.1: Between now and 2030 all new development will contribute to achieving place based resilience to flooding and coastal change?

Strong agreement (I can support them)

Please explain your answer::

It is worrying that the Environment Agency predicts a doubling of the number of properties built on floodplains over the next 50 years. From an insurance perspective, these properties (and others built after 2009) will not be covered by Flood Re and thus homeowners may struggle to obtain affordable insurance to cover them against the risks of flooding. As such, we agree that it will be important "to find opportunities where investment to reduce the impacts of flooding and coastal change can also bring climate-resilient and sustainable growth." Solving these issues should be a priority in order to avoid the future negative impacts on homeowners, especially if building new homes in high flood risk areas is an inevitability.

8b Please provide comments on the measures described under strategic objective 2.1, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 2.1, and tell us about any additional measures you think there should be, and who could implement them. :

9a To what extent do you agree with strategic objective 2.2: Between now and 2030 all new development will seek to support environmental net gain in local places?

Not Answered

Please explain your answer::

9b Please provide comments on the measures described under strategic objective 2.2, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 2.2, and tell us about any additional measures you think there should be, and who could implement them. :

10a To what extent do you agree with strategic objective 2.3: Between now and 2030 all risk management authorities will contribute positively to local economic regeneration and sustainable growth through their investments in flooding and coastal change projects?

Not Answered

Please explain your answer: :

10b Please provide comments on the measures described under strategic objective 2.3, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 2.3, and tell us about any additional measures you think there should be, and who could implement them. :

11a To what extent do you agree with strategic objective 2.4: Between now and 2050 places affected by flooding and coastal change will be 'built back better' and in better places?

Strong agreement (I can support them)

Please explain your answer: :

Incorporating resistance and resilience measures into repairs after a flood, is an important way to help ensure homeowners can avoid the adverse impacts of any future flood event. Choosing to use resilient repair techniques is within the control of the insurance company providing the repair, but is a decision to be made jointly by the insurer and the homeowner.

To date there is mixed evidence as to individuals' appetites towards these sorts of repairs, and little incentive for either party to opt for resilient repairs, despite the seemingly obvious benefits. This problem is heavily linked with individuals' understanding and interpretation of their home's risk of flooding again in future. If someone underestimates their future flood risk, even after having been flooded in the past, they may be tempted to 'chance it' and hope they won't be flooded again, forgoing resilience measures for the sake of aesthetics or upfront costs. Anecdotal evidence suggests that this is a factor in people opting for or against these measures. As mentioned in our response to Q14a we are supportive of any initiatives that help people to better understand risk in this context.

More broadly, insurers will be aware that the higher cost of resilient repairs could result in increased premiums. It is understandable that a lack of enthusiasm for these methods would be exacerbated by the idea that they would push the cost of insurance up for all customers. This could be offset by the reduction in claims on resilient households, but it would take time for this change to manifest.

Flood Re also does not currently reimburse insurers for costs greater than the standard reinstatement after a flood, so insurers don't typically pay for costs greater than the standard reinstatement cost. Any changes to this practice is likely to further increase costs because insurers have to treat non-ceded Flood Re customers the same as Flood Re customers. Whilst this would encourage more resilient repairs, it would increase costs for insurers and ultimately all policyholders.

We currently don't see any national conversation about this payoff, which acknowledges the increased risk of flooding, and the various impacts this could have on individual households, both in terms of their risk profile and their insurance premiums. The highly competitive nature of the contemporary insurance industry means that that legislation and regulation would be required to compel insurers to go above and beyond their immediate obligations when it comes to resilient repairs.

11b Please provide comments on the measures described under strategic objective 2.4, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 2.4, and tell us about any additional measures you think there should be, and who could implement them.:

12a To what extent do you agree with strategic objective 2.5: Between now and 2030 all flooding and coastal infrastructure owners will understand the responsibilities they have to support flood and coastal resilience in places?

Not Answered

Please explain your answer: :

12b Please provide comments on the measures described under strategic objective 2.5, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 2.5, and tell us about any additional measures you think there should be, and who could implement them.:

13a To what extent do you agree with strategic objective 2.6: Between now and 2050 the Environment Agency and risk management authorities will work with infrastructure providers to ensure all infrastructure investment is resilient to future flooding and coastal change?

Not Answered

Please explain your answer: :

13b Please provide comments on the measures described under strategic objective 2.6, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 2.6, and tell us about any additional measures you think there should be, and who could implement them.:

A nation of climate champions, able to adapt to flooding and coastal change through innovation

14a To what extent do you agree with strategic objective 3.1: Between now and 2030 young people at 16 should understand the impact of flooding and coastal change, but also recognise the potential solutions for their place, and opportunities for career development?

Complete agreement (I can support them wholeheartedly)

Please explain your answer::

We are supportive of initiatives that help raise awareness of and understanding of complex ideas associated with risk.

14b Please provide comments on the measures described under strategic objective 3.1, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under this ambition, and tell us about any additional measures you think there should be and how they might be delivered. :

15a To what extent do you agree with strategic objective 3.2: Between now and 2030 people will understand the potential impact of flooding and coastal change on them and take action?

Not Answered

Please explain your answer: :

15b Please provide comments on the measures described under strategic objective 3.2, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 3.2, and tell us about any additional measures you think there should be, and who could implement them.:

16a To what extent do you agree with strategic objective 3.3: Between now and 2030 people will receive a consistent and coordinated level of support from all those involved in response and recovery from flooding and coastal change?

Strong agreement (I can support them)

Please explain your answer: :

The IFoA is supportive of this objective in principle. Insurers will always be important actors in helping households respond to a flood, and are often a homeowner's first point of contact after the event. Insurers have a duty of care to ensure a property is indemnified appropriately after a flood, but there is, at present, no industry-wide initiative or imperative for insurers to support homes after they have been flooded beyond their contractual obligations. Similarly, there is no obligation for insurers to 'build back better' after a flood (as discussed in our answer to question 11a) and Flood Re will not reimburse insurers for any build back better or resilience measures. Should insurers choose to do this the costs will be borne by them, and ultimately by their policyholders.

Our sense is that, as above, legislation and regulation would be required for this kind of approach to be adopted across the insurance industry, but that it could be an effective way to ensure coordination of response after a flood event.

16b Please provide comments on the measures described under strategic objective 3.3, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 3.3, and tell us about any additional measures you think there should be, and who could implement them. :

17a To what extent do you agree with strategic objective 3.4: Between now and 2030 the nation will be recognised as world leader in managing flooding and coastal change, as well as developing and attracting talent to create resilient places?

Not Answered

Please explain your answer: :

17b Please provide comments on the measures described under strategic objective 3.4, and tell us about any additional measures you think there should be, and who could implement them.

Please provide comments on the measures described under strategic objective 3.4, and tell us about any additional measures you think there should be, and who could implement them.: