

ABI / GOVERNMENT STATEMENT ON FLOODING AND INSURANCE FOR THE NORTH OF IRELAND

1. The Executive and the Association of British Insurers (ABI) agree on the importance of managing the risk from flooding to people and property. As recent floods in the north in 2007 and 2008 and in Britain, particularly in 2007, have demonstrated, flooding can have devastating impacts: it can cause loss of life, displace thousands of people, and can cause major economic and social dislocation.
2. While flood defences, effective surface water management, flood warnings and other policies can reduce the risk from flooding, this risk can never be completely eliminated. In Britain, unlike in most other countries, insurance against the impact of flooding has been a standard feature of household and many small business insurance policies since the early 1960s. This enables households and small businesses to plan for and minimise the financial consequences of flooding while insurers provide effective and efficient claims services and repair teams if flooding does occur.
3. The ABI and the Executive both want to ensure that the risk from flooding is managed appropriately and that flood insurance remains as affordable and widely available as possible so that consumers and small businesses continue to be able to protect themselves from the financial consequences of flooding. Since 2000, this has been achieved through a 'statement of principles on flood insurance': in the short term this commits insurers to continue to provide flood insurance under certain scenarios and the Executive to manage the risk of flooding. However, we recognise that the Statement of Principles may distort the market, hinder the development of specialist flood insurance for the more difficult cases and limit incentives for the uptake of cost-effective resilience measures to protect individual properties.
4. Through this Statement of Principles the ABI and the Executive have agreed to work together to provide a long-term solution that will enable flood insurance to continue to be as widely available as possible without distorting the insurance market. To achieve this, we have identified the following measures that must be taken:
 - improve our understanding of flood risk through assessing both the probability and consequences of flooding from all significant sources including surface water;
 - put in place a long-term strategy to reduce flood risk; set out the Executive's short, medium and long term strategic flood alleviation/reduction aims; assess funding needs; and through the appropriate financial process, seek to ensure effective and prioritised use of resources to deliver over the medium and long term.
 - ensure that the planning system prevents inappropriate development in flood risk areas, and that any essential new development in high flood-risk areas is flood resistant and/or flood resilient;

- raise public awareness in areas where flood risks are significant, encourage actions to mitigate and minimise the risks and costs of being flooded, and provide information about how to obtain flood insurance; and
 - Promote access to insurance for low-income households.
5. The ABI and the Executive agree that implementing these measures over the next four years should ensure that flood insurance continues to be as widely available as possible without the need for the Statement of Principles from 1 July 2013 from which date a free market would operate. Until that date, subject to annual reviews to confirm continuing progress and to update commitments as necessary, the ABI and the Executive have agreed that the Statement of Principles will remain in force.
 6. The Statement of Principles, published on the ABI website, will apply from 1 [July 2009]. It remains subject to additional review in the event of any significant external shocks, such as a withdrawal of flood reinsurance. The Statement of Principles will not apply to any property built after 1st January 2009.

**EXECUTIVE
ASSOCIATION OF BRITISH INSURERS
[July] 2009**

NORTH OF IRELAND COMMITMENTS ON FLOOD RISK MANAGEMENT

The Executive has agreed the following as part of the joint statement on flooding and insurance for the north of Ireland:

Improving flood risk assessment

- Transpose the EU Floods Directive into law by November 2009.
- Establish how to streamline arrangements for providing available flood risk data from the Executive to insurers in an appropriate format under agreed licensing and charging arrangements that enable insurers to use the data for assessing risk, underwriting, pricing and administering insurance.
- The Executive to prepare Flood Hazard and Flood Risk Maps covering flood risk from all significant sources with appropriate arrangements for communicating this effectively to the public and insurers in a convenient administrative format that provides as accurate and specific data as possible whilst recognising the appropriate degree of uncertainty that attaches to the data.
- A work plan for delivery of the bullet points above and to facilitate better communication of flood risk to the public and insurers, covering the period through until 2013, will be agreed by August 2009, with early release of maps currently available on river and coastal flooding to insurers.

Reducing flood risk

- The Executive to take account of the Pitt report to ensure that the North benefits from the lessons learned in England, wherever they are relevant.
- The Executive to provide data to identify locations that are expected to benefit from improved flood defences against flooding from main rivers and the sea within the next five years by Autumn 2009 and to update this annually thereafter.
- The Executive to review surface water flooding to assess the effectiveness of the legislative and regulatory environment in providing clear responsibilities and powers for all accountable authorities to deliver coordinated management of surface water drainage. The review to be completed by March 2010.
- The Executive to work towards putting in place a long-term (25+ years) strategy to reduce flood risk from all significant sources; which sets out the Executive's objectives and measures at a national level, ensuring effective and prioritised use of resources; devise spending proposals that are aligned with funding requirements for all responsible authorities; and report annually on progress towards developing and implementing the plans. This process will be taken forward within the framework of the European Floods Directive, Flood Risk Management Plans.
- The Executive to prepare Flood Risk Management Plans for all areas of significant flood risk and all sources of flooding across the North by 2015.

Development planning policy and building design

- The Executive to monitor the application of Planning Policy Statement 15 for flood risk to ensure that it continues to prevent inappropriate development in flood risk areas, and that any essential new development in high flood-risk areas is flood resistant and/or flood resilient.
- The Executive to monitor any changes to building regulations introduced to ensure resilience of buildings to flood damage in flood risk areas in Britain and, if considered appropriate, introduce equivalent changes within the North.

[July] 2009

STATEMENT OF PRINCIPLES ON THE PROVISION OF FLOOD INSURANCE

The Executive and the insurance industry have agreed that the conditions should be in place to enable the insurance market to be able to provide flood insurance to the vast majority of households and small businesses efficiently and without the specific commitments below from 1 July 2013. Thereafter, the industry will continue to work with existing customers to explore insurance options for domestic property and small business customers where the flood risk is significant and no public plans are in place to defend the property.

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 Executive 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.

It is important to note that:

- The premiums charged and policy terms will reflect the level of risk presented and are not affected by this commitment.
- This commitment does not apply to any new property built after 1 January 2009; the ABI encourages developers and customers purchasing a property in a new development to ensure that it is insurable for flooding. The ABI have published guidance on insurance for new developments.

This commitment is subject to annual review that will consider progress in resolving the areas of continuing work and implementing the Executive's commitments and to additional review in the event of any significant external shocks, such as a reduction in the availability of flood reinsurance or major changes in the British insurance market.

[July] 2009