

*Joint Committee on Finance, Public Expenditure
and Reform*

Correspondence Item No: 2015/1378(b)



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20 April 2015

Mr. Michael Horan
Non-Life Insurance Manager
Insurance Ireland
Insurance House,
39 Molesworth Street,
Dublin 2

Re: Insurance Ireland update on the Memorandum of Understanding between Insurance Ireland and the Office of Public Works 13th January 2015

Dear Michael

I refer to the meeting of the Working Group on 3rd March 2015. At this it was agreed that a more substantial report than that already provided on progress under the Memorandum of Understanding between Insurance Ireland and the Office of Public Works (OPW) would be made available by the Insurance Industry that would form part of a planned report to the Government on this area. It was agreed that the Department of Finance would consult with OPW to agree the type of additional material required for that report and that OPW would then revert to Insurance Ireland.

The OPW and Department of Finance have as our core objective measuring the outcome and the impact of the Government's current policy and investment in flood defence systems this area. I trust you will agree that last week's Joint Committee on Finance and Public Expenditure and Reform that we each attended affirms our and the Government's objective in this regard.

In relation to the additional data that Insurance Ireland might usefully provide at this time, I have set this out into a number of categories beneath.

In an updated report it would be useful if you might reference the insurance industry's support and enthusiasm for the current arrangement and its wish to see a successful outcome, as well as any difficulties that arise in measuring the success of the project and future possibilities. This is to ensure that any complexity of the issue is fully understood.

General Data

Insurance Ireland have indicated that 98% of Irish policy holders have household insurance which includes flood cover. Could you confirm if the above statement as a general headline is correct? In

relation to the 98% of Irish policy holders, what percentage of total households in the country have household policies and what is the breakdown of reasons why other households do not?

Is there similar data available for business cover for flooding?

It would add value to benchmark the total number, nationally, of households and businesses that according to II are located in flood risk areas and, of those, how many have flood cover and what if any average loading to premium or conditions are attached to these policies - for these please provide some indication of the average excess or loading applying to these policies compared to the national average or, taking a like-for-like comparison e.g. at a €250 excess, how much higher is a premium in these areas is than a comparable house/business elsewhere in Ireland.

It might as a general point also benefit if you could include data on the availability or otherwise of flood insurance in specific areas, including examples of where this has improved or disimproved.

Insurance Ireland Survey

The OPW would like to know how long it takes for the data that OPW provides to be fully reflected into policies and premiums, accepting that it takes a full year of renewal from that date to measure the full impact.

You reference in your note of 13th January a survey had been completed. Could this survey be sent to the OPW so that we can better understand how and from whom the specific areas and data were captured, e.g. was the survey put to the insurance companies or was it to households; was the survey conducted by reference to areas protected by the 12 schemes only and not nationally?

The OPW would also need to know that 6,621 policies surveyed is statistically representative across all and each of the 12 flood defence areas where data was provided under the initial tranche.

Specific Details

As indicated in OPW's letter of 20th February 2015, for each of the 12 schemes included in the initial tranche of data, the detail of information required is set out to assist us in comparing the position for each of these areas both before and after the import of flood defence data from OPW to Insurance Companies. This is still the desired level of detail required.

It would be of benefit to know if the data that the OPW provided as part of the first tranche made a difference to the general flood cover risk after it was transferred to insurance companies, given the gap in time between the data on these schemes and their earlier completion date.

Permanent Defence Schemes

To better understand the data provided, of the 91% coverage in these areas, how many of these are properties where insurance cover had been withdrawn but was restored on foot of this OPW data?

The reasons for the other 9% need to be explained and need to include a breakdown of reasons including for example (not an exhaustive list)

- premises may be vacant.
- flood cover is not available in spite of flood defence scheme
- flood cover is available but people choose not to avail of it – for these please provide some indication of the average excess or loading applying to these policies compared

to the national average or, taking a like-for-like comparison, e.g. at a €250 excess, how much higher is a premium in these areas than a comparable house/business elsewhere in Ireland.

- details of any specific areas that increase the average and if the II accept that a 1:100 year standard applies to the scheme for that area.

Demountable Schemes

Please confirm that, apart from the Dodder Estuary (which is protected against to 1:200 standard against tidal flooding but requires the completion of some works to prevent fluvial floods between the 50 and 100 year return periods) you accept that all other completed schemes for which data has been provided to you have been built to the 1:100 year standard.

If demountable defences do not reduce and/or have not reduced the flood risk in the view of the insurance industry, could you explain why this is the case and what if any additional information you would require to inform risk assessment by the insurance companies? You will appreciate that demountables and flood gates are a necessary design solution in parts of schemes, for example crossing roads etc. We need to have a clear statement of the industry's position in relation to flood defence schemes which include demountable elements.

Why would 66% of homes in the areas with demountable defences obtain flood insurance and 33% not?

Of the 66% coverage in these areas, how many of these are properties where insurance cover had been withdrawn but was restored on foot of this OPW data?

Please explain the 33% in terms of

- flood cover is not available,
- flood cover is available but people choose not to avail of it – for these please provide some indication of the average excess or loading applying to these policies compared to the national average or, taking a like-for-like comparison, e.g. at a €250 excess, how much higher is a premium in these areas than a comparable house/business elsewhere in Ireland.
- will it be possible for these 33% to get flood cover as they renew their policies over the coming months? And if so the likely average excess or loading likely to apply, as the point above.

4 Schemes on which data was provided by the OPW in January 2015.

In January 2015, data on the following four completed flood relief schemes was communicated by the OPW to Insurance Ireland in the agreed format and data on further completed schemes will be provided in due course:

- (Munster Blackwater) Mallow South and West
- Hazelhatch, Celbridge, Co. Kildare (completed 2000)
- Derrymullen, Ballinasloe (completed 2010)
- Carlow (completed 2012)

As indicated in OPW's letter of 20th February 2015, as we make progress on implementing the Memorandum, the following information would be very beneficial to assist us in comparing the position for each of these areas both before and after the import of flood defence data from OPW to Insurance Companies: Therefore, for properties protected by each of these four schemes, as a

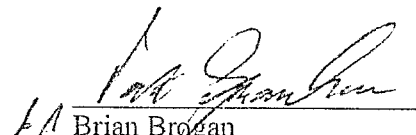
before metric:

- How many property insurance policies are now in place?
- How many of these policies include cover against flood risk?
- Of the policies not including flood risk, was flood risk cover offered by the insurers in all cases? If not, in how many cases was flood insurance not available? Why was insurance cover against flooding not offered in these cases?
- While we recognise that insurance premiums are a matter for each insurance company and client, can we be told whether policies in these areas would be loaded for risks attaching to a flooding event and, if so, what on average is that loading? For example, for these please provide some indication of the average excess or loading applying to these policies compared to the national average or, taking a like-for-like comparison, e.g. at a €250 excess, how much higher is a premium in these areas than a comparable house/business elsewhere in Ireland.

For properties covered by these four schemes when will all insurers be taking this data into account when assessing flood risk and offering insurance cover?

The purpose of this letter is to seek to greater clarity on the extent to which the exchange of information between OPW and Insurance Ireland is providing better outcomes for households and businesses in terms of insurance against flood risk. The meeting of the Working Group on Tuesday that I indicated by email on 10th March I could not attend might act as a useful forum to discuss this request and structure. Alternatively I and the Department of Finance are available to meet to discuss this in further detail.

Your sincerely


Brian Brogan
Principal Officer
Engineering Services