

Submission to the Department of Finance on Climate Change and Insurance

October 2019

Chambers Ireland is the largest business network in the State. With 42 member chambers in every geographic region and economic sector in Ireland, we are well positioned to represent the views of businesses and understand their concerns.

Chambers Ireland is pleased to have the opportunity to make a submission to the Department of Finance on the issue of insurance and climate change. Chambers Ireland is a strong supporter of taking accelerated action on addressing the impacts of climate change and making the kinds of strategic investments that will both respond to impacts of increasingly adverse weather while also mitigating against the effects.

In respect of climate change, resilience building is ever more a necessary undertaking and a prudent approach to negating economic loss and to ensuring the sustainability of communities and safety of citizens. In the 12-year period between 2000 and 2012 almost €750 million was paid out in private flood insurance claims in the State. Taking damage publicly-owned infrastructure into account, reports estimate that direct damage losses from flooding in Ireland in recent years to be in the order of €192 million per year. With a six-fold increase in flooding across Europe predicted for 2050, it is predicted that direct damages from flooding could be roughly €1.15 billion a year by 2050. This consultation and discussion paper is particularly timely. In the following submission we address several questions within the discussion paper on how insurance coverage can be improved, and mitigation/adaptation measures can be supported.

Consultation questions:

Q.2) Chambers Ireland agrees that the management of flood risk is the most practical way of increasing insurability and that this should be achieved through the continued capital investment via the OPW in flood defence works, both manmade and natural defences through for example natural infrastructure as wetland reinstatement and designated flood plains.

Q.14) Chambers Ireland supports Option 2 to expand on the existing approach. Though strengthened to align insurability with the completion of defence schemes to international standards whether permanent structures, or demountable defences.

- Government should work with the insurance industries to provide clarification on insuring properties where demountable defences have been applied. Where the efficacy of demountable defences is proven, they should be considered as effective as permanent defence structures

- To address any heightened insurance risk in an area, insurers should account for their risk exposure in line with EU Solvency II directive.

Q.21) Government should consider the merits of incentivising proactive individual flood resistance measures and flood resilience measures such as those applied via the Individual Property Protection in the UK. Such measures should be formally recognised by insurance providers and be considered as part of risk assessments. The individual protection works will be independently audited, with a framework in place to achieve international standards in design and construction. Measures such as automatic flood doors, air brick cover/ self-closing Air Brick, non-return valves, water resistant wall plaster, tiled flooring as opposed to timber flooring, raised electrical sockets etc to minimise damage. We believe there is merit in this approach if there was independent oversight by a third party and we encourage Government engagement with this model thereby ensuring a top-down Government/ OPW response while also supporting bottom-up individual and community led actions.

Q.22) In relation to the use of current data by insurance providers. While we recognise the initiation in 2015 of a Memorandum of Understanding (MOU) between the OPW and Insurance Ireland to aide data sharing, we highlight the need for an independent overseer to verify and ensure that where a reduced risk of flooding has been achieved due to the completion of flood protection works to an international defence standard by the OPW, that this data is acted upon in a timely manner to improve the insurability, and affordability of insurance of businesses and homeowners in affected areas. We suggest the Central Bank as the most appropriate overseer to the application of this data, with the initiation of scheduled audits to encourage the responsiveness of Insurance Ireland to improvement in affected flood prone areas.

As the data held by Insurance Ireland refers only to those properties that hold insurance, there is a subsequent blind-spot on those businesses and homeowners that have been refused insurance or reinsurance, we recommend the independent collection of data to feed into this MOU as a third party, thereby ensuring the accuracy and robustness of any data sharing platform. If we are to meaningfully address this issue and expediate a resolution, a strengthened platform for gathering baseline data across a range of parameters and data sets that is inclusive to a range of situations must be adopted, continuously updated, maintained and applied as part of our national approach.

We highlight the afore mentioned point in relation to third party oversight of the data sharing and application to ensure its application on a consistent basis.

- Baseline data should be gathered to capture the number of businesses/ homeowners being refused cover; the reasons for refusing cover; where there are defences why is cover being refused.
- Region/ town/ townland data should be available to accurately review the insurance availability, non-availability state of play in specific locations, and with information to outline concerns.

Q.24) The question of insurability must take account of flood defence structures, and the specific topography location of the property in question. Furthermore, there is a need for transparent and micro level information per region to identify whether flood insurance cover has been provided and

an assessment un-insurability rationale. The issue of flood cover affects property owners, farmers and small businesses who due to inability to gain flood insurance are unable to secure loans, raise mortgages, or sell property, as well as being a deterrent to commercial activity.

Conclusion:

Chambers Ireland, along with its member chambers, highlights the innovative nature and the strong entrepreneurial composition of the business community. Support for innovation and new thinking will be key to accelerating a resolution to these issues for businesses/ homeowners. The encouragement of innovation will be essential in adopting a flexible, agile and proactive response and to pre-empt economic and societal impacts from flood events.

We also recommend the need to prioritise appropriate budget allocation to facilitate necessary flood defence infrastructure, technology investments and support for flood resistance and resilience measures. This investment is a necessity if we are to protect socio economic growth and activity as the effects of climate change become increasingly apparent. Chambers Ireland recognises the high priority of this funding in the overall context of climate adaptation and future economic, environmental and social resilience.

Finally, we would also like to bring to the attention of the Department of Finance the issue of coastal erosion and coastal flooding. This is an issue which is increasingly impacting our member chambers in coastal regions and, the feedback we have received tells us that the impacts of this type of flooding and erosion fall outside of the remit of both local authorities and the OPW, and therefore is not being adequately addressed. Our chambers recommend that accelerated action and investment on this issue takes place and that Government publish a national mitigation plan on this issue can be addressed.