

2019 - Flood risk and climate change

Paul May FIRM, Chairman Concordia Consultancy Ltd

Although there is a lot of discussion about the extent and effects of global warming it is likely that neither insurers nor risk managers will commit to research at the level and depth required to reach a clear consensus as to the problem and the short- and medium-term solutions to protect assets and businesses.

Nature, as affected by the commercial, industrial and agricultural activities of the human race, will therefore continue to generate adverse weather events of varying and often unpredictable scale which will cause loss of life, property damage and dislocation of communities.

Prince Charles has been quoted as linking global warming with the increase in the devastating effects of recent hurricanes in the Caribbean. However, a significant extent of the property that has been damaged was in any event of lightweight construction not designed or built to withstand hurricane force winds.

It is likely that this reluctance to require property to be built to standards adequate to withstand winds and floods will continue in 2019.

Expansion of housing construction in the UK, often in low-lying areas prone to flooding will continue due to pressures on local authorities, profit expectations of land-owners, and demands to provide housing to target levels set by Government. Construction in low-lying areas could probably take place with less exposure to damage if house design were to be altered by planners and builders. Many countries build houses with raised ground floor levels to protect them from potential flood. Existing properties that are becoming more exposed to flood in the UK could be better protected by physical changes such as raising door step thresholds and closing air vents at low level, ideally supported by grants or similar incentives.

Investment fund managers (often managing funds for insurers), and insurers are beginning to avoid investing and refusing to insure industries and practices that are considered to be contributors to global warming – such as the mining and burning of coal. The trend to desert such industries is likely to continue to increase, but it is not proven whether that retreat would be likely to lead to their closure. While the rationale may be ethical and provide a “feel-good” PR feeling, such investors and insurers will lose any opportunity to influence improvements and change.

Although the start of a “joined-up” and well-funded global insurance and risk community research project into causes and remedies of global warming would be great to see, I predict that it will not happen.