



CBA
Cork Business
Association

Submission

OCTOBER 14TH 2019

**Public Consultation on Climate Change and Insurance in the context of the 'Climate Action
Plan 2019 to Tackle Climate Breakdown'**

The CBA has been representing the business sector in Cork City since 1957. We are a not for profit organisation and our extensive membership covers a wide range of businesses encompassing Retail, Hospitality, Financial, Property & Service companies. Our members currently provide a significant proportion of employment in Cork City and the association consists of ratepayers- which constitute 40% of Cork City Council's annual budget. The Association works closely with specific bodies to improve the infrastructure, development, cleanliness and up-keep of the City Centre. In addition, the Association works with other interested bodies for the general improvement and promotion of the City. One of the key objectives of the Cork Business Association is the promotion of Cork City to ensure it remains the key driver for the region and the prime retail and employment and tourism location in the south of the country.

1. Have you encountered greater difficulty either getting or renewing flood cover due to

weather/climate-related issues?

Yes the inability of our members to get flood Insurance cover is an ongoing issue and is unquestionably going to prove more difficult due to the expected increases in weather related issues due to climate change.

2. Do you agree that managing flood risk is the best way of increasing insurability? If not you might explain why, and also you might set out what additional approaches you think would be more effective.

Yes we are of the firm belief that effective flood management schemes constructed to the 1-100 year standard by the OPW, of which there are several examples nationally. Provide a sound basis for the insurance industry to offer reasonable flood insurance to property owners who are now protected by these defences.

5. Do you agree with the Government's strategy to increase flood insurance coverage?

Yes, we fully agree with the Government's strategy to increase flood insurance cover. It is essential to our members for a variety of economic reasons to ensure their property is covered by flood insurance. However this strategy has failed as the expectation from Government was that once flood defences were erected by the OPW, flood cover would follow this is not happening. We also seriously question the fact that the Government is basing policy decisions on unverified data being supplied to them by the insurance industry.

Legislation needs to be enacted to ensure properties which are located in areas that have been protected by the OPW'S 1-100 flood defences are offered resonable flood insurance cover. There is currently such legislation before the Dail and has been sitting in committee stage since 2016. One begs the question why?

What do you think can be done to increase the level of flood insurance in areas where demountables have been built?

There urgently needs to be a set of nationally agreed protocols with all the key stakeholders put in place for the erection and removal of demountables. Regretfully the insurance industry are using the fact that such protocols are not in place to defend their stance in not offering flood insurance cover where the erection of demountables is required. However, there is currently no process in place by any of the key stakeholders to commence discussions to agree appropriate and workable protocols.

What if any reasons have been provided to you by insurers where insurance has been refused where flood defences have been built?

Generally, the response from the insurance industry is that they are increasing the level of insurance in flood protected areas. But as stated previously this data is unverified. It also does not correspond in any way with what our members are telling us.

10. What are your views on the use of policy excesses / policy exclusions as a risk management tool by insurers?

This is an extremely crude instrument which is being used by the insurance industry and there has to be some form of independent review of this strategy.

13. Where insurers have declined to provide flood cover, have they offered cover for other household risks such as fire and theft?

Yes in many instances insurance will offer insurance for fire, theft and refuse flood cover. This is simply taking the low hanging fruit and underlines the unfairness of the current position.

In conclusion, we are including an opening submission made by the Cork Business Association to the **Oireachtas Joint and Select Committees Wednesday, 15 April 2015** Which while somewhat dated in terms of costs clearly demonstrates how little things have changed in the intervening years.

Joint Oireachtas Committee on Finance, Public Expenditure and Reform

Flood Risk Insurance Cover:

I thank the Chairman for the opportunity to address the joint committee. Rather than going through the entire submission in detail, I will summarise some of its aspects. As the Chairman noted, the Cork Business Association, which is a not-for-profit organisation, represents more than 150 members across diverse sectors of business within the city. I will drill down to the association's concern in this regard. The Office of Public Works, OPW, scheme for flood defence for Cork has been identified as a viable flood risk management option in respect of riverine, fluvial and tidal sources in the Lee catchment flood risk management plan. As current estimates of the cost of this work are approximately €50 million to €60 million, it is a significant investment of taxpayers' money in the Cork area to provide flood relief. As a business organisation, the association has visited Fermoy, Clonmel, Waterford and other locations to see

the standard and quality of work of the OPW, as well as its effectiveness. Cork is a different situation in that work has not started and the finance value has not yet been set in absolute terms. The projected dates for commencement of the work are 2016 or 2017 and the completion date will be up to 2020 and beyond. Naturally, the expectation among business owners is that once the OPW flood relief scheme is completed, realistic flood insurance cover then will follow. However, the commentary from the representative body for insurance companies, namely, Insurance Ireland, is somewhat different and this is a major concern. In its opinion, based on the plans it has seen for the flood relief scheme in Cork, the proposed work will not reduce the risk of flooding sufficiently to allow the industry to provide flood cover for businesses and householders in Cork city. Consequently, the ongoing difficulties faced by businesses and property owners in Cork city in respect of the lack of flood insurance are set to continue.

Therefore, it begs the question as to what investing in Cork's flood defences will achieve in terms of achieving a reasonable level of insurance cover and what the implications are for a similar investment in flood defence schemes nationally.

The announcement in March 2014 of a memorandum of understanding between the OPW and Insurance Ireland allows for the exchange of flood defence data, which we welcome. Rather than any commitment to provide insurance cover, however, is this really the best we can expect from the insurance industry in light of significant State investment? We are very determined on one point, namely, that the Government must ensure that the investment in which the State is included delivers more than just an understanding.

I again stress that this is a national issue, but I am giving the Cork perspective. What does the future hold for our members who cannot currently get flood insurance? What do the next six years hold for our members while the flood defence works are underway, during which there is a very real possibility of being flooded again? The lack of clarity on this issue has massive implications for the future development of the city. How do we in the Cork Business Association encourage businesses affected by the lack of insurance cover to invest in their premises and to upgrade same if they cannot protect them? How do we encourage domestic and foreign inward investment if we cannot guarantee such investment is protected?

It is imperative that homes and businesses in Cork city and nationally can access flood insurance at a reasonable cost without delay. The status quo is unsustainable, with many businesses and homeowners exposed to massive risk. We fully understand that insurance is not for inevitable loss. However, being able to transfer risk, which has been done traditionally through insurance, is critical to the economic success of any region as commercial operations simply will not start, develop and thrive without this

mechanism. The concept of the premiums of the many paying for the losses of the few is one of the foundation stones of insurance when one considers the advances being made in the UK. For further clarification, I can provide information on the flood relief scheme in the UK. It is not in place just yet, but the insurance industry has taken some degree of ownership and has involved itself in developing a scheme which seems to have some potential. I respect that it will operate within the private sector in terms of domestic, and not commercial, insurance, but the framework has significant logic which could be examined. Essentially, it is a reinsurance scheme with a certain fund. Claims and policies are dealt with as normal, but if there is a fund claim, the insurance company can claim against the fund as a backup.

The nub of the question is the investment that is included for Cork, which is €50 million or €60 million. The soundbites from the insurance industry indicate that it is not good enough. The OPW, which has a superb standard and quality of work and has proved effective, is involved in a one in 100 year flood defence system. Is it the OPW or the insurance industry that decides on the quality of the work? If there is a question to be asked, it needs to be clarified before we invest a significant amount of ratepayers' money in a flood defence scheme and end up without any flood cover. We would then again be in a situation whereby we have a flood defence scheme, but no way to protect businesses and households in the area

We thank you for giving us the opportunity to make this submission.

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