



“ Flooding: ‘The worst kind of double whammy’ ”

November 2019

# FLOOD COVER FOR BUSINESS: LOOKING BEYOND THE HEADLINES

**It has been a torrid week in flood-affected regions of England after the rivers Don, Severn and Avon burst their banks, with thousands of residents and businesses left waterlogged.**

In its latest five day forecast, the Environment Agency had 64 live flood warnings, where flooding is expected and ‘immediate action is required’. Additionally, it has issued 95 lower category alerts where flooding is possible, and people should be prepared.

Warnings had previously been issued along the Severn.

As has been widely reported, towns in Yorkshire have been among the worst hit, with the village of Fishlake near Doncaster largely submerged with roads cut off.

And the pain is far from over. The Environment Agency (EA) has also warned of a risk of continued flooding throughout the Midlands and northern England: “Local river flooding is expected to continue in parts of Oxfordshire, in parts of Nottinghamshire, Lincolnshire and in South Yorkshire.”

## Double whammy for business?

With such severe flooding understandably dominating the headlines once again, the issue of the extent to which homes and businesses are covered by insurance has also been reported. Unfortunately, however, not all the press coverage so far has been accurate, especially where commercial insurance cover for flood damage is concerned.

For example, a report focusing on Fishlake by the BBC this past week has called flooding ‘the worst kind of double whammy’, indicating

that ‘first flood waters pour through the premises, and then the insurance does not cover the cost of starting over again’. The report focuses on the owner of a spa in the town whose business was once covered for flooding but is no longer.

According to the same report, the essential problem here is ‘Flood Re’, the joint initiative between the government and insurers, whose aim is to make the flood cover as part of household insurance policies more affordable.

Every insurer that offers home insurance in the UK must pay into the Flood Re scheme. This levy raises £180m every year and is used to cover flood risks in home insurance policies. If a householder makes a valid claim for flooding, their insurer will pay the claim\*. The insurer will subsequently be reimbursed from the Flood Re fund. However – and this is the crucial point - the Flood Re scheme does not at present apply to commercial insurance policies.

## What does this mean for business?

Given such media coverage, if you are a business owner in a flood-prone area, you might rightly be concerned that your business could not be covered in the event of a flood. But this is not the case. The UK insurance industry has been alive to this issue for some time and there are a number of innovative solutions now available which we also endorse as credible solutions to what can be an extremely worrying commercial risk.

\*Please note that not all insurers have signed up to the Flood Re scheme.

## FLOOD SOLUTIONS FOR BUSINESS:

### Flood Excess

This product has been developed with the help of the UK's foremost flood prevention and restoration experts and this system can instantly quote and bind cover up to £50,000 (and up to £100,000 with insurer approval). Key to this product is the ability to claim even if the loss falls below the value of your flood excess.

### How it works:

Your business has a £20,000 excess applied to its primary insurance policy and you purchase a Flood Excess insurance policy through us.

The property subsequently suffers from a minor flood causing £10,000 worth of material damage. You are unable to claim under your primary policy as the loss falls below the value of your flood excess.

You make a claim directly under their Flood Excess insurance and subject to the claim being validated by a Loss Adjuster, the £10,000 flood damage loss is covered. The remaining £10,000 can roll on until the end of the policy or be topped up at a pro-rata rate.

### Government Support for Businesses in Areas Affected by Flooding

The Government has announced further support for businesses in areas affected by recent flooding. The Department for Business, Energy and Industrial Strategy, (BEIS), will provide funding for a Business Recovery Grant, which will provide up to £2,500 per eligible small and medium-sized businesses which have suffered severe impacts from floods that cannot be recovered for insurance. [CLICK HERE](#)

### BIBA Scheme

The British Insurance Brokers' Association (BIBA) also offers a solution which is designed to support the underwriting of non-standard commercial flood insurance through comprehensive policy coverage.

The commercial scheme backed by A+ rated security of Lloyd's underwriting capacity uses an advanced mapping facility developed by Landmark which pin-points exactly the location and features of an individual business.

The scheme provides the BIBA membership – of which we are part - with a policy that caters for business and real estate investors who have experienced difficulty in purchasing cover for damage caused by flood. This category could, for example, include your businesses

if you have either suffered previous flood damage, or are located in areas of high potential flood risk, or indeed where punitive terms have previously been imposed.

### What it offers:

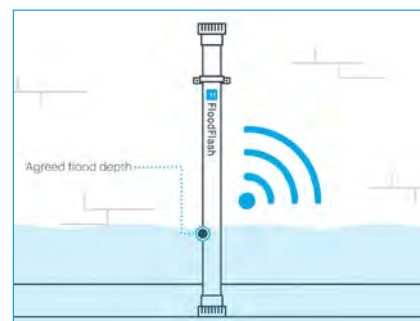
- Commercial Combined Insurance for manufacturing and distribution trades
- A Package Policy for Retail, Offices & Surgery
- Property Owners cover for real estate investors

## FloodFlash

FloodFlash is an award winning insurtech firm which offers a 'parametric' insurance solution for commercial flood insurance. Using data samples that can be modelled by probability, parametric covers offer alternative risk solutions, provided by reinsurance companies, that enable organisations to finance or transfer risk in a non-traditional way. The solutions revolve around a measurable index and are based on pre-defined triggers or payout mechanisms.

**How does FloodFlash work?** A company selects a depth for potential flood water and a pre-agreed settlement amount. This will instantly generate a quote.

An internet connected sensor is installed that sends an immediate notification if water levels at the property reach the agreed trigger depth selected. As soon as that happens, the insurance settlement is sent in full.



FloodFlash does not use loss adjustors in the event of any incident, nor are there policy wordings to consider. If the flood trigger depth you selected has been breached, the product will pay the full settlement amount.

The premium is specific to the business location.

**If you are concerned about flood risk and wish to discuss what cover is most relevant, we would be happy to discuss. Do not be put off by media scare stories- innovative solutions are available to ensure that UK businesses, even in high-risk flood areas can continue to be covered.**



For more information, please speak to your usual Towergate Advisor