

Submission to the
Joint Oireachtas
Committee on Finance, Public
Expenditure and Reform

Flood Insurance Bill 2016

"Bill entitled an Act to provide for fairness in the market place for property insurance and to provide for related matters."



Background to submission

Description of INFF

1. Jer Buckley, INFF PRO

- Why a Flood Insurance Bill is needed.

2. Paul Kavanagh, MD McCarthy's Brokers

- The impact of insurance blight on homeowners, farms and businesses.

3. Pat O'Connell, President of Cork Business Association

- Memo of Understanding provides only for exchange of information and is not a commitment to the reinstatement of cover!
- €140m about to be spent in Cork without an expectation that reasonable flood insurance will be available.

Objective of the Bill:

to provide fairness in the home, business and farm flood insurance market where the state has provided proven flood defences to international defence standards .

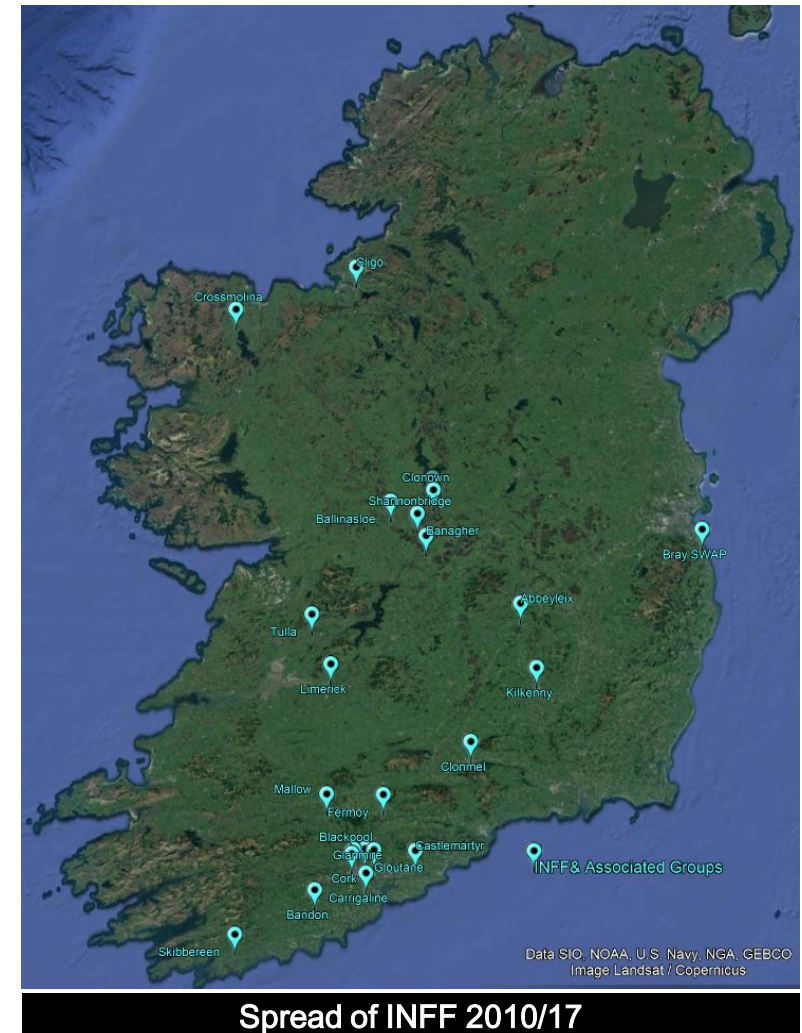
Voluntary group founded in Skibbereen 2010 by:

- Michael Thornhill, electrical retailer.
- Enda O'Donovan, homeowner
- Cathal O'Donovan, former headmaster.

A self-funded charity funded to help at-risk community groups:

- Build community flood resilience.
- Enable communities to achieve better flood alleviation.
- Reach their full economic and social potential, returning hope where once there was none.
- Engage with local authorities; other stakeholders and government agencies in a respectful and constructive manner.

INFF is now a nationally significant charitable organisation.

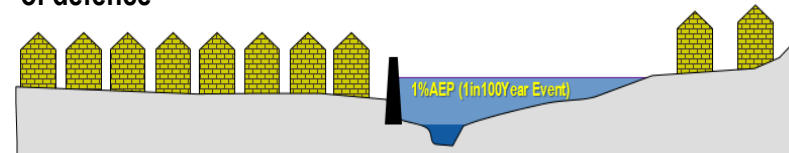


Tax Payer Investment in flood defences

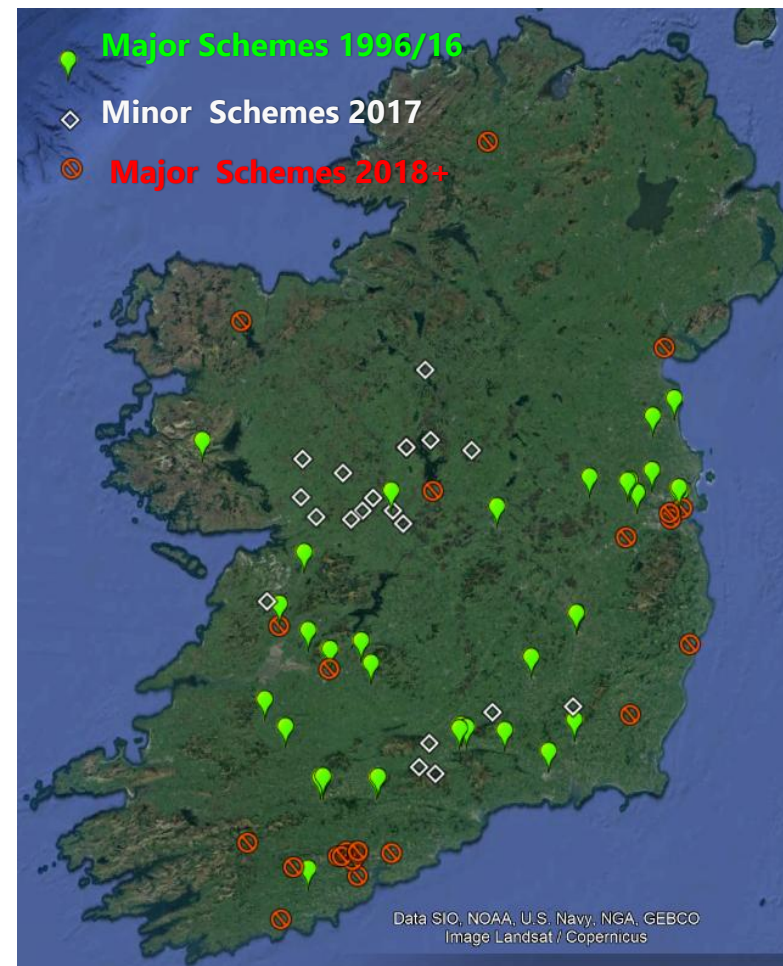
- OPW has invested heavily in new flood defences in recent years, e.g.:
 - Clonmel **€41m** 2013
 - Fermoy **€35m** 2014
 - Mallow **€39m** 2014**TOTAL €115m**
- **€100m per year** is planned over the next 5 years.
- These schemes have been built to international standards (1in100year standard of defence) and were proved effective in the 2015/16 storms.
- Despite such large investments of Tax Payers' money communities are still experiencing difficulties obtaining flood cover.
- In the above schemes, areas continue to remain blighted and in some cases insurance **has been withdrawn after** the scheme has been completed.
- The INFF concern is that, while OPW schemes bring high standards of physical protection, without changes in the level of flood insurance cover, **societal resilience** will remain compromised i.e. the objective of the scheme is incomplete in spite of the OPW's level of technical excellence.

Part 1: Jer Buckley - Part 2: Paul Kavanagh – Part 3: Pat O'Connell

Properties now protected to 1% AEP (=1 in 100Yr) standard of defence ⁽¹⁾



⁽¹⁾ AEP = Annual Exceedance Probability



OPW Capital Works Programmes

Irish Examiner 21st Aug 2017:
“Motor insurers investigated for possible ‘price fixing’”

RTE 4th Jul 2017
“Irish-based motor insurers raided by EU competition officials”

The Sunday Times 2nd July 2017
“Insurance firms ordered not to lie”



Motor insurance premiums surged by 38.8% in the year to June 2016, but prices have moderated somewhat since then



Property owners, farmers and small businesses discriminated against:

Homeowners, Farms & Businesses must continue to pay full:

- **RATES**
- **PROPERTY TAX**
- **INHERITANCE TAX**
- **etc**

But:

- Homeowners unable to raise mortgages & loans on their property, or, sell their property.
- Businesses or farmers can't raise money to renovate or expand.
- New industry and new commerce reluctant to invest in blighted areas.

Insurance refusals

Seemingly not scientifically based e.g.:

- Geocodes;
- “If less than 500 metres from a river”
- Little if any account of topography.
- Little if any account of new defences.

Inequitable claims “settlements”

Lack of transparency –

- Claims partially retained, and,
- Failure to advise claimants that they can appoint their own assessor.

These concerns echo various findings in the Joint Oireachtas Committee report 2015.....

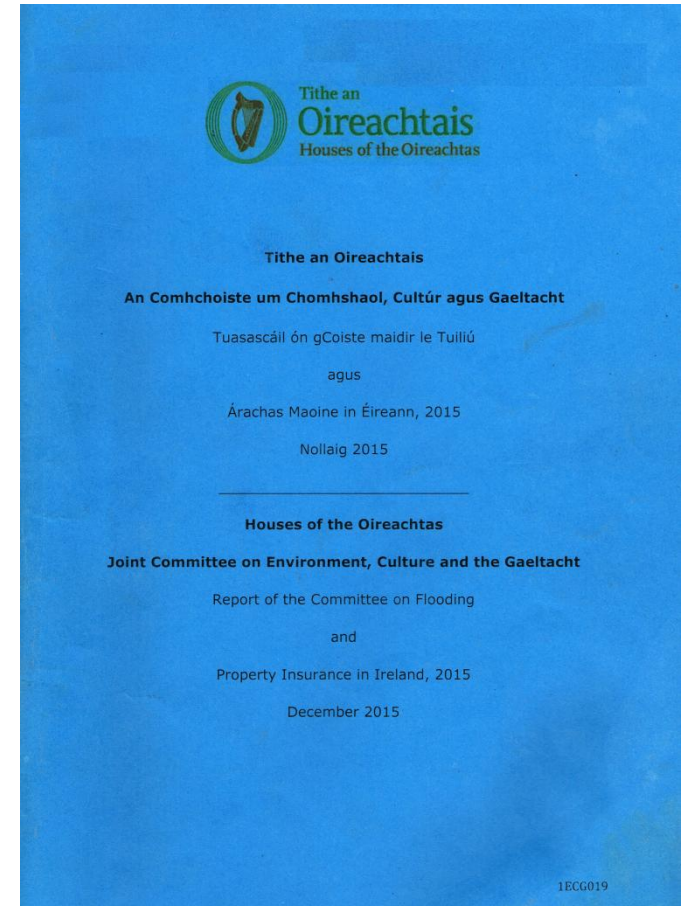
Joint Committee on Environment, Culture & the Gaeltacht Report on:

Flooding and Property Insurance Ireland, Dec 2015

- 3 Year study into lack of flood insurance.
- If after examining the various models, no solution can be reached, the State could consider the merits of introducing legislation that would compel insurance providers to provide insurance to everyone.
- The Committee, views this as a last resort measure if all other potential solutions have been exhausted.

The INFF contends that “all other potential solutions have been exhausted” :

- The Report was comprehensive and 3 years in the making
- The Report has been published for 2 years ,
- The OPW’s best efforts to deal with this issue through the Memorandum of Understanding process, 3+ years.



1. Joint Oireachtas Report 2015 noted OECD recommendation:

- "It important to identify uninsured populations and sectors of the economy that are financially vulnerable and assess the reasons why they lack insurance".

2. Ms Josephine Feehily

Chairperson of the Revenue Commissioners, to a hearing of the Public Accounts on 21/02/2013, said that "flooding will impact on property tax valuations."

- This represents potential loss of income to the State.

3. Insurance refusals

Seemingly not scientifically based e.g.:

- Geocodes;
- "If less than 500 metres from a river"
- Little if any account of topography.
- Little if any account of new defences.

4. Inequitable claims "settlements"

Mr E. Downey, former chair Irish Claims Consultants Association asserted in Joint Oireachtas Report 2015

Lack of transparency –

- Mr Downey alleged that insurance companies retain part of agreed claim settlements incorrectly. The retention practice is not evident abroad. The retention practice is not evident in Belfast or Bristol.
- Mr Downey also alleged that insurers have ignored the Consumer Protection Code by not advising homeowners who notify a claim of their right to retain their own representative.
- This was confirmed by a Central Bank investigation of insurance companies.

1. The Central Bank reviewed 188 flood claims it found the following:

- Incidences of potentially unfair settlements
- A lack of transparency by insurance companies with retaining partial claims
- Failure by insurance companies to advise claimants that they could appoint their own Assessor.

2. Kildare County Council

- State that despite the Council having delivered a scheme that insurance is still not available in that area.

3. SVP

- Mr. Dempsey told the Committee that the SVP believes that the lack of flood insurance can only be addressed through legislation.

4. Irish Brokers Assoc.

Figures released by the Irish Brokers Assoc. up to 50000 households have no flood insurance

Home » News » The wall that saved 100 homes in Ballinasloe

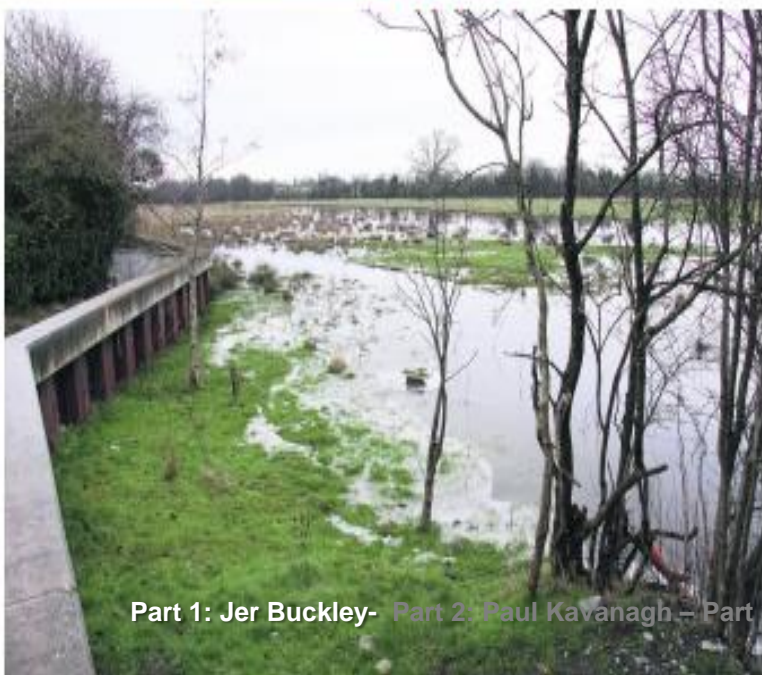
News

The wall that saved 100 homes in Ballinasloe

by Declan Tierney - January 22, 2015

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**Community Audit 2016 found
60 homes still without flood
cover!**

Paul Kavanagh MD McCarthy Insurance brokers

15 Offices in Cork, Kerry, Waterford and Dublin – 180 staff – Turnover €100Mil

38 years' experience.

Certified Insurance Director – Certified Insurance Practitioner and Qualified Financial Adviser.

Past President of the Irish Brokers Association.

Past President of the Insurance Institute of Cork

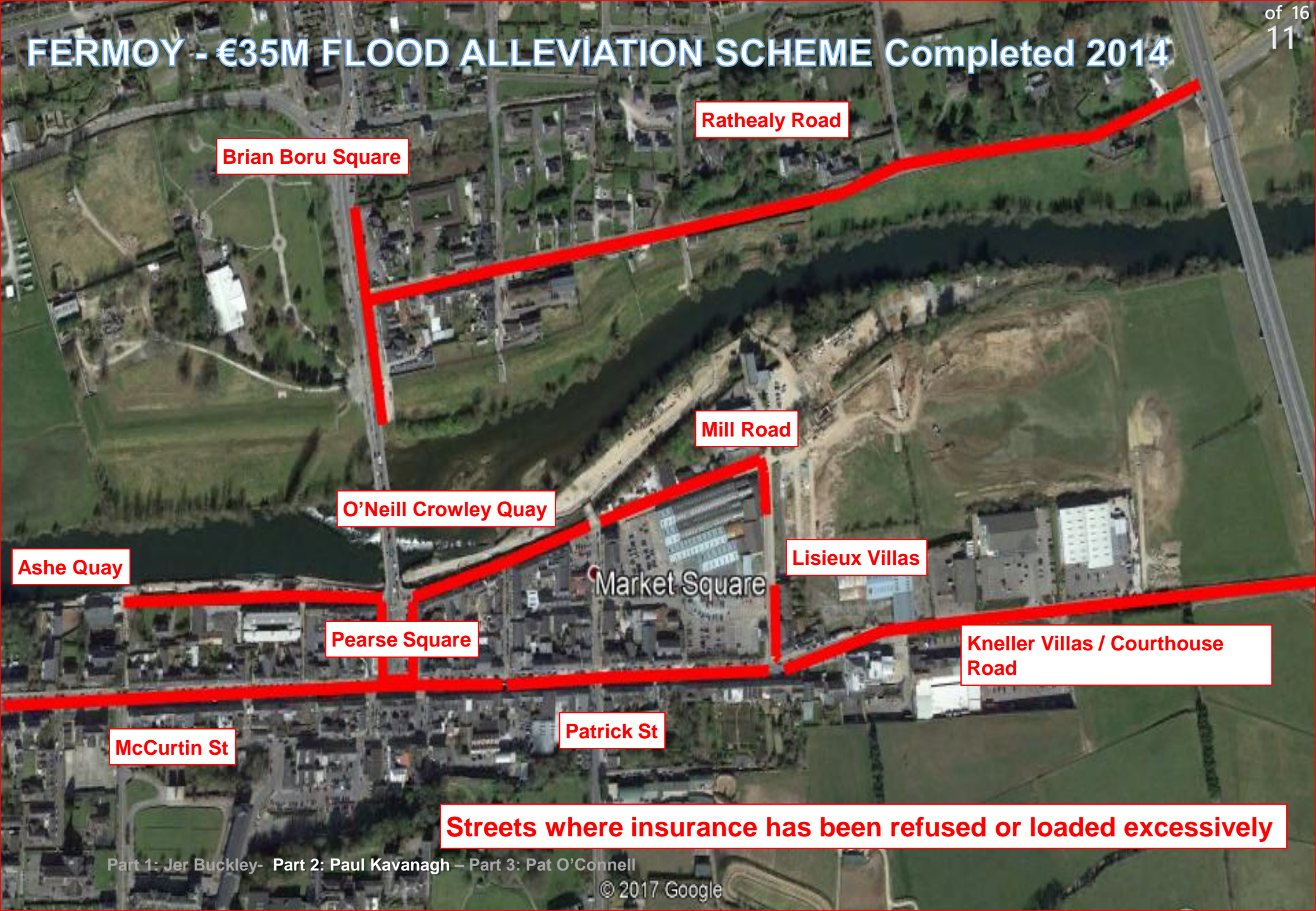
Current Chair of Irish Brokers Association Compensation Fund.



FERMOY DEMOUNTABLE DEFENCES –IN ACTION DEC/JAN2016

FERMOY - €35M FLOOD ALLEVIATION SCHEME Completed 2014

of 16
11



Rathealy Road

Brian Boru Square

Mill Road

O'Neill Crowley Quay

Lisieux Villas

Market Square

Kneller Villas / Courthouse Road

Pearse Square

Patrick St

McCurtin St

Streets where insurance has been refused or loaded excessively

Mallow €39m

Completed 2014

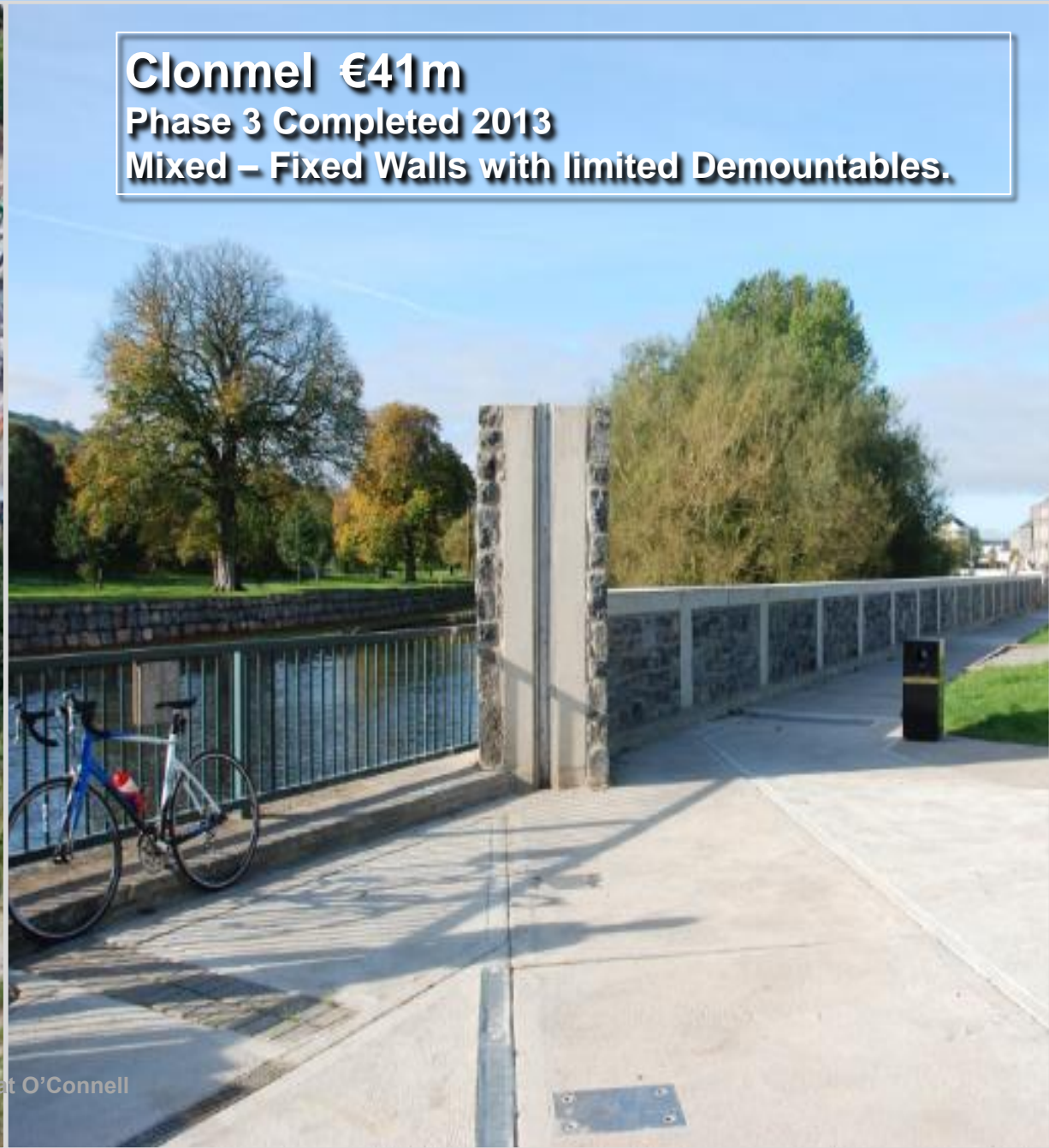
River section put underground.



Clonmel €41m

Phase 3 Completed 2013

Mixed – Fixed Walls with limited Demountables.



Insurance Ireland (II):

Whereas II has indicated that 98% of the 1,451,753 property policies which they issued nationally (in 2014) provided flood cover, when these are related to the areas covered by the MoU (i.e. areas defended to a 1 in 100 year standard) the figure drops significantly.

[Given also that II represents only 80% or so of insurers these stats can't represent the full national position.]

II's own 2016 figures indicate that of the 6,914 policies which were issued in the 16 areas protected by new OPW flood schemes between **22% & to 11%** did not include flood cover.

- The figures did not indicate how many properties were refused cover in those areas, nor how many were loaded.

However bundling the percentages are hiding problem areas e.g. Fermoy, and when you do a local audit of a defended area the results are stark.

Recommendations

1. Memorandum of Understanding

- II should inform the OPW under the MoU what streets / communities they are refusing flood insurance within the defended areas.

2. National Census

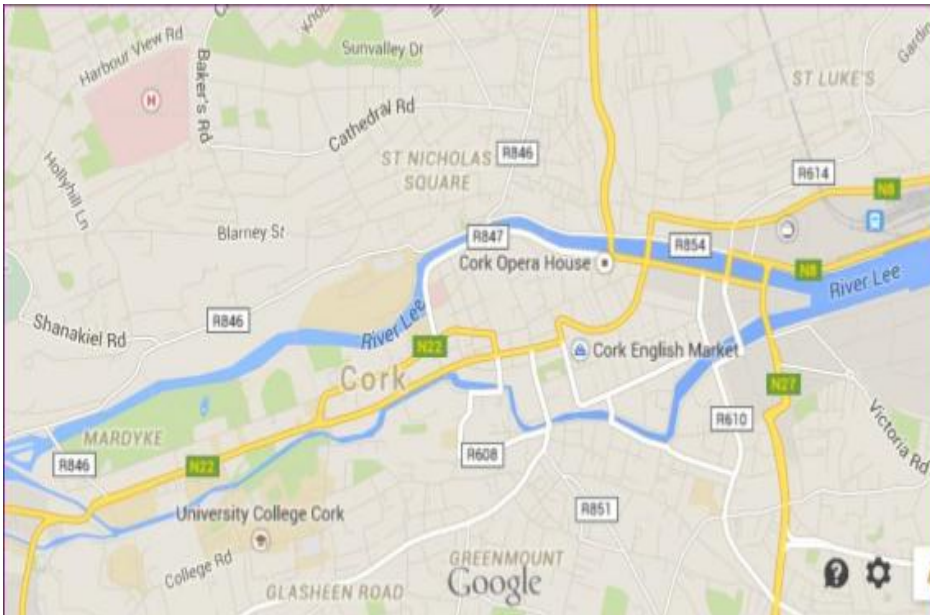
In view of the importance of deriving relevant statistics for the national flood strategy, INNF recommend that future National Census include a small number of questions to elicit:

- The overall numbers of at-risk households; small businesses and farms.
- The numbers of these which do not have flood cover; have been refused flood cover; or else excessively loaded.

Cork Business Association concerns.

Pat O'Connell, CBA President

- Submission to Joint Committee on Finance, Public Expenditure and Reform 23rd Nov 2017
- Founded 1957, CBA is a not for profit organisation representing the interests of over 200 businesses in Cork city.
- OPW's 'Cork City Flood Relief Scheme' objective is to provide a city flood defence scheme.



Cork City Flood Relief Scheme

Largest scheme ever planned in the state
€140m

- Includes a flood forecasting system
- To commence in 2018

Expectation of flood cover

- CBA expects cover to become available
- Insurance Ireland will not agree to insure.

L. Owens, CEO CBA understands :

- The Insurance Ireland/OPW Memo of Understanding **provides only for exchange of information** and is not a commitment to the reinstatement of cover!

How does CBA encourage investment:

- By its members without the prospect of flood insurance?

Flood Insurance is **The Key** enabler for Re-Development



Summary

- The national flood strategy being delivered with tax payers' money brings high standards of physical flood protection.
- But without commensurate changes in the level of flood insurance cover being offered, **societal resilience** will remain compromised and communities blighted.

**THESE ARGUMENTS ARE WHY
COMMUNITIES NEED THIS BILL!**



Thank you for your attention

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