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Trouble for insurance firms as more claims flood in



Members of the Dublin Fire Brigade at Ballygall crescent where homes were damaged due to flooding in Finglas East, Dublin

AS hundreds of homes lie in tatters after the worst weather since Hurricane Charlie, the rhetoric summing up the insurance industry's prospects this year has turned from 'the perfect storm' to 'the perfect tsunami'.

The water has barely been banished from afflicted homes and businesses, and already the claims are rushing in, prompting insurance companies to privately speculate on multi-million euro hits from the storms of last weekend alone.

Sources stress the damage will pale in comparison to the £3.4bn (€4.27bn) in weather-related claims endured by UK insurers on foot of 2007's summer of apocalyptic-style floods, but there is real concern nonetheless.

Ireland's insurance industry is already being battered by fierce competition, plummeting life and pensions sales and the higher numbers of small claims that inevitably accompany recession. Add in record weather claims, and there's your perfect P&L tsunami.

"Insurance companies generally plan for two catastrophes a year, but things have been extremely benign for the last five or six years and we haven't seen anything catastrophic," says consultant [David Power](#) of Distinct.

"This flooding would be classed as catastrophic."

The first warning bell was sounded at the start of August, when flash floods in [Mallow](#) and Newcastlewest in [Munster](#) brought both towns to a standstill.

Those floods prompted an executive from [Allianz](#) Ireland to last week comment on the potential for 2008's numbers to be hit by bad weather.

Last weekend's addition of more than 600 [Dublin](#) homes to that flood-damaged pile, however, will have given Allianz and the rest of the industry much more cause for concern.

As Goodbody's [Anna Lalor](#) points out, Dublin homes are more expensive to rebuild, a point backed up by the latest report from the [Society of Chartered Surveyors](#), which shows the per-square-foot costs of rebuilding a house in Dublin can be up to 36pc higher than the rebuilding costs in [Waterford](#).

Exposure

Then, there's the level of insurers' exposure to the homes in question.

Notoriously flood-prone areas like Mallow and Newcastlewest tend to have very particular insurance trends, and some homes that have been repeatedly flooded may not even have insurance because companies won't cover them.

Beyond that, insurers use a practice known as geo-coding to manage their exposure to particular flood plain areas, which means one insurer is unlikely to have exposure to a whole row of Mallow houses.

"It's very hard to make geo-coding work for flash floods like last weekend's," says Power. "They can't predict the height of where houses are relative to the drains, or anything like that, so some insurers could have a lot of exposure."

Most major insurers this week declined to give details on their exposure to the recent floods, saying it was too early to calculate losses, while FBD stressed it would be minimally affected since its book would not have a heavy Dublin focus.

Allianz, Hibernian and Royal Sun Alliance are expected to be the hardest hit, given their combined 59pc share of the property insurance market, as shown by the most recent [Irish Insurance Federation](#) statistics.

The level of the ultimate hit borne by those companies will depend on the geographical spread of their book, as well as their re-insurance policies, but anecdotal evidence already suggests an uplift in claims.

"We have experienced a significant increase in newly reported weather-related claims since the weekend, in line with our expectations following such unusual and extreme weather," says a spokeswoman for Eagle Star, charting an industry-wide trend.

Insurances sources privately complain about the unfairness of the payouts they're now faced with, claiming poor planning decisions and lack of decent anti-flood infrastructure is to blame for the damage.

"You could say it was the council's fault for granting planning permission on a flood plain, or the Government's fault for not implementing a programme to halt flooding, yet we're the only ones footing the bill," says one.

Insurers are reluctant to go on the record confirming their intent to raise prices on the back of the latest flooding.

As Quinn's general manager [Colin Morgan](#) diplomatically puts it, while no decisions on price rises have been taken yet, "we will be monitoring events closely.

"And if there is significant weather damage caused on a countrywide basis then we would have to assess the impact on premiums going forward".

- *Laura Noonan*

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