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Dear Chair,

The Association of British Insurers (ABI) is pleased to respond to the Climate Change, Environment, and Infrastructure Committee consultation on its priorities for the Sixth Senedd.

Climate change is the defining challenge of our time, and its impacts are already being felt across Wales as flood events increase in frequency - Natural Resources Wales stated that 3,130 properties across Wales were flooded as a result of storms in February 2020 alone.

Climate change has significant implications for the UK insurance and long-term savings industry; we understand the transition to a low carbon economy is in the interests of everyone, and as institutional investors our members recognise that the sector must respond to the challenges climate change poses. Insurers and long-term savings providers are uniquely placed to help address the risks from climate change, both in their underwriting practices and their investment practices.

Whilst the impacts of COVID-19 are devastating, they must not distract from working together to meet the challenges of the climate crisis. The recovery from the COVID-19 outbreak presents the opportunity to focus on our priorities to decarbonise the economy and deliver a green recovery. The insurance industry is set to play a key role in helping to meet the ambition of net zero carbon emissions by 2050.

Welsh Ministers Priorities

The Committee asked for views on the Minister and Deputy Minister's priorities over the next 12 to 18 months and the ABI supports the Welsh Government targets for reducing greenhouse gas emissions and achieving net zero emissions by 2050.

We welcome the Welsh Government's priority on reducing the risk of flooding to people, properties and infrastructure and agree that these risks will only be exacerbated by the changing climate. The National Strategy for Flood and Coastal Erosion recognises the Welsh Government's work with the insurance industry and the importance of the availability of affordable insurance cover for those households at higher risk of flooding via the Flood Re scheme. It outlines a number of overarching commitments that will help to manage and reduce

the flood risk across Wales, in particular recognising the importance of property flood resilience measures, improving awareness and access to information on flood risk management, the need to reform the planning framework and property development procedures to ensure no inappropriate developments are built in high flood risk areas, and the importance and usefulness of Sustainable Drainage Systems.

The inclusion of road safety under transport priorities is welcome as reducing the number of accidents on Welsh roads is an important factor in motor insurance claims.

We agree that a circular economy can play an important role in decarbonisation and set out below ways in which the insurance industry can support recycling and the reduction of waste.

Investing in Flood Defence Infrastructure and Climate Resilience

Insurers are at the forefront of dealing with the consequences of climate change, including a significant increase in all types of flooding, meaning we have the experience and knowledge necessary to help tackle the issue. The ABI works with Welsh Government and Natural Resources Wales to raise awareness of flood risk and what steps communities, individual households and businesses can take to manage that risk and improve their resilience.

Earlier this year the ABI and Flood Re published a report [Modelling the Impact of Spending on Defence Maintenance on Flood Losses](#) which showed the cost effectiveness of maintaining flood defence infrastructure - for every £1 increase in maintenance spending almost £7 is saved in capital spending on defences. This research showed that the Average Annual Loss which represents the expected cost of flooding on average per year was £12.7m for residential property in Wales and £3.9m for commercial property.

The report also found that increasing current maintenance spending by 50% could extend the lifespan of defences by an average of eight years. We would ask the Committee to consider the importance of flood defence maintenance and investment by Welsh Government in its work on flooding and flood risk. The creation of a publicly available register of flood defence infrastructure and assets with information on their maintenance and condition would be a positive development.

However, we must also recognise that flood defences cannot protect every single property from flooding and so it is important to consider the role of property flood resilience measures. Resilient repairs and flood protection products can significantly reduce the time that households or businesses have to move out of their properties if a flood occurs. The ABI has worked with the Construction Industry Research and Information Association (CIRIA), as part of the Defra Property Level Resilience Roundtable, to help develop the Code of Practice and guidance for property flood resilience which should help to improve standards, certification and installation of resilience and recovery measures to help protect properties from flooding.

Flood risk can also be managed through the planning processes to ensure no inappropriate developments are built in high flood risk areas, through encouraging a more transparent planning application process with clear monitoring and reporting by Local Authorities on planning decisions. This would provide reassurance to local communities concerned about the potential impacts of new developments. We propose that new developments should not

go ahead against the advice of National Resources Wales in relation to flood risk and other relevant factors.

The Welsh Government's commitment to funding flood risk management and flood defence infrastructure needs to be maintained in the Sixth Senedd. This is particularly important in light of inappropriate development in flood risk areas, climate change scenarios and population growth. There must be a long-term Welsh Government commitment to increase both capital and revenue funding to protect communities from the growing threat of flooding in line with the investment scenarios that have been outlined by the UK Government's advisors.

ABI Action to Tackle Climate Change

The ABI represents the UK's world leading insurance and long-term saving sector, with our members managing £1.7trillion worth of assets; we believe action on our part is crucial to the success of any strategy to finance Net Zero.

In July 2021, the ABI published the sector's [Climate Change Roadmap](#) which represents the development of what we believe is the most demanding and far-reaching carbon reduction plan of any insurance and long-term savings sector in the world.

Our Roadmap includes new short and medium-term milestones ahead of fully decarbonising activities by 2050:

- By 2025: firms should have worked collaboratively with recognised external frameworks to set a target to show how each individual firm plans to reach Net Zero by 2050. By this point, firms should have reached net zero within their own directly controlled emissions and reported transparently on progress.
- By 2030: reached the IPCC's interim goal of a 50% reduction in Greenhouse Gas (GHG) emissions.
- By 2050: fully decarbonised their activities in line with the UNFCCC's Paris Agreement.

Our sector employs 310,000 people around the UK, including 11,000 jobs in Wales, and handles £46m in claims every day. The Roadmap sets out how, over the coming years, the industry will work together to explore how we can work with other industries to:

- Make it easier for customers to make sustainable choices about their pension savings by providing clear and consistent information, identifying moments in the saver's journey where sustainable choices could be encouraged and developing a 'jargon-buster' so savers understand how climate change issues relate to their pensions.
- Help customers to make sustainable choices during the claims process. The ABI will work with members and engage pro-actively with our counterparts in other economic sectors to define what would be required to enable customers to take sustainable choices while resolving claims – focussing in particular on motor and property claims in the first instance. This could mean switching to an electric vehicle after a car is "written off" or having a broken gas boiler replaced with a sustainable alternative.
- Explore how firms can encourage customers to accept repaired or recycled items as part of a settlement, rather than offering brand-new items. As part of this, we'll look at how items damaged during a flood or storm can be reclaimed and given to organisation who can re-use or repair them.

- Partner with the independent healthcare sector to develop safe alternatives to single-use plastic and other unsustainable items in hospitals and healthcare.
- Encourage the development of a sustainable secondary market for electric vehicles and establish consistent practice for re-using and recycling charging equipment.

We hope this is of interest to the Committee and look forward to following your work in these areas.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alastair Ross', written in a cursive style.

Alastair Ross
Head of Public Policy (Scotland, Wales and Northern Ireland)