

WEATHER IN INSURANCE

and why it has such an impact



with Sue Coffey
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Weather Obsessed?

In the last 12 months we've had more named storms than ever before so it's hardly surprising that we are becoming more weather obsessed. Four in five of us check the weather every day and I am definitely one of the 4!

We are focused on weather in the insurance industry due to the significant impact it has on the claims we see. A recent survey with 200 consumers found that half of the UK have been adversely impacted by weather over the past 12 months. And two in five of those people affected made a claim. This can be from severe events like hurricanes, floods and wildfires or the more regular weather patterns that we are used to.

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Whether it's in regards to pricing or getting ready for a surge of claims we are talking about weather!

Why is weather data significant in the insurance industry?

Assessing how much premium to charge for each risk considers a lot of factors, and the environment the risk is based in is one of these factors. We need to assess if they are more exposed to a potential weather event that could result in damage to their vehicle or home.

Behind the scenes there is lots of activity to help quantify the impact of the severity and frequency of all different types of weather hazards here in the UK. And of course, we rely heavily on data to do this. The UK with its storms, floods and dry weather is just a small subset of the wider data that includes the global climate including earthquakes and tsunamis. The global piece will affect the reinsurance market which in turn affects the insurance market. Lots of data, lots of analysis and lots to consider!

How do we use the data?

Pricing models are built using geographic data of historic events and helps us to understand weather patterns better and attempt to predict where events might be expected to hit here



in the UK. We aim to predict the impact of weather on the book of risks that we insure which helps us price appropriately.

What will climate change mean for the industry?

We are starting to experience climate changes, such as the number of storms experienced of late. This is affecting our ability to assess weather events as effectively as we have in the past. Changing patterns make it tougher to predict events however we still need to ensure that the impact of weather is built into rates.

The main thing we can do to ensure that we are charging the right price for each risk is to use as much data and information that is available and to look wider than just the immediate patterns seen. For example, last year was what is known as an El Niño year. This is a global weather event that happens every four to seven years and in the year following you can expect more extreme weather. Knowing this we need to consider potential impacts and price accordingly. The challenge is that you can have the best models in the world, but they're not necessarily going to capture everything, but by looking at long-term weather patterns there is a better chance.

As a business we need to be proactively looking at the steps we need to take to respond and react to climate change going forwards. This is clearly going to be a continuing concern that the whole insurance industry needs to manage.

How can we help customers?

One use of data is our unique weather tool that takes all our risk information and plots where our customers are located. This is then overlaid with climate data and helps us to predict and track weather events including windstorm activity.

This tool provides a view on a potential future weather event including how that may impact our customers and to what extent. We use this to plan and resource effectively depending on what is needed. The aim is to share this insight to help support customers with preparing, taking precautions, and attempting to minimise the impact of the event.

How else can we support customers when weather events happen?

We need to be prepared! Research shows that three in four customers expect insurers to settle the claim quicker or provide additional levels of support when weather events happen. When aware of an event we get ourselves as prepared as possible, including taking a more holistic view of resource to ensure we have the right number of people in the right places, to respond to the additional demand. This includes talking to our nationwide coverage of loss adjustors to ensure that they too are prepared and ready to support.