



The FloodFlash Commercial Risk Report 2021

Your expert guide
to commercial flood
risk in Britain

 FloodFlash

www.floodflash.co

enquiries@floodflash.co

**Business in the
Community
estimates
40% of small
businesses close
for good after a
catastrophic loss
from flooding***

Why we created the Commercial Risk Report

Everything we do at FloodFlash is driven by a simple belief: everyone should be able to recover from catastrophe. Britain represents one of the most advanced insurance markets in the world. Unfortunately, when it comes to floods there are many people that can't get effective, affordable cover. Businesses are perhaps the biggest group to miss out because they don't benefit from Flood Re, the joint initiative between insurers and the government.

Very little is known about the threat that flooding poses to businesses in Britain. The majority of research and reporting focuses on homeowners. This report is the first step in addressing that issue. We must raise awareness of the risk that flooding poses. Armed with that knowledge, businesses can then take measures to address their risk. We don't mind whether that's through traditional insurance, a FloodFlash policy or flood defences (although the most resilient business combine all three)! Once businesses know what they're up against, and who can help, we'll be several steps closer to making sure every single one can recover from catastrophe.

Thanks for taking the time to learn about commercial flood risk, and special thanks to our data partners who made this report possible.



Dr Ian Bartholomew
FloodFlash co-founder



FloodFlash founders Dr Ian Bartholomew and Adam Rimmer

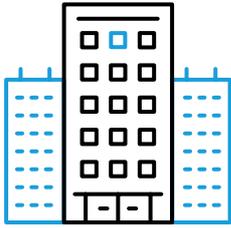
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For more information or
press enquiries contact:

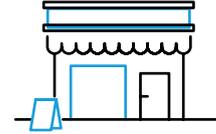
enquiries@floodflash.co
0203 608 6620

Executive Summary



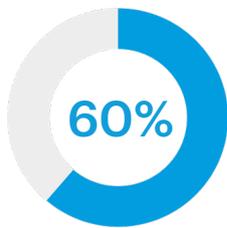
1.6 million

buildings in Britain have some kind of commercial use

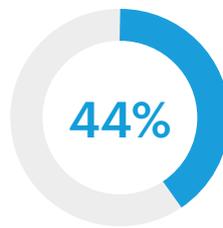


Retail and industrial property makes up **53%** of all commercial property at risk

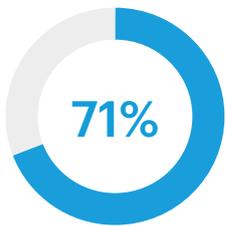
In a recent survey of financial decision makers whose business operates out of a property, conducted by YouGov for FloodFlash...



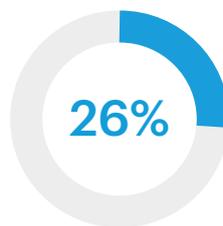
60% of businesses surveyed with a significant or moderate risk struggle to get affordable cover



44% of businesses surveyed agree they have comprehensive insurance



71% of businesses surveyed are aware of their flood risk



26% of commercial property has at least a low flood risk

1947, 1953 and 2007 played host to the worst recorded floods for British businesses



Surface water is the biggest flood threat to UK businesses, with **249,956** properties under threat

— East Riding of Yorkshire is the worst area for commercial flood risk in Britain.

+ Whilst Midlothian is the lowest risk.

Methodology

How we created the report

When we set out to find out about commercial flood risk in Britain we started with simple questions. How many businesses in Britain are at risk of flooding? Where they are? What sector are they in? And perhaps most importantly, what do they think about their flood risk? To answer them, we used the skills and resources that form the backbone of our risk modelling platform. The resources include industry leading data from our partners at the Ordnance Survey and JBA as well as the excellent open-source data available from the Environment Agency.

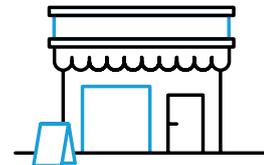
What we did:

- used OS data to identify property in Britain classified as having commercial usage
- matched property locations against historic flood footprints to find out the number of properties that would have flooded each year since 1947
- integrated these with flood risk data to find out the number of properties at risk of flooding
- carried out analysis on how major floods over time would have impacted British businesses
- analysed the source of flood risk, whether that's river, surface water (rainfall) or coastal sources
- surveyed 756 financial decision makers across the country to find out what the people that run businesses that use property think about flooding
- broke down the results geographically and by sector

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The number that frames everything in the report:

1.6 million buildings in Britain have some kind of commercial usage.

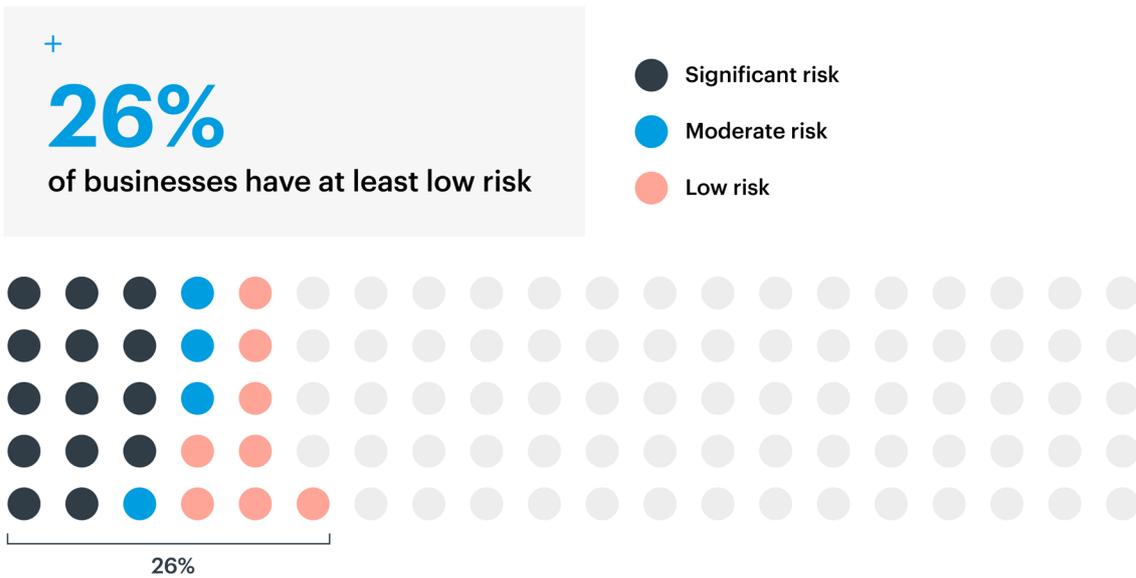


This isn't a direct representation of the number of businesses though. Many businesses have multiple properties, whilst many buildings are occupied by multiple companies. When you consider there are 1.4 million British businesses with at least one employee, this makes sense as a broadly representative figure. It's important to note that the report doesn't include rented residential properties, even though they aren't eligible for Flood Re, so the numbers you'll see on the following pages are conservative estimates for the number of commercial properties at risk.

Section 1:

How many businesses are at risk?

The unfortunate answer is quite a lot. In fact, 14% have a significant risk of flooding. Look at moderate risk and that number goes up to 18%. Over a quarter of the commercial properties (26%) have at least a low flood risk.



How we define risk



Significant risk

means a property is in a 75 year zone. In other words, these properties are likely to flood at least once every 75 years. If you consider the length of a mortgage could be 25 years the chance of flooding once in the lifetime of the business is approximately 1 in 3.



Moderate risk

means a property is in a 200 year zone. This might seem like a long time, but taken over a 20 year occupancy the chance of flooding in one of those 20 years is approximately 1 in 10.



Low risk

means a property is in a 1,000 year zone. Over an example 20 year occupancy the chance of the property experiencing a flood in one of those years is 1 in 50.



No risk

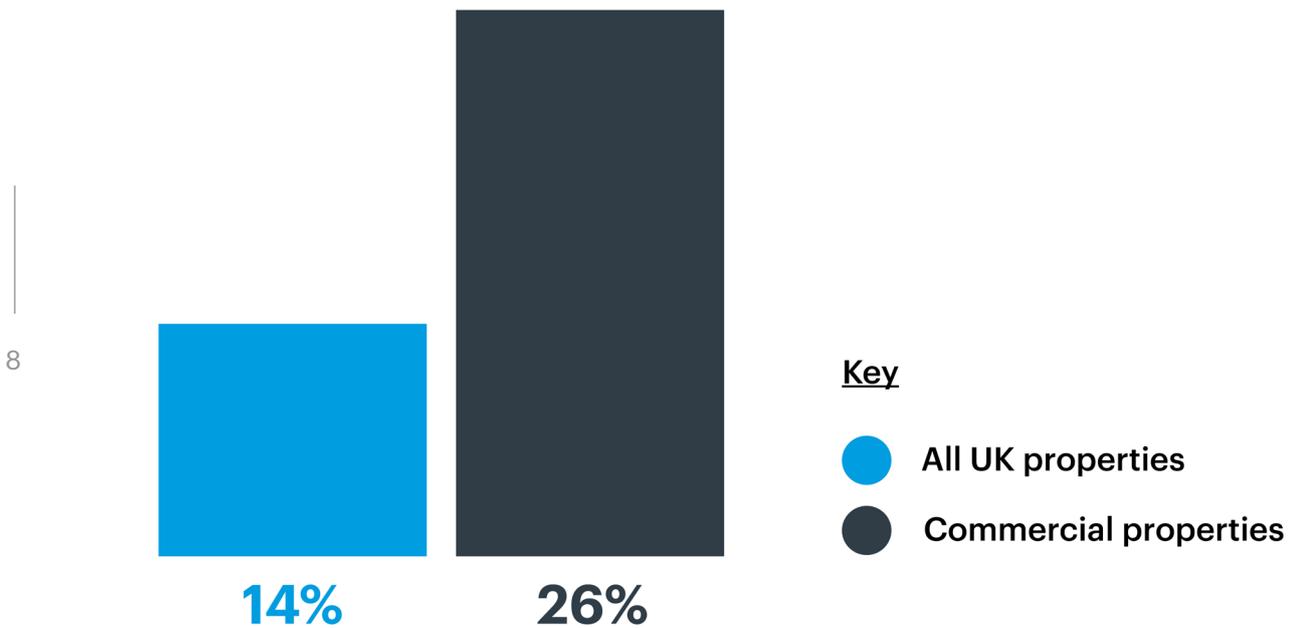
doesn't mean there is no risk of flooding, however the flood data available suggests that these properties are in a zone where you'd expect a flood once in over 1,000 years

A note on probability: when we say a property has a 1 in 3 chance of flooding one year in 25, that doesn't mean it can't flood multiple times in 25 years. When a property floods, the chances of it flooding again the following year are exactly the same. Think of it this way – if you roll a dice and get a one your chances of getting a one on the next roll are exactly the same. When properties flood in consecutive years it's the same principle – terrible luck.

This is why you can't assume that you will or won't flood based on previous experience. The phrase "we won't flood again because we flooded recently" is just as wrong as saying "we've never flooded before, so we won't now". Unfortunately, both of these phrases are wishful thinking rather than based on any facts.

Commercial vs. residential risk

According to data from Aviva's recent flood report, 14% of UK properties are at risk from flooding*. Compare this to the 26% of commercial properties and it's clear that on average businesses face a higher threat than homeowners.



This difference may seem counterintuitive, but it's determined by how we have chosen

to build property historically. Coastal and riverside areas are attractive for commercial estates historically because of access to water-based transportation as well as the ease of converting mill properties for modern use.

Flat, low-lying land on floodplains is also attractive when a bigger site is needed for large warehouses or sports grounds. These areas are often attractive to businesses for the same reasons that the flood risk is higher.

Section 2:

Breakdown of peril

People often associate flooding with rivers or the coast. Whilst these are the obvious causes, properties are more at risk from less obvious sources. In fact, the largest proportion of commercial properties at risk are threatened by surface water flooding.

Out of sight out of mind?

Ignore surface water risks at your peril – it’s the biggest flood threat to commercial property in the UK. It’s also the easiest for businesses to brush off because the source of flooding isn’t visible like river or coastal flooding.



Number of businesses at risk from different types of flooding:



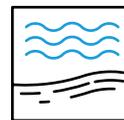
249,956
at risk of surface
water flooding

Also known as “flash flooding” surface water flooding is driven by the collection of intense, localised rainfall and may occur in areas which are remote from any rivers or other sources of water.



123,800
at risk of river flooding

This happens when a river (or similar body of water) bursts its banks. This happens when more water runs through a river basin than usual and is often caused by intense storms or snow melt.



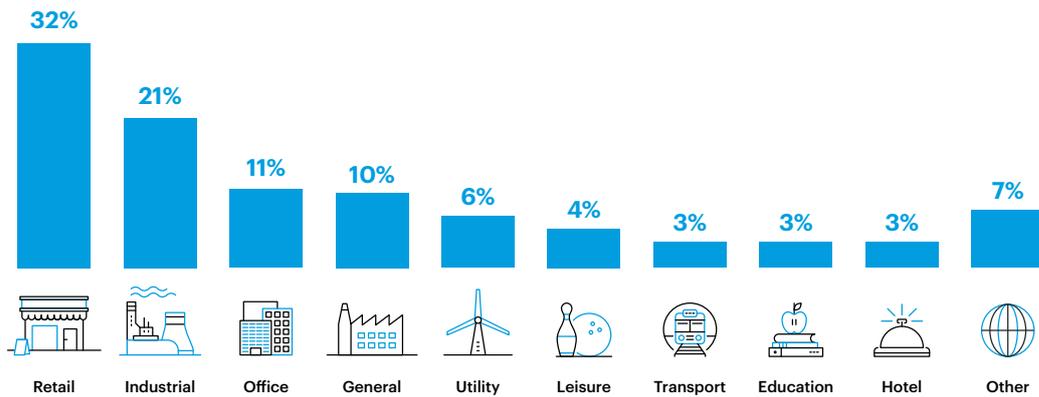
19,320
at risk of coastal flooding

Coastal flooding affects communities on Britain’s coasts and is influenced by tidal surges, changes in sea level as well as intense storms. This type of flooding can happen very quickly and causes a lot of damage to property due to the salt water.

Section 3:

What types of businesses are at risk?

Our report has broken down the commercial properties at flood risk into their respective industries. The report found that over half of all commercial properties at risk are in the retail and industrial categories.



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Interestingly, the industries that have the most properties at risk don't always demonstrate the biggest concern about flooding. When asked to choose all the biggest risks to their business, only 6% of retail decision makers surveyed selected flooding. Similarly, only 9% of manufacturing leaders selected flooding. Hospitality and leisure (19%) and IT and telecoms (20%) are examples of industries that rank flooding higher than the those with the most properties at risk.

Risk vs. impact: +

This data may show the types of business at risk, but it doesn't reflect the impact that flooding can have on different businesses. Companies that cannot shift their operations, either because they have large immovable equipment, lots of stock, or large potential for business interruption, are the most exposed to flood disruption.

For example, whilst the hotels and leisure sectors only represent 7% of the properties at risk, their exposure to flood disruption is amongst the highest of any industry. Add this to the fact that they have experienced long term disruption from COVID and resilience becomes far more important if they are to survive a catastrophic flood.

Section 4:

Where businesses are at risk

Predictably, Greater London has the highest number of commercial properties in the 200 year flood zone (41,946) with over 4 times the properties at risk than the second place Manchester (10,024).

It's difficult to draw any conclusions about risk from these numbers though, particularly given the amount of water management carried out for the Thames and the number of commercial properties in the area.

It's easier to understand the relative risk of two regions by comparing the proportion of commercial properties

that are at risk within each area of Britain. To do that we calculated the percentage of properties that are within the 200 year zone. That way we can establish where it's more or less risky to operate a business from a flood perspective. The results of this study can be found on the map on the next page.

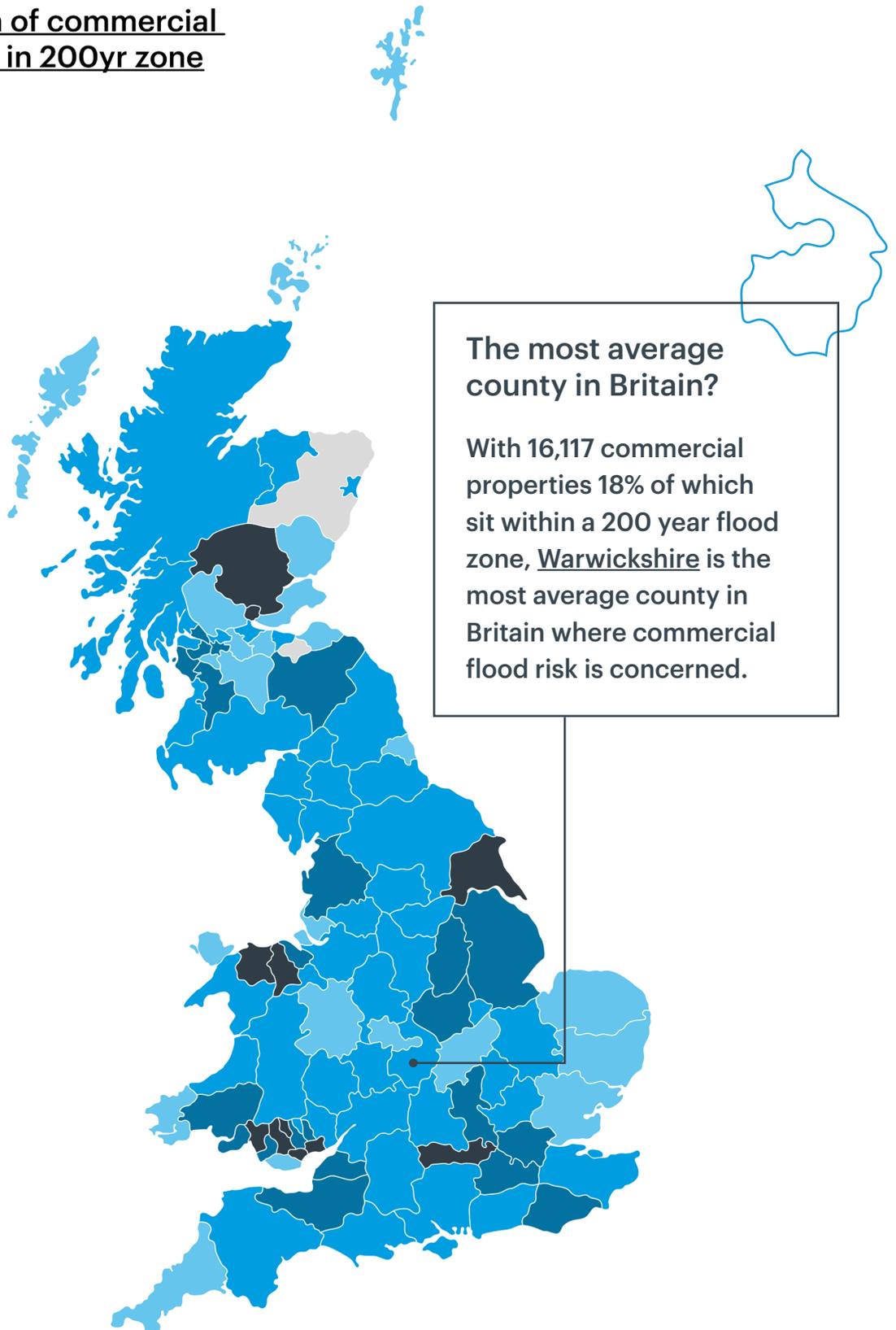
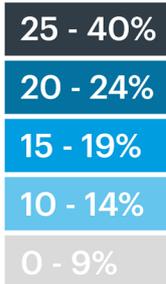
Only Aberdeenshire and Midlothian have fewer than 10% of commercial properties within a 200 year flood zone. At the other end of the spectrum, 3 county areas in Britain have more than 30% of commercial properties within a 200 year flood zone, they are East Riding of Yorkshire (37%), Merthyr Tydfil (36%) and Neath Port Talbot (34%).



British regions by % of commercial properties in 200 year flood zones

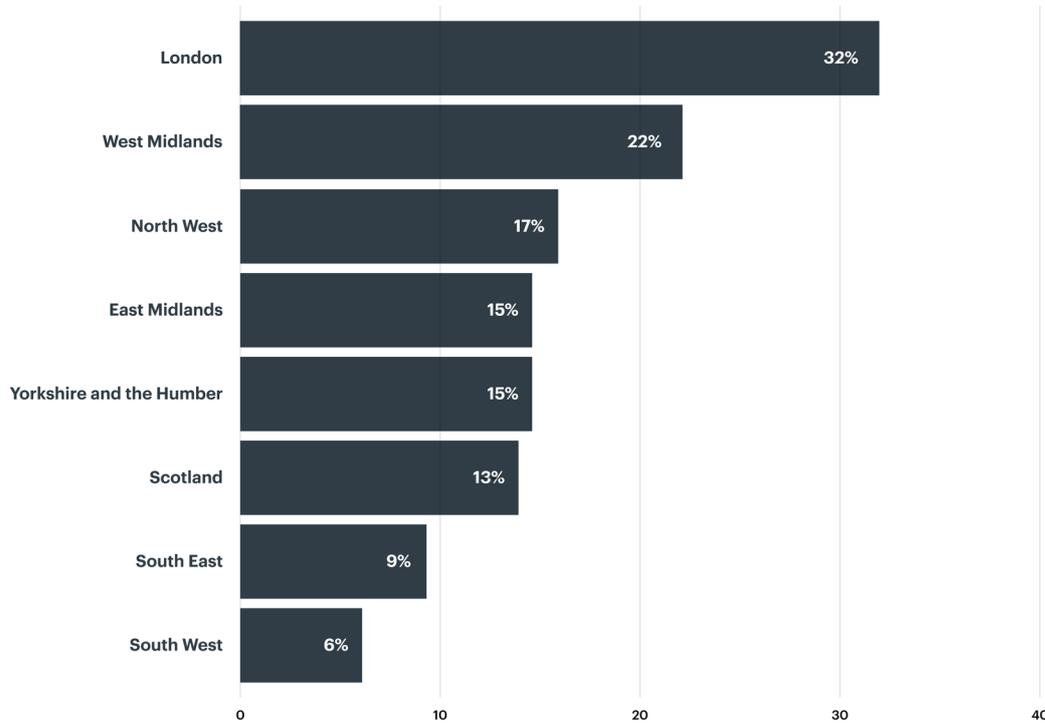
The map shows the percentage of commercial properties that are within a 200 year zone across Britain. The darker the blue, the more properties at risk. Want to find out what percentage of commercial properties have at least a moderate risk of flooding in your area? Contact enquiries@floodflash.co for more information.

Proportion of commercial properties in 200yr zone



Which regions are most concerned about flooding

London shows the highest rates of businesses leaders that are worried about flooding. Those surveyed in the regions below agree that they “worry about flooding as a threat to their business continuity” at the following rates: 32% London, 22% West Midlands, 17% North West, 15% East Midlands, 13% Scotland, 15% Yorkshire and the Humber, 9% South East, 6% South West.



Wales, the North East and the East of England each had too few responses to draw a conclusion. 10 of the 26 respondents from Wales agreed with the statement, indicating that a larger study might reveal similar rates of concern compared with London.

Section 5:

What businesses think about flooding

Knowing the risk is only half the task when it comes to helping clients to become more resilient. Their attitude towards flooding is just as important. With help from YouGov we surveyed 756 financial decision makers in British businesses that use a property in some way. The questions were designed to learn what they think about their risk, and the risk that flooding poses to the UK. This is what we found out.

Our analysis revealed that 19% of business properties in the UK are at significant or moderate risk. 18% of those surveyed put themselves in that category. This suggests that when a business is at significant flood risk they are aware of that risk.

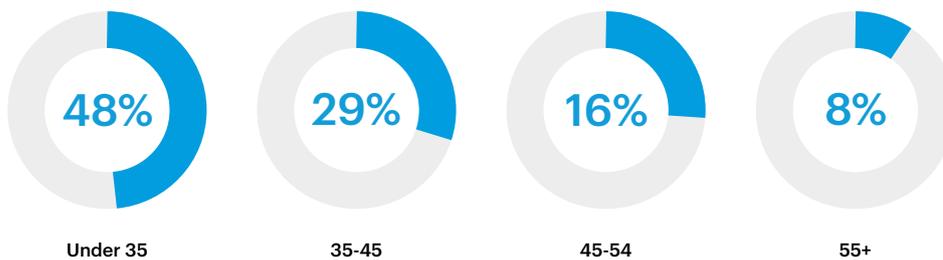
71% of the businesses surveyed agree they are fully aware of their flood risk. Despite high understanding of the risks, only 44% claim to have comprehensive flood insurance.

Big or small, old or young... Who worries more?

Larger companies with £10m+ turnover see flooding as a larger threat (15% of those surveyed picked flooding as a key threat to their business) than the rest (all other groups picked flooding at rates of 6% or lower).

The younger you are, the more likely you are to see flooding as a threat to your businesses

I worry about flooding as a threat to my business continuity:



The impact of risk on finding insurance

We asked the businesses surveyed how hard it is for them to find affordable flood insurance. The answers changed greatly depending on the perceived level of risk for the business. 60% of those with moderate or significant risk find it hard to get affordable flood cover. Comparatively only 13% of businesses with low risk find it hard, showing risk-based inequality for businesses in the UK.

60% of businesses with moderate or significant risk struggle to get affordable cover

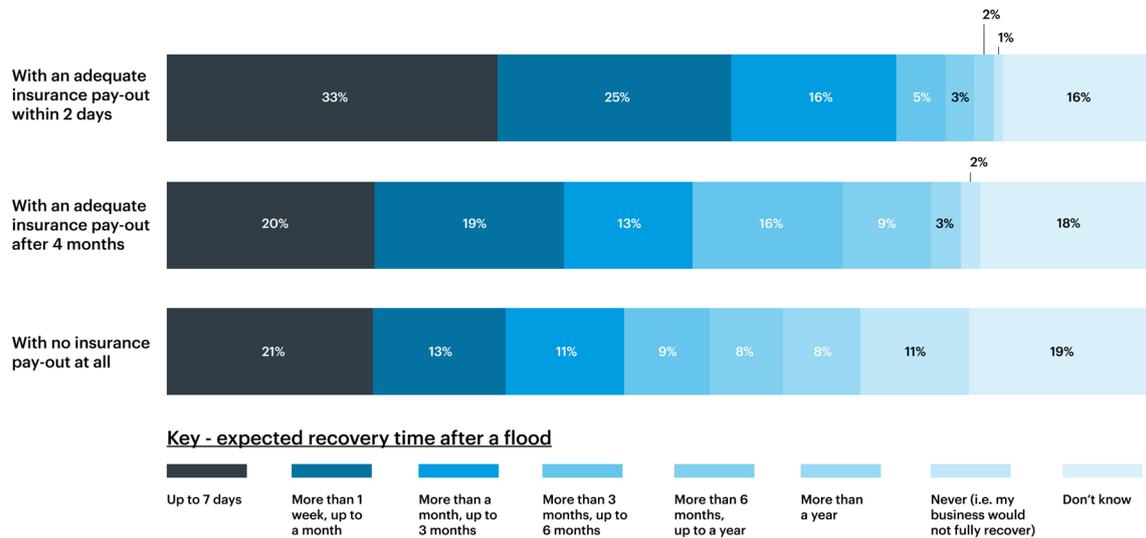
The group that struggles most to acquire cover also worry most about their business continuity. 64% of businesses with a moderate or significant perceived risk worry about flooding as a threat to their continuity compared to 14% with low risk.

The impact of a faster claim

FloodFlash just paid Storm Christoph claims in record time. The fastest claim took just 9 hours and 44 minutes from flooding to the full payout. We explored the impact that rapid-payouts would have on the businesses surveyed if they flooded.

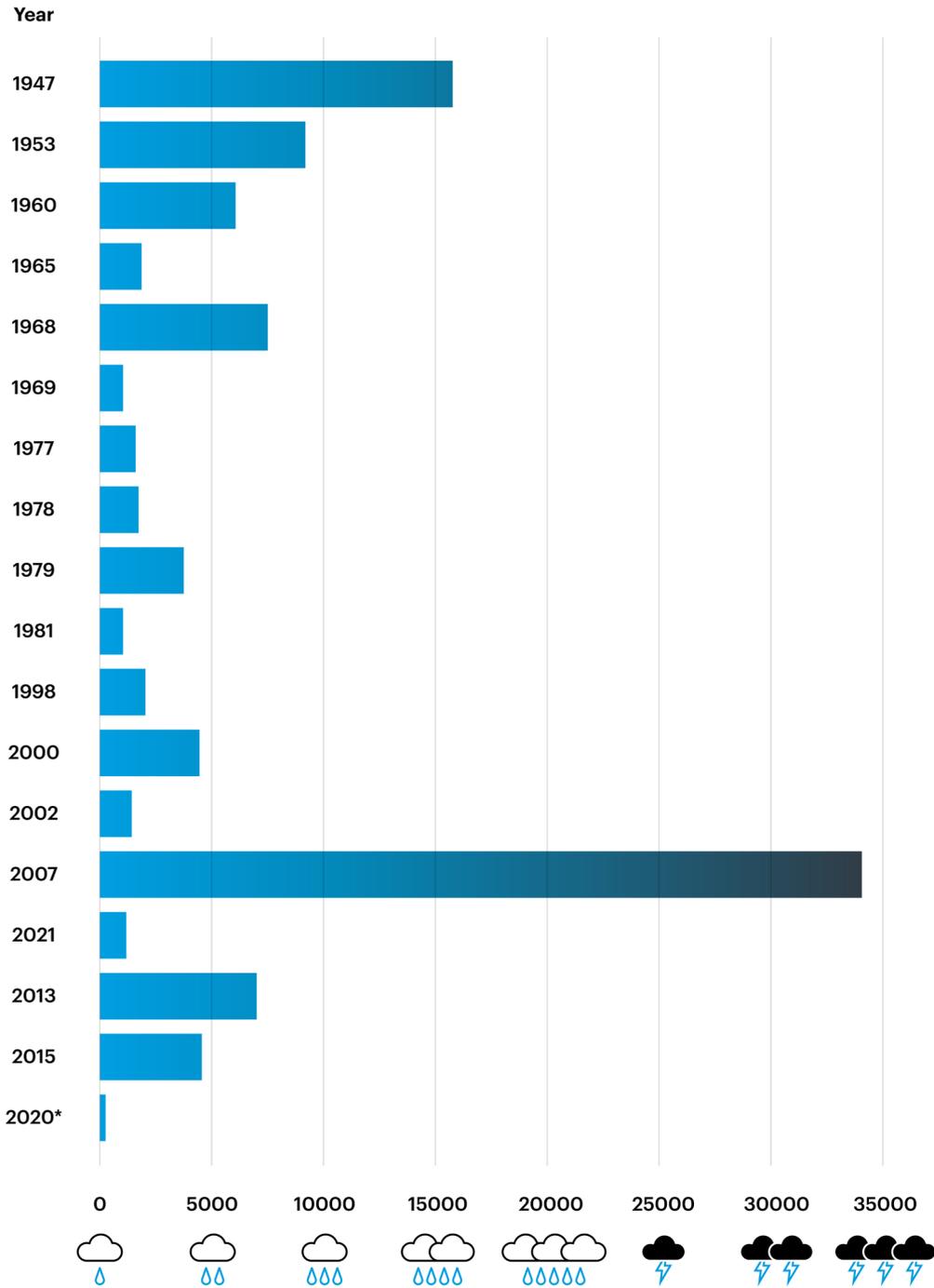


How long would it take to recover with the following insurance responses?



A historical view on flooding

Since records began there have been 17 floods where more than 1,000 commercial properties around today would have been flooded. The biggest were in 2007, 1947 and 1953. The time between each major flood shows that probability doesn't always play out as we'd expect. Three consecutive years of major flooding from 1977 followed the longest period of time without a major flood. It goes to show that one previous flood does not predict what will happen in the future, more recently demonstrated by Storms Ciara, Dennis and Christoph causing major floods within the last 12 months.



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Number of commercial properties flooded. *Analysis of 2020 floods is incomplete.

Section 6:

What to do with this knowledge

Knowing that flood risk represents a real threat to many businesses across Britain is the first step. Using that knowledge and putting the right measures in place will protect your business and allow you to re-invest money otherwise needed for self-insurance.

- 1 Research the flood risk for your business:** a good rule of thumb for flood risk is that if many insurers don't offer flood cover then you probably have a risk. A simple search on the gov.uk site is a good place to start if you want more information. You may also want to consider a flood risk assessment from qualified surveyors to get a more specific view for your property.
- 2 Register for flood warnings:** sign up online for the government's free service. Get alerts sent to your email or phone when your business is threatened by flooding.
- 3 Create a flood plan:** simple planning can give you clear actions when you receive a flood warning. Planning what stock or equipment you need to move, and who within your organisation is responsible for moving it, is a great way to limit the impact of a flood. The Environment Agency has many practical tips on how to create a flood plan.
- 4 Establish what resilience measures you might benefit from:** resilience measures include resistance and resilience. Resistance measures (also known as flood defences) prevent the water from entering your property e.g. flood gates or non-return valves. Resilience reduces the impact of the water once it has entered e.g. waterproofing or raising electrical points. Many companies that provide these services offer free surveys to establish what you might need. Make sure to avoid scammers though – they often prey on people who have suffered flooding in the past.
- 5 Get insurance cover:** it might seem obvious, but many businesses have been unable to get flood cover for 10+ years. Others have been priced out by big premiums or large excesses. FloodFlash provides quotes for flood insurance that pays claims in hours. Great if you've been refused cover, or if you can't afford to wait months for your payout. Get in touch via your insurance broker or the FloodFlash website to request a quote.

In closing

This year's Commercial Risk Report shows the flood risk that British businesses face. Floods spell disaster for a business at the best of times. With added financial pressure on the economy from COVID closures, the impact of flooding is likely to be far greater in the months and years to come. Storm Christoph in January demonstrated that flood risk doesn't go away even though the pandemic dominates the headlines. Businesses must pay attention to their flood risk if they are to avoid catastrophe.

Whilst this report paints a concerning picture of commercial risk, I'd like to end on a positive note. Innovation in the resilience and insurance space is rising to the challenge. Our parametric cover paid one Storm Christoph claimant in full just 9 hours and 44 minutes after their policies were triggered. New insurance products and expert resilience providers stand to protect British businesses far better in the years to come. Together we will decrease recovery times, reduce claim values, and make sure that more businesses survive.



A handwritten signature in black ink, appearing to be 'Ian'.

Dr Ian Bartholomew
FloodFlash co-founder

Want to join us in the mission to make British businesses more resilient?

Email enquiries@floodflash.co and we'll tackle flood risk together.

All survey figures, unless otherwise stated, are from YouGov Plc. Total sample size was 756 financial decision makers whose business operates out of a property. Fieldwork was undertaken between 21st January - 4th February 2021.

“If FloodFlash treat you like they’ve treated me, it will be the best decision you’ve made in five years”

Martyn Gibbon
FloodFlash Customer

 **FloodFlash**

enquiries@floodflash.co

www.floodflash.co

Huguenot Place

17 Heneage St, E1 5LN