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RESEARCH AREAS

Climate Change ◆ Data Analysis ◆ Electrical Resistivity Tomography
Time Domain Reflectometry ◆ BioSciences ◆ Ground Movement
Soil Testing Techniques ◆ Telemetry ◆ Numerical Modelling
Ground Remediation Techniques ◆ Risk Analysis
Mapping ◆ Software Analysis Tools
Artificial Intelligence

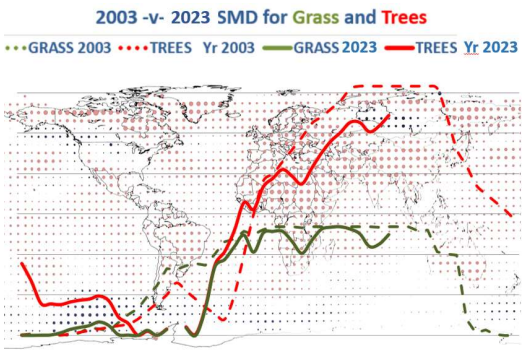
October 2023
Issue 221

The Clay Research Group

CONTENTS

Soil Moisture Deficit Update

Soil Moisture Deficit readings reflect the recent dry weather with intermittent rainfall perhaps reducing the risk of surge. See following page for 2nd quarter ABI update.



SMD Data provided by the Met office. Tile 161, Medium Available Water Capacity with grass and tree cover

Contributions Welcome

We welcome articles and comments from readers. If you have a contribution, please Email us at: *clayresearchgroup@gmail.com*

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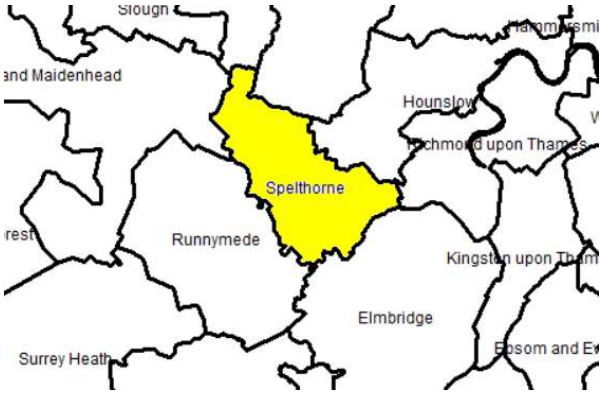
www.theclayresearchgroup.org
clayresearchgroup@gmail.com

District and Sector Risk

Spelthorne is the topic of the 'Risk by District' series in this month's edition. It is a local government district in Surrey, with a geology consisting of superficial deposits of sand, gravel and alluvium overlying London clay.



The risk maps are built from a data sample covering four claim years, including one surge and three 'normal' years.

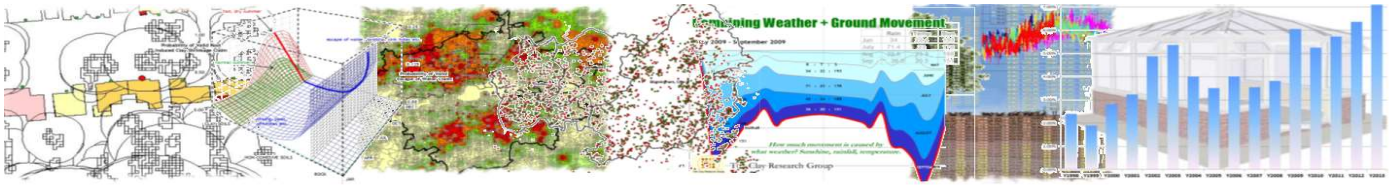
Warmest September 2023

September was the warmest on record according to Met Office records, with an average temperature of 15.2°C.

The average maximum recorded temperature was 19.4°C, the warmest in 127 years.

Apparently, there was a record heatwave at the beginning of the month when the temperature rose above 30°C for seven consecutive days.

To summarise, the Met Office report September 2023 was the warmest on record, both wetter and sunnier than the average. It will be interesting to see how this influences claims numbers.



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Liability and Cause by Season

Below, typical distribution of liability by geology comparing differences between cohesive and non-cohesive soils by season.

The risk of both changes by season, with claims on cohesive soils accounting for around 70% or so in the summer, dropping to 10% or less in the winter, perhaps as a result of late notifications.

Similarly, claims on non-cohesive soils (drift sand, gravel, alluvium etc.) contribute a much lower risk than cohesive soils in the summer, rising in the winter.

The difference is of course related to moisture content.

Declinatures are far higher in the winter months.

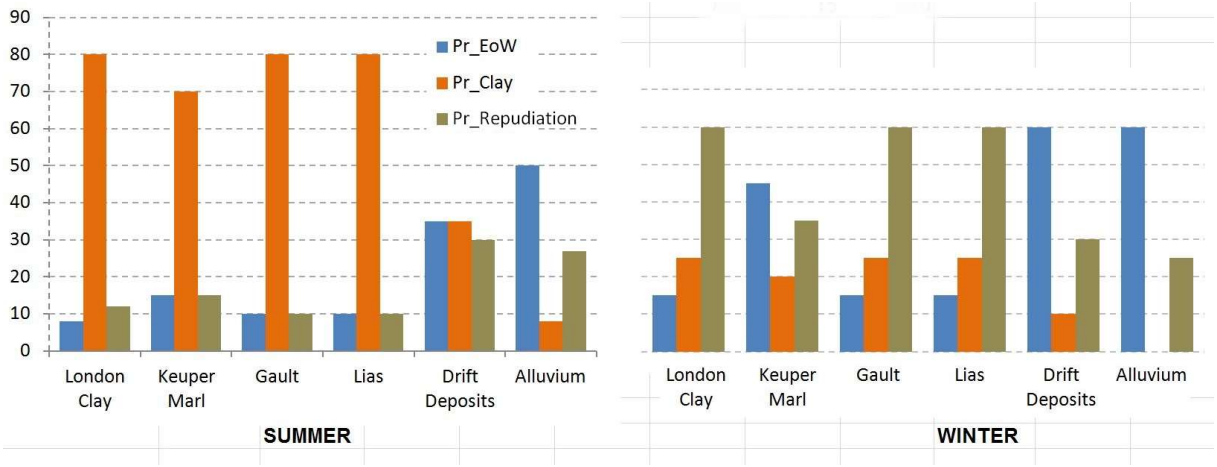
Second Quarter ABI Claims Data 2023

Claims data provided by the ABI indicate that the second quarter of 2023 has been particularly challenging with higher-than-average claim numbers compared with recent years.

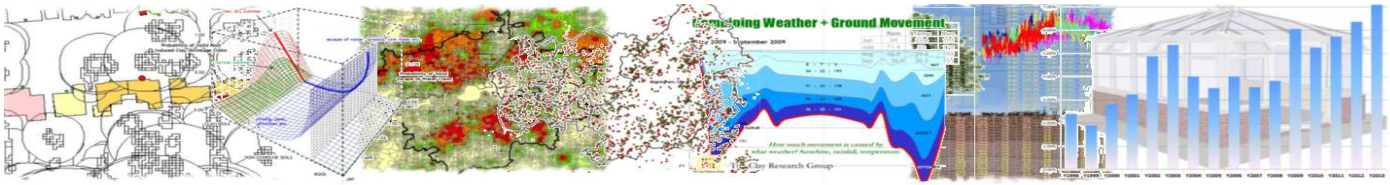
Looking at the last 20 years data for example, April, May and June of 2023 have delivered the highest count compared with total claims received across all perils.

In terms of reserves the story is the same. Obviously subject to adjustment as claims are resolved but the current reserves are leading the table for the last 20 years. The reason isn't clear.

https://www.abi.org.uk/news/news-articles/2023/9/home-insurance-payouts-up-11/



Operating peril and liability by geological series and season.
The data is useful in both triage and audit.



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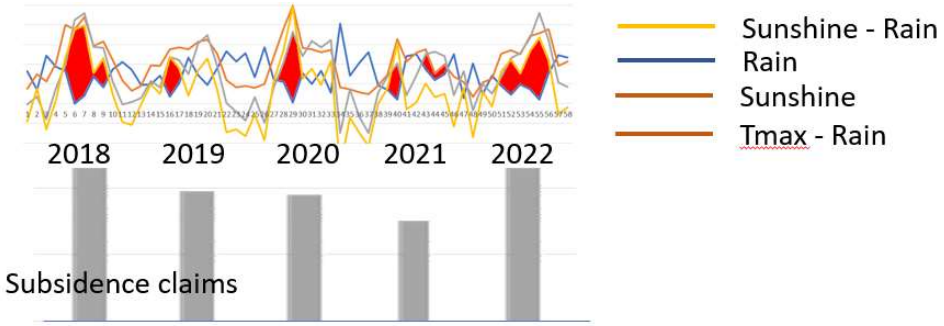
Weather Elements and Surge

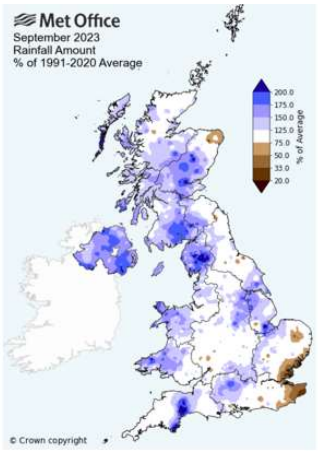
Below, graphs showing the relationship between subsidence claim numbers (grey bar graph) and weather elements – sunshine, rain, *Tmax-rain* and *sunshine-rain*. The red shaded areas show the difference between rainfall and the lowest of the remaining values – temperature or sunshine.

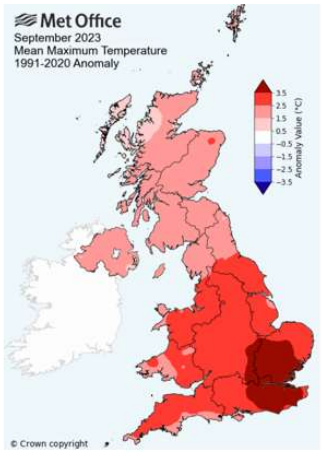


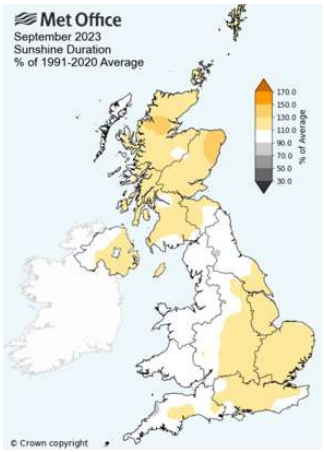
2018 and 2022 were surge years and have larger red shaded (i.e. drier) areas. Something we explore in greater detail in the November issue.

Met Office September 2023 Update. Anomaly Data, 1991 – 2020

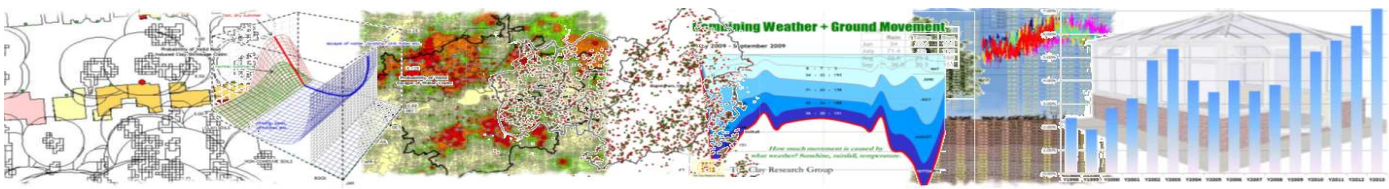
Anomaly maps from the Met Office web site reproduced below. September 2023 delivered record temperatures, increased rainfall and hours of sunshine than the average for the month. Below, seasonal averages compared with the period 1991 – 2020.







https://www.metoffice.gov.uk/research/climate/maps-and-data/uk-actual-and-anomaly-maps



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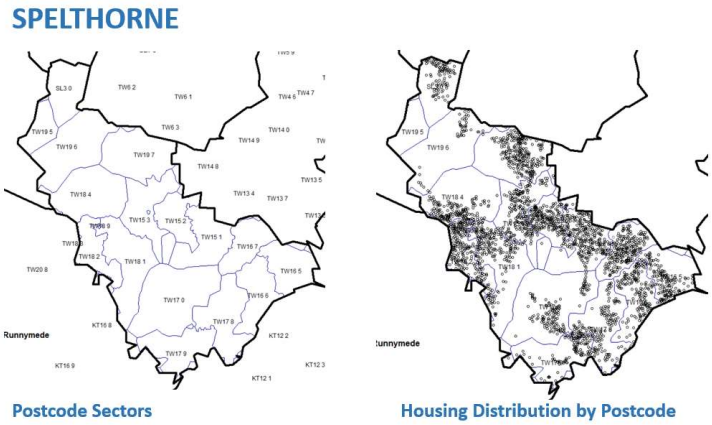
Subsidence Risk Analysis – SPELTHORNE

Spelthorne is located in Surrey, occupying an area of 51.15km^2 with a population of around 99,500.



Distribution of housing stock using full postcode as a proxy. Each sector covers around 2,000 houses on average across the UK and full postcodes include around 15 – 20 houses on average, although there are large variations.

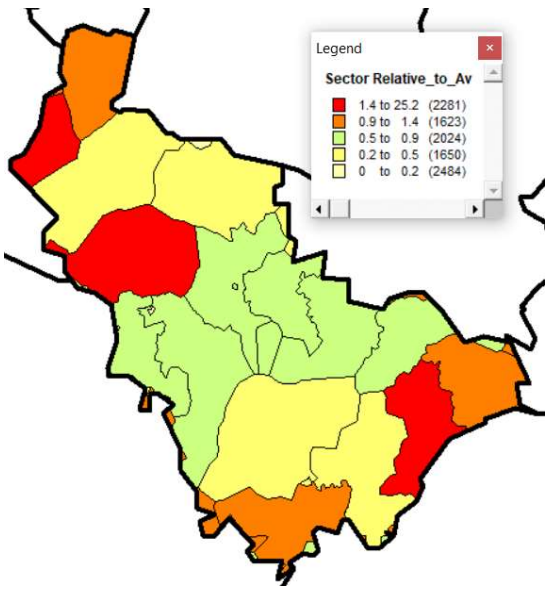
From the sample we hold, sectors are rated for the risk of domestic subsidence compared with the UK average – see map, right.

Spelthorne is rated 253rd out of 413 districts in the UK from the sample analysed and is around 0.737x the risk of the UK average, or 0.191 on a normalised 0 - 1 scale.

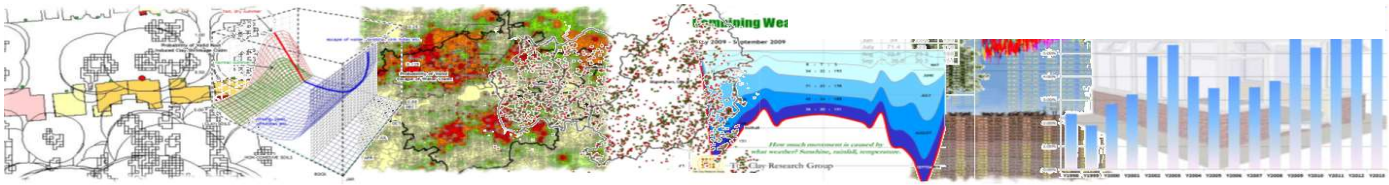
There is a varied risk across the borough as can be seen from the sector map, right, which reflects the varied geology with non-cohesive drift deposits overlying London clay.

Sector and housing distribution across the district (left, using full postcode as a proxy) helps to clarify the significance of the risk maps on the following pages. Are there simply more claims in a sector because there are more houses?

Using a frequency calculation (number of claims divided by private housing population) the relative risk across the borough at postcode sector level is revealed, rather than a 'claim count' value.



Postcode sectors compared with the UK average risk for domestic subsidence claims from the sample analysed.



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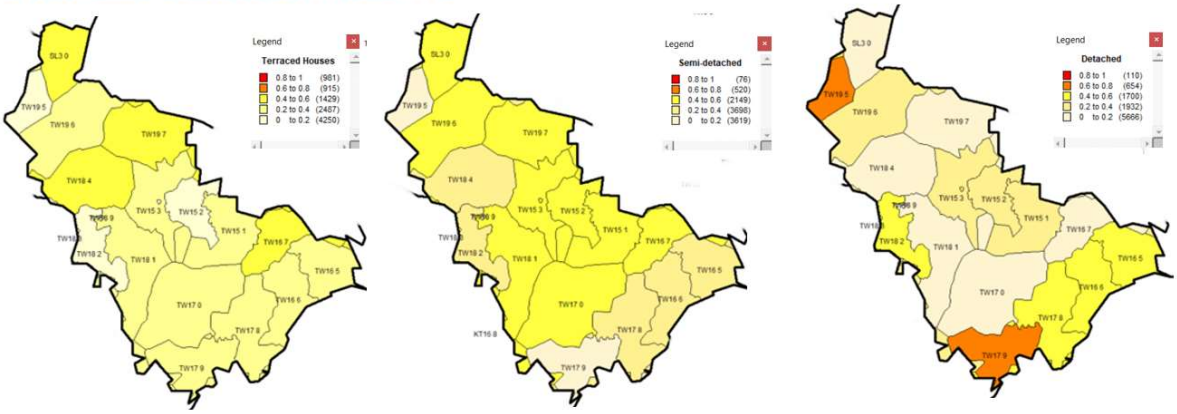
SPELTHORNE - Properties by Style and Ownership

Below, the general distribution of properties by style of construction, distinguishing between terraced, semi-detached and detached. Unfortunately, the more useful data is missing at sector level – property age. Risk increases with age of property and the model can be further refined if this information is provided by the homeowner at the time of application.

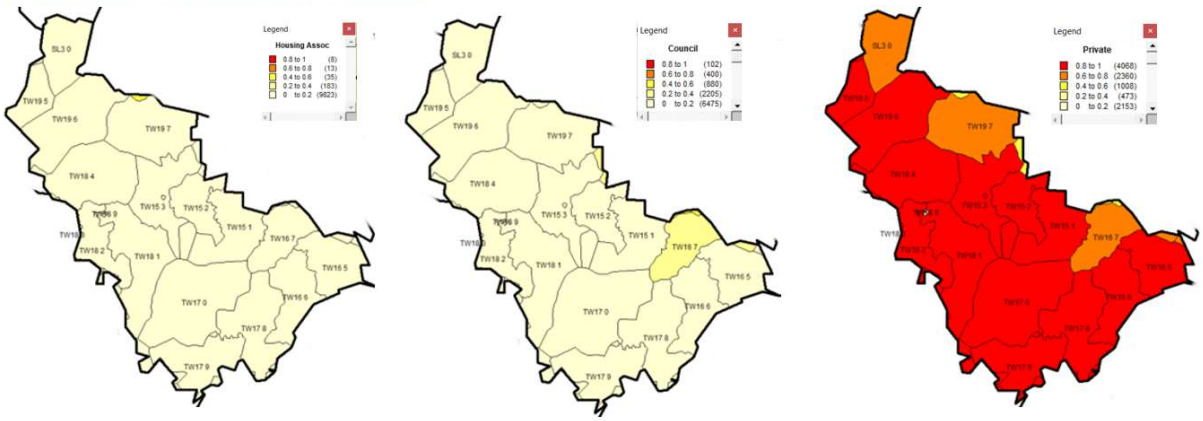
SPELTHORNE - Distribution by House Type



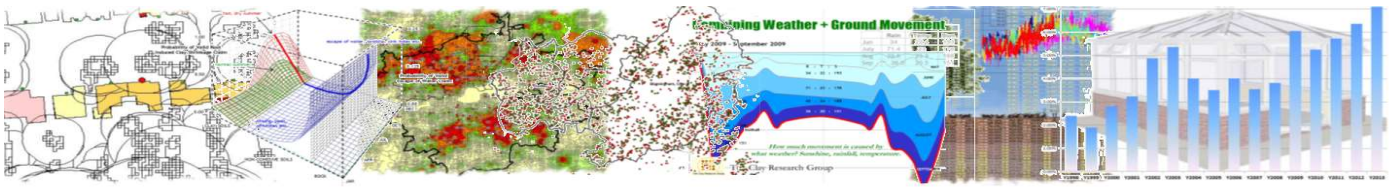
Terraced **Semi-Detached** **Detached**

Distribution by ownership is shown below. Private properties are the dominant class ownership across the borough.

SPELTHORNE - Distribution by Ownership



Housing Association **Council Ownership** **Private Ownership**



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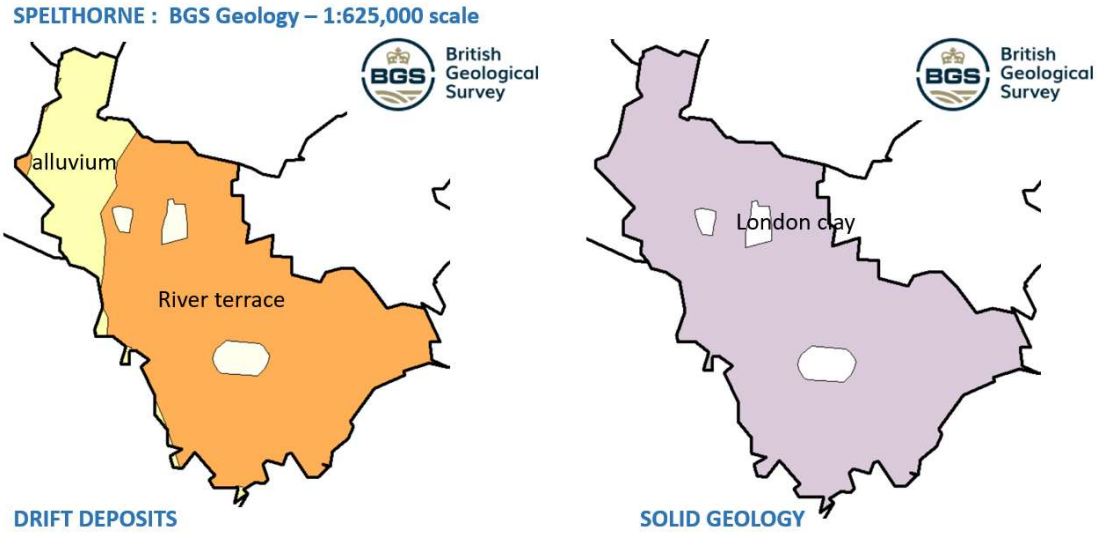
Subsidence Risk Analysis – SPELTHORNE

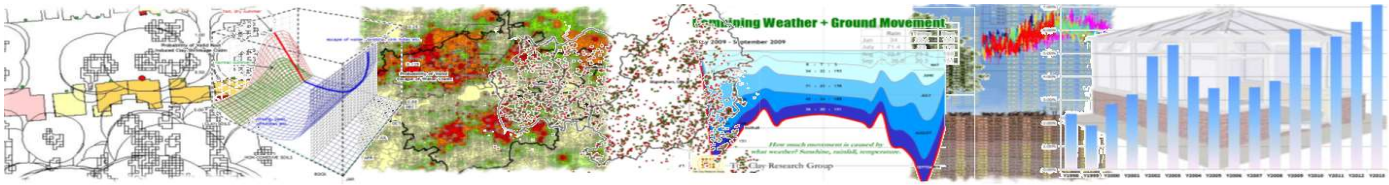
Below, extracts from the British Geological Survey low resolution 1:625,000 scale geological maps showing the solid and drift series. View at: http://mapapps.bgs.ac.uk/geologyofbritain/home.html for more detail.

See page 9 for a seasonal analysis of the sample which reveals that, at district level, there is around a 56% probability of a claim being valid in the summer and, of the valid claims, there is around a 36% chance that the damage will have been caused by clay shrinkage, with escape of water accounting for the remaining 64%. In the winter the likelihood of a claim being valid is around 73%. Of the valid claims there is a 35% chance of the cause being clay shrinkage and 65% chance of the cause being an escape of water.

Maps at the foot of the following page plot the seasonal distribution with shrinkable deposits encountered following investigations associated with claims.



Above, extracts from the 1:625,000 series British Geological Survey maps. Working at postcode sector level and referring to the 1:50,000 series delivers far greater benefit when assessing risk.



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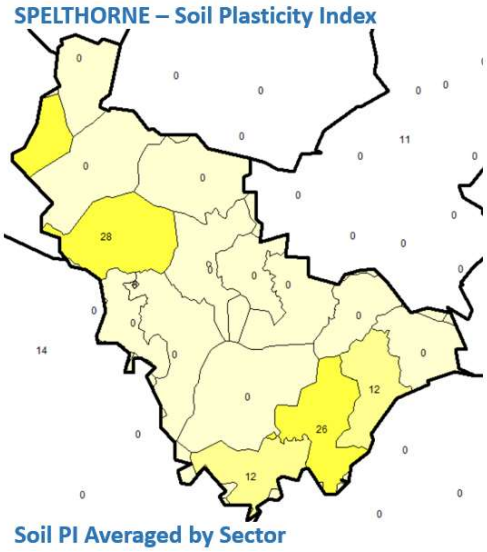
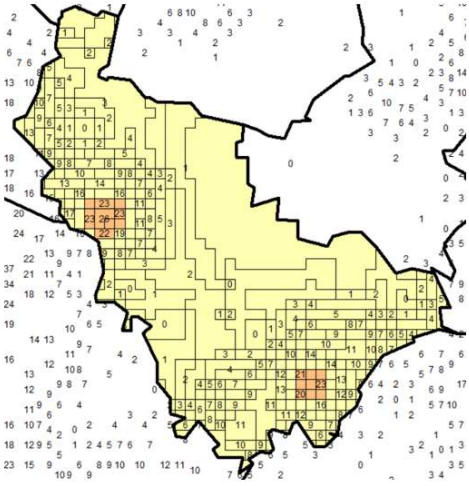
Liability by Geology and Season

Below, the average PI by postcode sector (left) derived from site investigations and interpolated to develop the CRG 250m grid (right). The higher the PI values, the darker red the CRG grid.

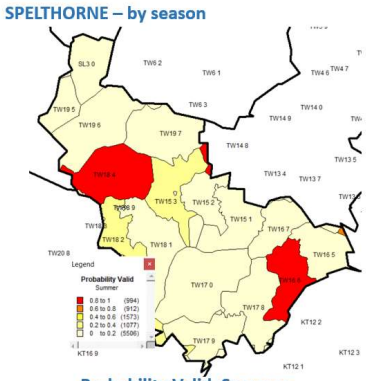


Soil PI Averaged by Sector

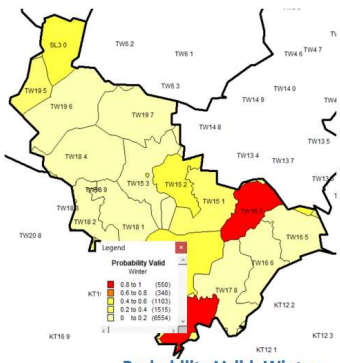


PI Interpolated on 250m CRG grid

Zero values for PI in some sectors may reflect the absence of site investigation data - not necessarily the absence of shrinkable clay. A single claim in an area with low population can raise the risk as a result of using frequency estimates.



Probability Valid, Summer



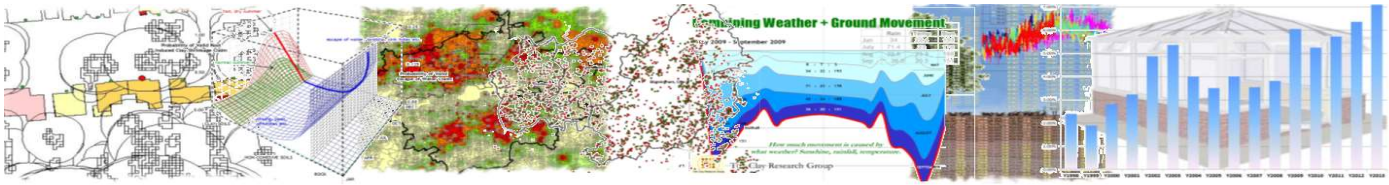
Probability Valid, Winter

The maps, left, show the seasonal difference from the sample used.

Combining the risk maps by season and reviewing the table on page 9 is perhaps the most useful way of assessing the potential liability, likely cause and geology using the values listed.

This approach seems less useful in this instance as clay is recorded as a significant cause of subsidence in the summer months and yet the geological series are, in the main, non-shrinkable.

The 'claim by cause' distribution and the risk posed by the soil types is illustrated at the foot of the following page. A high frequency risk can be the product of just a few claims in an area with a low housing density of course and claim count should be used to identify such anomalies.



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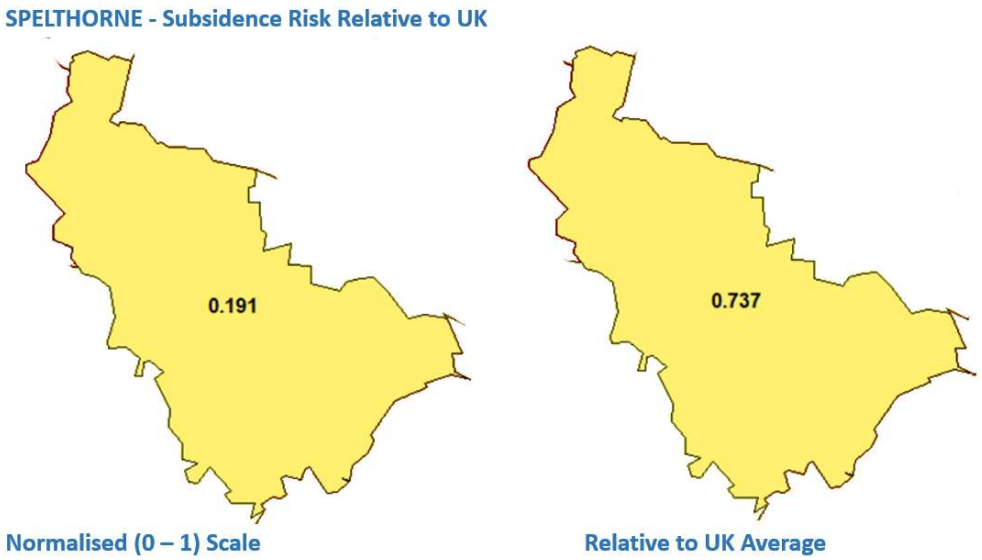
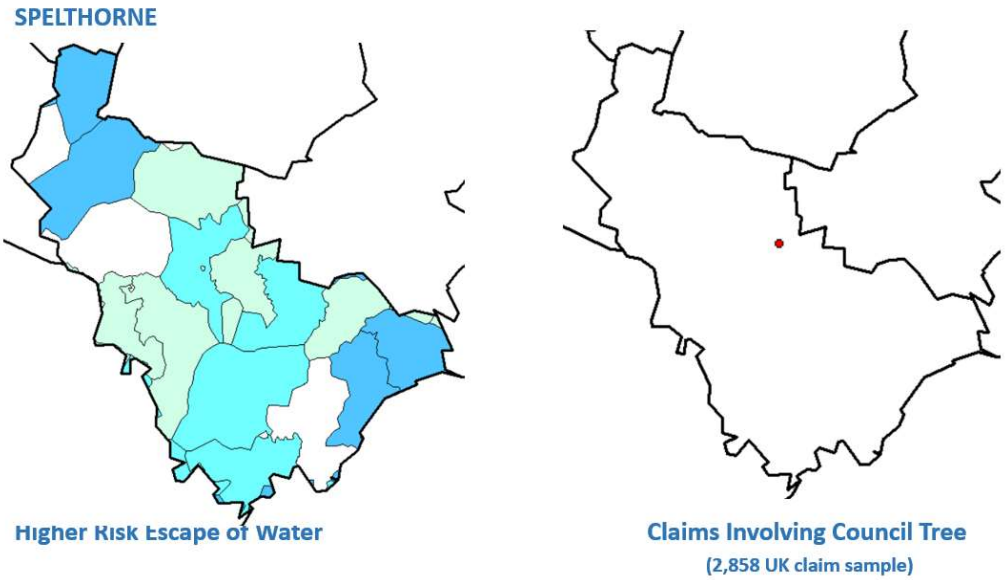
District Risk -v- UK Average. EoW and Council Tree Risk.

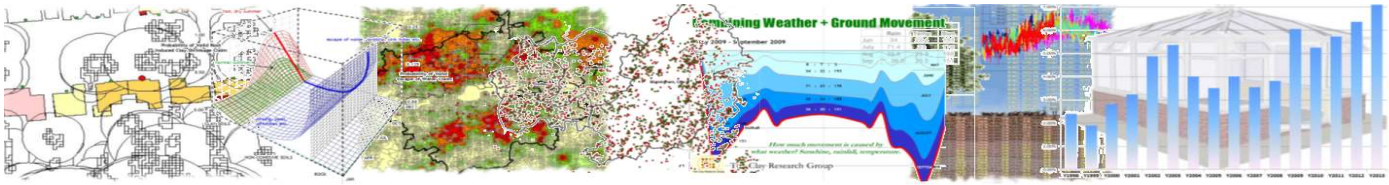


Below, left, mapping the frequency of escape of water claims confirms the presence of non-cohesive soils. As we would expect, the 50,000 scale BGS map provides a more detailed picture.

The CRG 1:250 grid reflects claims experience.

Below right, map plotting claims where damage has been attributable to vegetation in the ownership of the local authority from a sample of around 2,858 UK claims. The low numbers are attributable to the superficial geology being largely non-cohesive.





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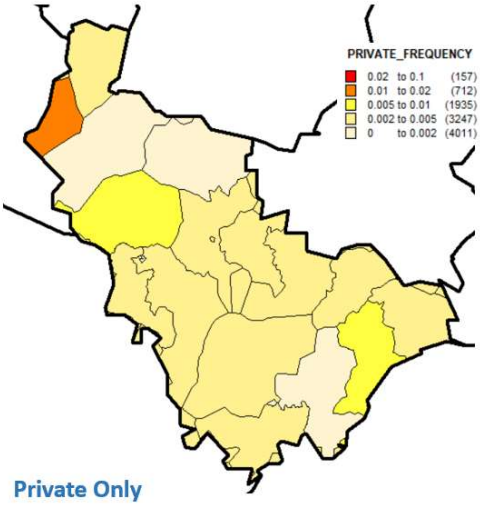
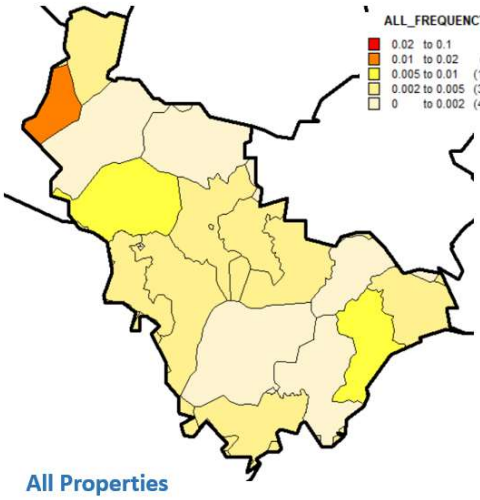
SPELTHORNE - Frequencies & Probabilities

Below, mapping the risk of subsidence by ownership. Claims frequency including council and housing association properties delivers a misleading value of risk as they tend to self-insure. The following show the normalised risk, taking account of the private housing population.

SPELTHORNE - Sector Risk Compared with UK Average



Private Only



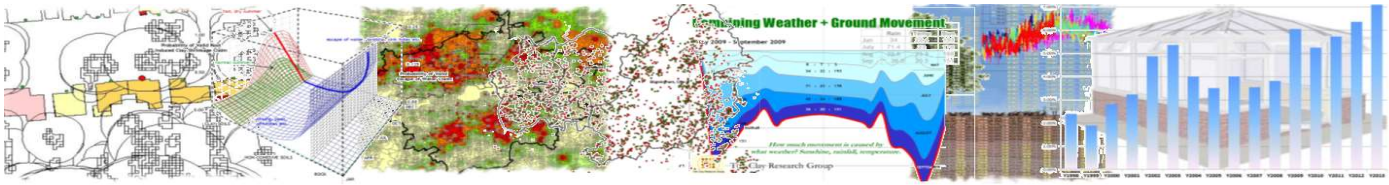
All Properties

On a general note, a reversal of rates for valid-v-declined by season is a characteristic of the underlying geology. For clay soils, the probability of a claim being declined in the summer is usually low, and in the winter, it is high.

Valid claims in the summer are likely to be due to clay shrinkage, and in the winter, escape of water. For non-cohesive soils, sands, gravels etc., the numbers tend to be fairly steady throughout the year.

Liability by Season - SPELTHORNE

District	valid summer clay	valid summer EoW	Repudiation Rate (summer)	valid winter clay	valid winter EoW	Repudiation Rate (winter)
Spelthorne	0.200	0.360	0.44	0.26	0.47	0.267



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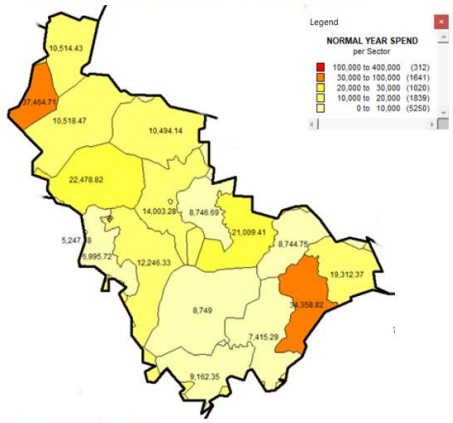
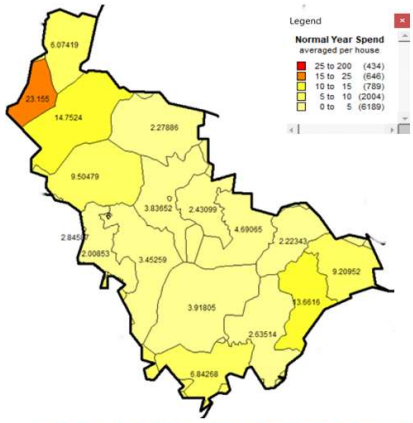
Aggregate Subsidence Claim Spend by Postcode Sector and Household in Surge & Normal Years

The maps below show the aggregated claim cost from the sample per postcode sector for both normal (top) and surge (bottom) years. The figures will vary by the insurer's exposure, claim sample and distribution of course.

NORMAL YEAR SPEND – SPELTHORNE



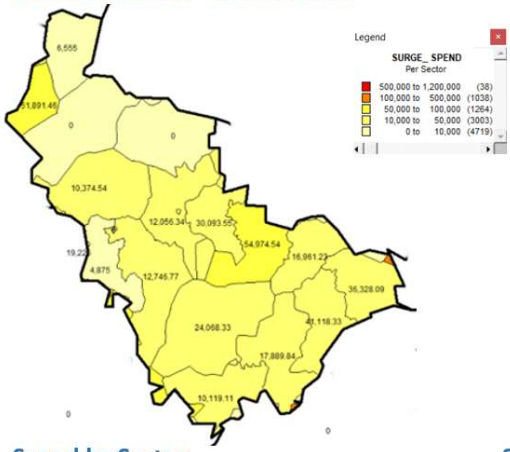
Spend by Sector



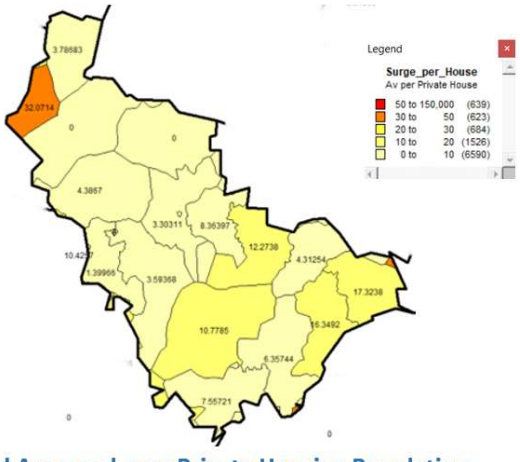
Spend Averaged over Housing Population

It will also be a function of the distribution of vegetation and age and style of construction of the housing stock. The images to the left in both examples (above and below) represent gross sector spend and those to the right, sector spend averaged across housing population to derive a notional premium per house for the subsidence peril. The figures can be distorted by a small number of high value claims.

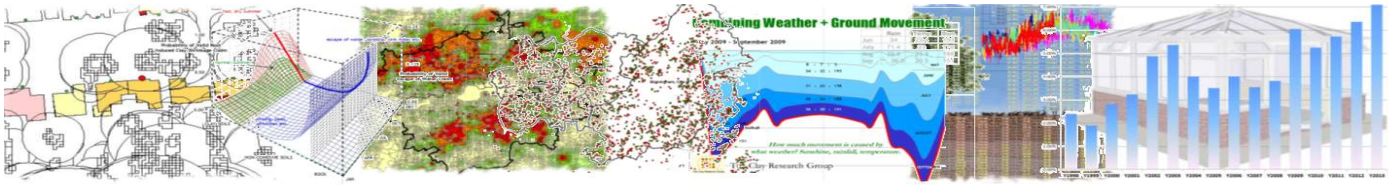
SPEND in SURGE – SPELTHORNE



Spend by Sector



Spend Averaged over Private Housing Population



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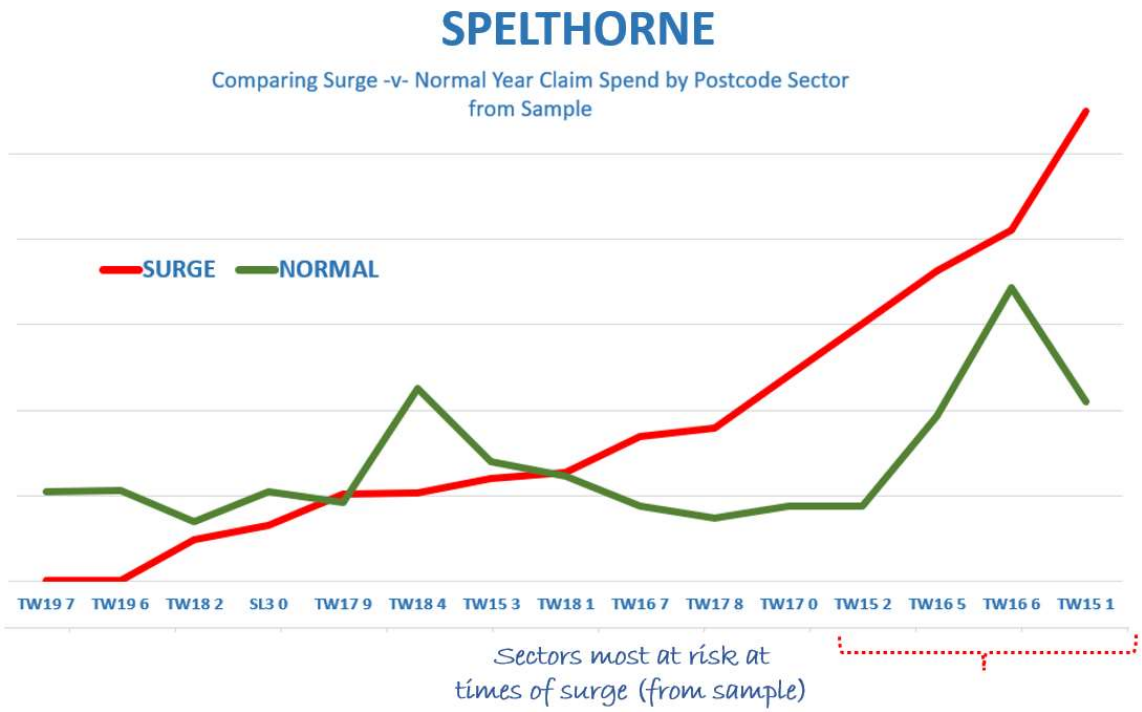

The above graph identifies the variable risk across the district at postcode sector level from the sample, distinguishing between normal and surge years. Divergence between the plots indicates those sectors most at risk at times of surge (red line).

It is of course the case that a single expensive claim (a sinkhole for example) can distort the outcome using the above approach. With sufficient data it would be possible to build a street level model.

In making an assessment of risk, housing distribution and count by postcode sector play a significant role. One sector may appear to be a higher risk than another based on frequency, whereas basing the assessment on count may deliver a different outcome. This can also skew the assessment of risk related to the geology, making what appears to be a high-risk series less or more of a threat than it actually is.

The models comparing the cost of surge and normal years are based on losses for surge of just over £400m, and for normal years, £200m.