

August Report 2010

Southeast focus?

But we believe that something close to 2006 and more than 2005 is now the most likely outcome. With the reduced sector headcount this will likely be a good test of surge plans with some regionally impressive numbers for the south east and rapidly falling repudiation rates.

This month we again start with our alert forecast.

1. MORECS data at our key target site has reached near 300mm. The journey from very low MORECS to very high occurring rapidly is a known key claims trigger.
2. The second half of July was wet across the western edge of the UK and showery / cool across the east. The south east and East Anglia remains very dry.
3. The Atlantic and Jet have increased activity.
4. The remainder of August is more likely to be ordinary than very wet or very dry.

With repudiation rates falling and an ordinary August active claim numbers will increase markedly and there remains a risk of a 2006 type event but the risk of a full blown and nationally focussed surge is less than it was.

There will still be real impacts and stresses on claims teams given the weather year to date.



The precautionary principle suggests that surge planning teams should remain very focussed on the detail of their own and their supply chains surge planning programmes.

We have therefore decided to maintain our warning to amplify the work already underway across the sector.

Page 2 repeats the charts courtesy of the Met Office indicating the rainfall anomaly year to date and for comparison 2003.

Page 3 looks at the weather year to date and looks for any developing trends. On **page 4** we give our latest Summer forecast of most likely assumptions for capacity planning.

Our intention is to produce a monthly report, which will build a record of the forecast assumptions against the gathered actual data, such as to build confidence in the most reliable forecasting techniques available. If you have any comments on this newsletter, on any of the content, assumptions or modelling techniques, then contact us as indicated below:

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Additional resources:

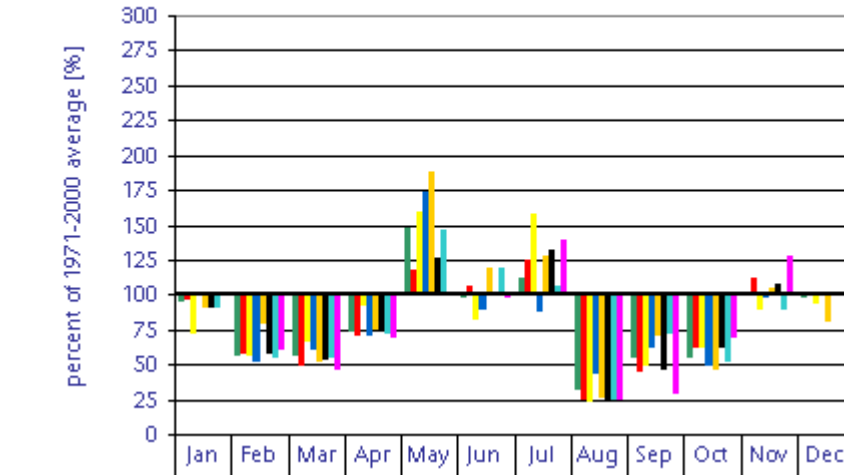
For more information on our research visit:

http://www.oca-arb.co.uk/research_unit.htm

Rainfall Anomaly 2003—August onwards was the difference between 2003 and 2010

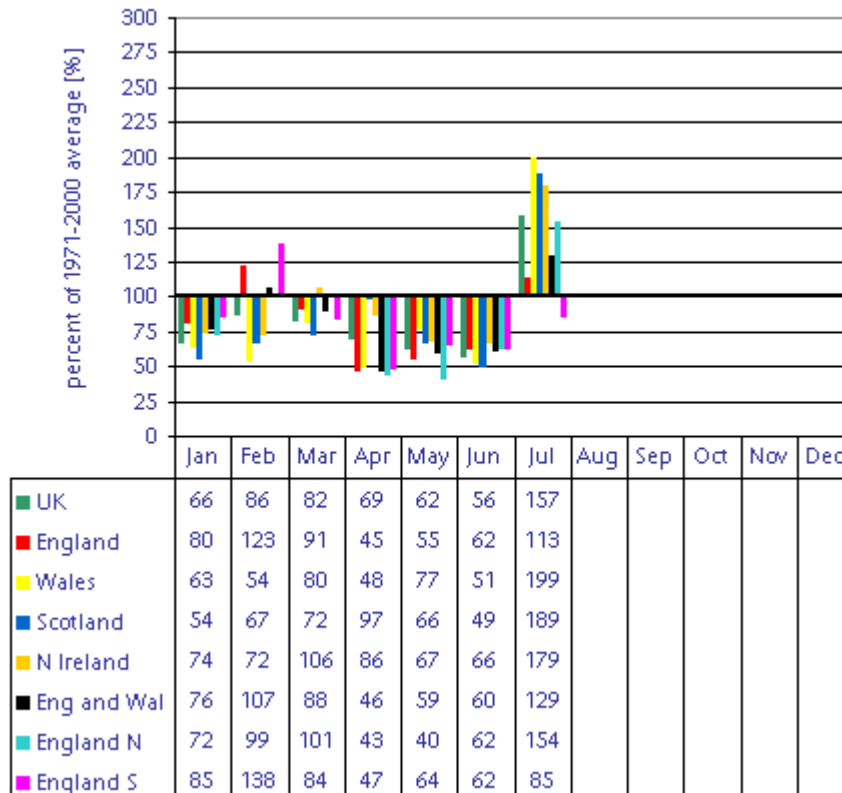


Rainfall (1971-2000) anomalies for 2003



Rainfall Anomaly 2010—note Southern England at 85% and England at 113%.

Rainfall (1971-2000) anomalies for 2010



July 2010 - Year to date

The late winter and early Spring 2010 produced an interesting set of UK meteorological figures:

Rainfall anomalies

There were modest anomalies through January, February and March with the period being ordinary. However in April, some striking anomalies existed relative to rainfall.

Parts of the south east had exceptionally low levels with East Anglia having only a quarter of normal rainfall, for the midlands and south east it was a month in which only 40% of normal rainfall fell. This anomalous position continued strongly into May 2010 which saw a very dry month across the English lowlands. At the end of June this cumulative position has led to the driest first 6 months since 1929. July was wettest in the north and west and the south was drier than normal with further anomalies across East Anglia and an eye watering 55% of normal rainfall for the south east.

Regions 1st-31st	Temp Anom	Rain %age	Sun %age
N Scot	+0.2	191	116
E Scot	+0.3	187	96
W Scot	+0.1	205	74
CentScot	+0.4	220	88
NE Eng	+0.9	153	93
EAnglia	+2.0	76	109
Midlands	+1.3	89	90
SE Eng	+1.6	55	113
NW Eng	+0.3	187	66
Wales	+0.2	184	71
SW Eng	+0.8	137	85
N Ireland	+0.5	155	90
Irish Rep	+0.2	203	78

2010 - Looking Forward

We already have the driest first half since 1929 and rapidly rising MORECS count at key locations. July was very dry across the south east and East Anglia:

Met Office

The second half of August will see further spells of rain or showers in the northwest of the UK, while the south is more likely to have drier, brighter, and warmer weather. Rainfall amounts should be mainly average or below average across most of Wales and England (and particularly the southeast), but may end up above average in the north and west of Scotland. Temperatures in the west and south are likely to be above average, and around average elsewhere. Sunshine will follow a similar pattern with more sun likely in the south, and rather less in the north.

Netweather blog

I would see the ridge in the Atlantic holding sway with a relatively cool and showery type weather pattern coming in along winds from the north-west and west. Hopes for sustained heat to develop, are, as they were a few weeks ago, unrealistic given the overall set-up with pressure always likely to be higher further west.

Editors Note

Remember that in 2006 a dry June and July was followed by a dull and wet August, in 2010 its drier already for the year total and August will not be a wash out. However with the pressure focused on the south east and East Anglia with July rains in the west, a fair result is probably something less than 2006.

Forecasting assumption 2010

Factor 1

The previous year

The year 2009 was dominated by a significant **April, May** and to end of **June** low rainfall anomaly and with an extraordinarily wet July followed by an ordinary August, then followed by a late dry September / October and second extraordinarily wet month in November. The MORECS data for the main site rose steadily to figures not seen since 2006 / 2003. Soils did come under drying pressure from plants with the July anomaly breaking the pressure on soils which picked up as a second spike through the months August, Sept and October.

Factor 2

The current model MORECS has jumped forward. MORECS is now very close to 300mm at our key data location.

Factor 3

The current plant health status

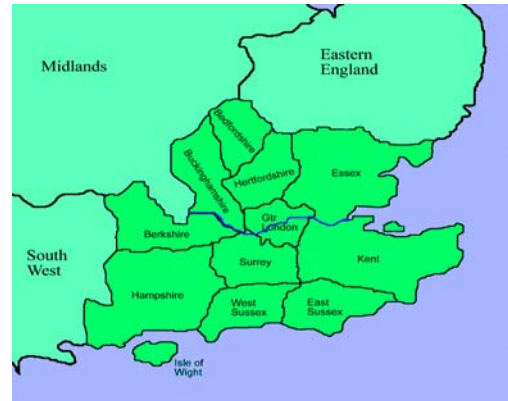
Since the last significant plant stress event during 2003, there has been a succession of warm and wet summers and a mix of ordinary and wet winters.

Plant health as a macro vegetation factor is driven by water availability and ease of access to water in the soil. With few stress periods of intense heat and prolonged dryness for the last four years and particularly after 2007-2008, plant health as a broad indicator is high and the plant community will respond quickly to any dry period in good health.

Factor 4

Societal issues

There is a high appreciation of subsidence as a factor of modern property ownership. Given the credit crunch of 2007—2009 and the low level of sales, of first time buyers and of mobility generally, there may be a dampening in identified subsidence cases from this source. However, with property owners concerned about equity values in their homes and with concerns associated with falling average sale prices, pressure from suspected building subsidence may cause greater sensitivity to cracking in buildings. It is noted that the property market is recovering through Spring 2010.



CURRENT FORECAST

Based on all of the data available and the current forecast for the remainder of 2010 the risk of a full blown event year is rated as very high **amber**.

The impact of an elevated claims experience in 2009, the partial pressure on plants with dry spells in early and late 2009, the very dry Spring during 2010 and driest half year since 1929, as well as the statistical likelihood of a return event year all indicate caution that a significant upturn is a real possibility most likely focussed on the south and east.

This forecast position will now remain until September 2010.

