

WHAT IS FLOOD RE?

- Flood risk is normally a part of household insurance in the United Kingdom. Over time, an increasing number of people struggled to access affordable flood cover.
- Flood Re is a temporary measure planned to last until 2039. It will help more people to access affordable home insurance in areas at risk of flooding. It is funded by a combination of premiums to reinsure the flood risk and a statutory levy on all UK household insurers, calculated in proportion to their share of the market. Not all insurers offering household insurance will offer Flood Re. A list of those that do will be available on the Flood Re website.
- There will be a review at least every 5 years to assess Flood Re's progress in managing a transition to a free market. The reviews may consider the premium charged for each policy and the levy charged by Flood Re to UK household insurers. After 2039 Flood Re will end and there will be a free market for flood risk insurance.
- Flood Re is an organisation owned and run by the industry, to which insurers can pass the flood risk part of home insurance policies at a fixed premium to Flood Re. It will also report annually to parliament.

HOW WILL FLOOD RE WORK?

- Where insurers can offer reasonably priced cover, they will do so. For high flood risk properties, insurers can pass the flood risk element of the insurance to Flood Re for a set reinsurance premium. Each insurer will assess the risk using its own criteria.
- The flood risk element of claims made for homes that are accepted into Flood Re will be paid by Flood Re directly to the insurer and the insurer will manage claims with customers as currently happens. To ensure sufficient funds are available, all domestic property insurers operating in the UK will pay a statutory levy. This will be a total of £180m across all insurers, or around 2-3% of home insurance premiums.
- Insurers will continue to handle claims with customers in the normal way for any home they reinsure through Flood Re.
- Flood Re will make information about the system available for insurers to distribute to customers, so policy holders will know that they are in Flood Re and that this is because their insurer considers them to be at high risk of flooding.

THE PLAN FOR THE CUSTOMER

Flood Re will charge insurers a set price for each flood risk policy based on Council Tax Bands.

- Premiums will increase annually based on the consumer price index
- Premiums will be reviewed every 5 years by the Flood Re Board

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- Flood Re will apply a £250 reinsurance excess to each claim made
- Insurers will still compete in the free market for home insurance, and will continue to set premiums for home insurance.

Council Tax Band, England & Scotland	A & B	C	D	E	F	G	H
Council Tax Band, Wales	A, B & C	D	E	F	G	H	I
Tax Bands, N Ireland	1 & 2	3	4	5	6	7	8
Buildings only	132	148	168	199	260	334	800
Contents only	78	98	108	131	148	206	400
Combined	210	246	276	330	408	540	1200

SUMMARY OF WHAT FLOOD RE WILL COVER

- Flood claims only - this will not include storm or escape of water. There will be a statutory definition of “flood”.
- Properties that qualify for Flood Re are:
 - residential property, paying Council Tax
 - property insured in the name of the individuals
 - property occupied by the owner or immediate family

SUMMARY OF WHAT IT WILL NOT COVER

- Homes built after 1 January 2009
- Small businesses and residential landlords – more detailed rules apply where Council Tax is paid
- Buildings insurance for leased properties where there are more than 3 residential units in the property (i.e. blocks of flats)

WHEN WILL IT HAPPEN?

- Flood Re will be open for business in April 2016

Flood Re has its own website containing more detailed, insurance industry focused guidance. There is also more detailed guidance on eligibility – www.floodre.co.uk

This note summarises the current situation, as the NFF understands it, at February 2016. The National Flood Forum has a telephone helpline dealing with all flood issues, including insurance. We aim to help people navigate their way around the insurance industry, but are not able to give specific insurance advice. Tel 01299 403055.

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