



Q & A: Flood Re

Explaining Flood Re to your constituents

What is Flood Re?

Flood Re is a scheme conceived by the insurance industry and designed in partnership with the Government to help make home insurance more affordable for those in high flood risk areas.

The introduction of Flood Re means that homeowners will have the peace of mind that, even after making a flood claim, affordable insurance premiums and excesses can still be found.

How does it work?

It is a re-insurance scheme which sits behind existing insurance policies. Customers will still buy their insurance from insurers or insurance brokers in the usual way - they will not deal directly with Flood Re. When the cost of the flood risk part of their premium climbs above a certain level, it may make sense for the insurer to place that part of the policy with Flood Re. The first policies went live from 4 April 2016.

How is it decided which policies end up with Flood Re?

It is expected that around 350,000 homes will benefit from Flood Re over time, although there is no cap. This represents about 2% of eligible UK households. The decision about which homes are passed on to Flood Re will be taken on a financial basis by individual insurers. Flood premiums offered by Flood Re are based on council tax bands.

How can I get a Flood Re policy?

Flood Re makes no difference to how you purchase your home insurance, whether through a price comparison website, through a broker or directly from an insurer. If you live in an area which is at high risk of flooding, you should call your current insurer to find out if they are able to provide insurance through Flood Re and, if so, if they can offer any new or alternative insurance cover. It's also a good idea to shop around – price comparison websites may not be the best place to do this as they generally suit people with standard needs as opposed to those who may need specialist cover.

Does every insurer offer a Flood Re policy?

While Flood Re went live on April 4th, this was just the start of the process. A greater number of insurance providers and policies are expected to come under the scope of Flood Re and the market within the coming months as the market begins to develop. A list of the insurers currently signed up for Flood Re is published at www.floodre.co.uk.

Flood Re: A world first

Flood Re can lay claim to being the first public/private partnership to deliver affordable domestic flood insurance through a market-led solution. It is a real example of responsible capitalism in which industry has worked with Government to do the right thing by customers.

It offers a new way to help people who live in flood risk areas get affordable home insurance.

Flood Re is not a home insurer itself – instead it works behind the scenes with existing insurance companies. Flood Re helps insurers offer more affordable flood insurance to those in areas at risk of flooding. It will mean people can shop around more easily to find policies with more affordable premiums and excesses.



Will insurers refund cancellation fees for policies switching to Flood Re?

Each insurer has a commercial right to make this decision. It is part of a competitive and open market that individual businesses decide what incentives and deals to offer customers.

Were firms signed up to use Flood Re from 4 April 2016 taking Flood Re into account when issuing customer renewal notices in the preceding weeks?

Due to its unprecedented situation as a world first scheme and the demand to meet extensive regulatory criteria, Flood Re was finally given a green light from 1 April 2016. As such, some insurers may not have been using Flood Re to quote renewal prices in advance of 4 April 2016.

Any homeowners who live in a flood risk property and have already been offered a renewal quote for a policy which starts on April 4 or afterwards may wish to ring their insurer to check whether there could be more options now available to them. Some insurers are contacting high risk customers proactively.

What properties are excluded under Flood Re?

Flood Re has a clear-cut and simple mission to help homeowners and whilst most homes in high flood risk areas are eligible for Flood Re, there are a few exclusions.

Properties built after 1 January 2009 are not covered because it's important not to incentivise home-building in flood risk areas. This cut-off date was introduced by a previous agreement on flood insurance between insurers and the Government which began in 2008 and is being rolled over to Flood Re. Leasehold blocks containing four or more homes and businesses are also not included.

The detailed eligibility criteria is available on the Flood Re website at www.floodre.co.uk.

Why does Flood Re not cover businesses?

Flood Re was designed as a robust re-insurance scheme for homeowners and not with the intention for businesses to be included in the scheme. The sheer variety of businesses and types of business property would make a commercial scheme like Flood Re incredibly complex to develop and implement – unlike for household policies, there is no such thing as a completely standard business policy.

Furthermore, research conducted by the Department for Environment, Food and Rural Affairs (Defra) in July 2015 found no indication of market-wide failure for businesses in securing insurance against flood risk. The industry continues to monitor the situation for businesses, and the British Insurance Brokers Association (BIBA) is expected to launch a solution for SMEs later this year.

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