



## Regulatory Update

# Flood Re: Explained

Provided by **Crendon Insurance Brokers Ltd**

### Quick Facts

- Flood Re is a joint scheme between the insurance industry and government that helps people who live in flood-prone areas purchase affordable home insurance.
- Flood Re is funded from an annual levy paid by all UK home insurers and an insurer charge for each Flood Re policy.
- An estimated 350,000 homes are eligible for the scheme.

The Department for Environment, Food and Rural Affairs expects that 2 per cent of eligible households will benefit from the effects of Flood Re.

Flood Re is a world-first joint industry- and government-backed scheme designed to provide affordable flood insurance to more than 350,000 flood-vulnerable UK homes. The scheme is a not-for-profit reinsurance body, owned and managed by the insurance industry, which has been in the planning stages since July 2013 when the previous insurance protection for consumers living in flood-prone areas, called the Statement of Principles, expired.

The scheme is only intended to cover those properties most at risk—stakeholders expect the market will provide competitive flood insurance rates for those properties not at high flood risk. Flood Re works by allowing insurers to pass on the flood risk for vulnerable properties to Flood Re. In the event of a flood claim, the insurer pays the policyholder's claim, then seeks reimbursement from Flood Re.

### How is Flood Re Funded?

Flood Re receives funding from premiums paid by insurers for each Flood Re policy it writes that are capped according to Council Tax bands and a levy paid by all insurers authorised to write home insurance in the United Kingdom, according to market share. The capped premiums start at £210 per

annum for a combined buildings and contents policy for homes in Council Tax bands A and B. Premiums rise to £1,200 per annum for homes in Council Tax band H. Because insurers pay these premiums, homeowners do not have to do anything extra and it is business as usual.

### How do I know if my Property Qualifies for Flood Re?

Properties are eligible for Flood Re if they meet all of the following criteria:

- The home is covered by an insurance contract, which is held in the name of, or on trust for, one or more individuals or by the personal representative of an individual.
- The holder of the policy, or his or her immediate family, must live in the property for some or all of the time (whether or not with others), or the property must be unoccupied.
- The home has a domestic Council Tax band A to H (or equivalent).
- The home is used for private, residential purposes.



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- The home is a single residential unit or a building comprising of two or three residential units.
- The home is insured on an individual basis or has an individual premium.
- The home was built before 1st January 2009. It should also be noted that if a home is built before 1st January 2009, but then is demolished and rebuilt, the new home is still eligible.
- The home is located within the United Kingdom comprising England, Wales, Scotland and Northern Ireland—excluding the Isle of Man and the Channel Islands.

#### **What Properties are Excluded from Flood Re?**

Flood Re has certain exclusions. Flats in leasehold blocks containing four or more homes are excluded. In addition, to discourage unsafe building practices, homes built after 1st January 2009 will also be excluded in order to avoid unwise building in high-risk flood areas.

Additionally, the government has confirmed that current Flood Re legislation will exclude small businesses and charities.

However, the British Insurance Brokers' Association (BIBA) announced in December 2016 the launch of a new commercial insurance scheme for businesses that includes flood cover for flood-prone commercial premises and let properties. The scheme uses an advanced mapping facility to pinpoint the location and unique features of individual properties. Contact Crendon Insurance Brokers Ltd for more information on this scheme.

#### **How do I apply for Flood Re?**

Contact **Crendon Insurance Brokers Ltd** today to discuss whether you are eligible for the scheme and how to protect your property from flooding.



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