

FLOODRE



Today's Session

What caused Flood Re?

What is Flood Re?

How does Flood Re work?

What has Flood Re achieved?

What will Flood Re leave behind?



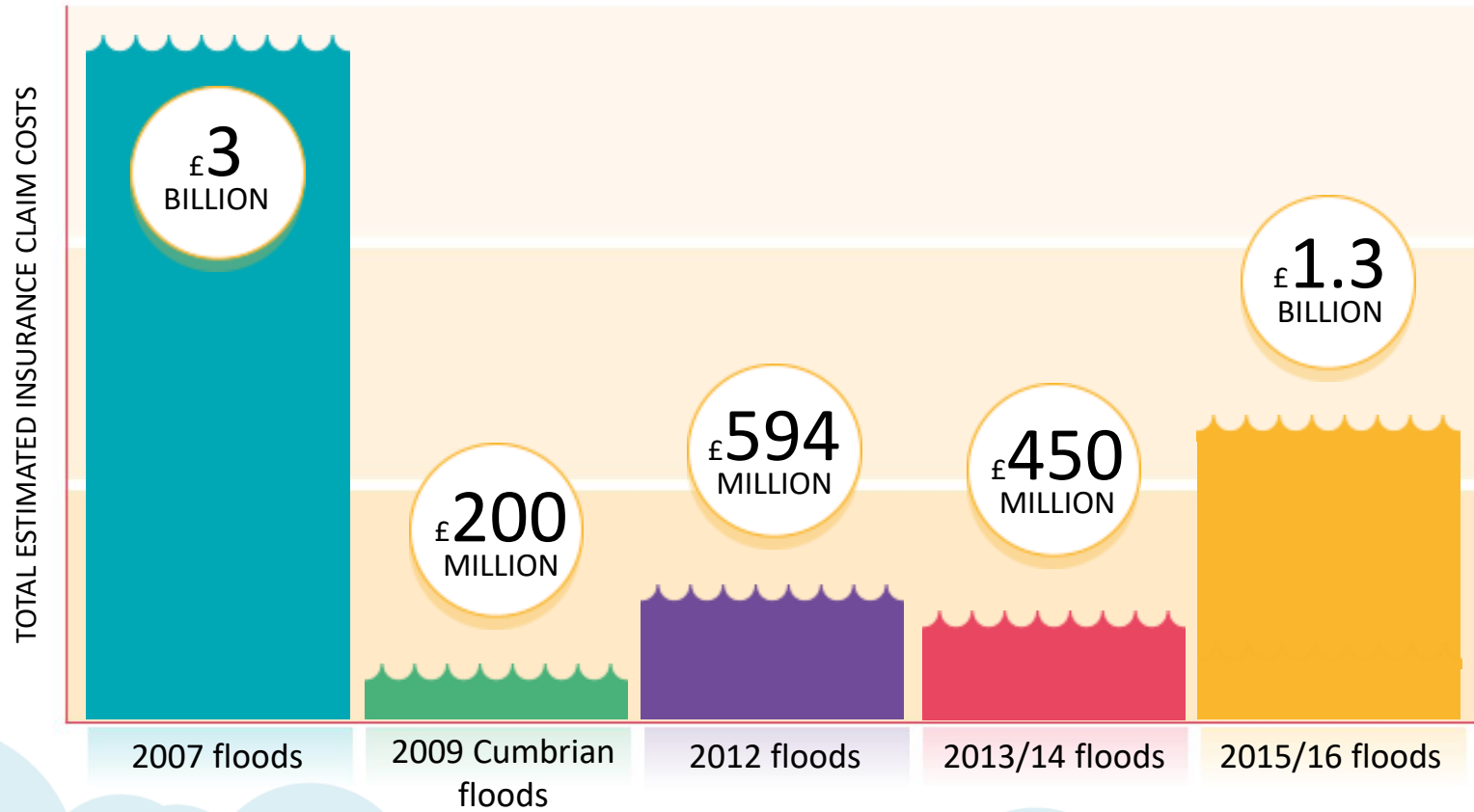
- Head of Distribution for Flood Re
 - Industry Engagement
 - Insurers, MGAs, Brokers
 - Software houses and aggregators
 - Trade bodies
 - Insurer Audit
 - Insurer Service Desk
- 10+ years in personal lines insurance.
 - Operations, specialist schemes, white labelling, Insurer Relationships,



Before Flood Re



Estimated Total of Insurance Claims Costs



Flood Risk: A Growing Problem



We expect sea levels to rise increasing the risk of coastal flooding.



Without investment, climate change would mean 500,000 more properties would be at 'significant' risk of flooding by 2035.



The frequency and severity of rainstorms will increase, increasing the risk of inland flooding.



5.2 million properties at risk of flooding
23.8 million properties not susceptible to flooding

Environment Agency 2014



The Statement of Principles

An agreement with Government from 2000, it meant:

- Insurers continued to offer cover (renewals)
- Government managed flood risk effectively
- Applied to household and SME policies
- England, Scotland, Wales, and Northern Ireland covered by separate but identical agreements
- **Expired on 30 June 2013**



A customer view

Hard to get cover if you'd flooded, and if you could:

Unfair Terms

High Premium

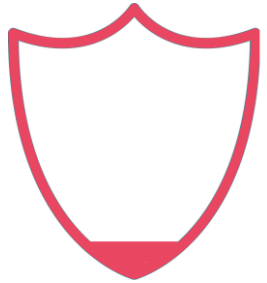
High Excess



A customer view

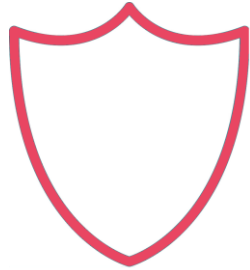
Availability for flood history customers

2+ Insurers



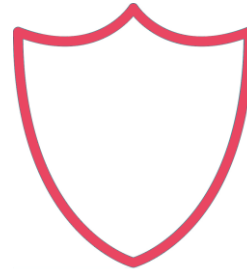
9%

5+ Insurers



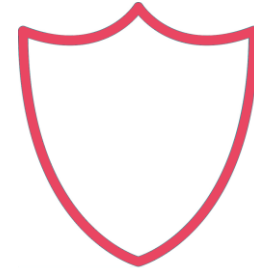
0%

10+ Insurers



0%

15+ Insurers



0%



About Flood Re



What is Flood Re?

Our purpose:

Flood Re's purpose is to promote and enable the **availability** and **affordability** of flood insurance for eligible homes and manage over its lifetime the **transition** to an affordable market for household flood insurance where prices reflect the risks of flooding



What is Flood Re?

Solution to
a long- standing
problem

Authorised
by the UK
regulators

Life span
of 25
years

A world
first

A reinsurance /
pool solution

Owned by
the insurance industry.
Accountable to
Parliament

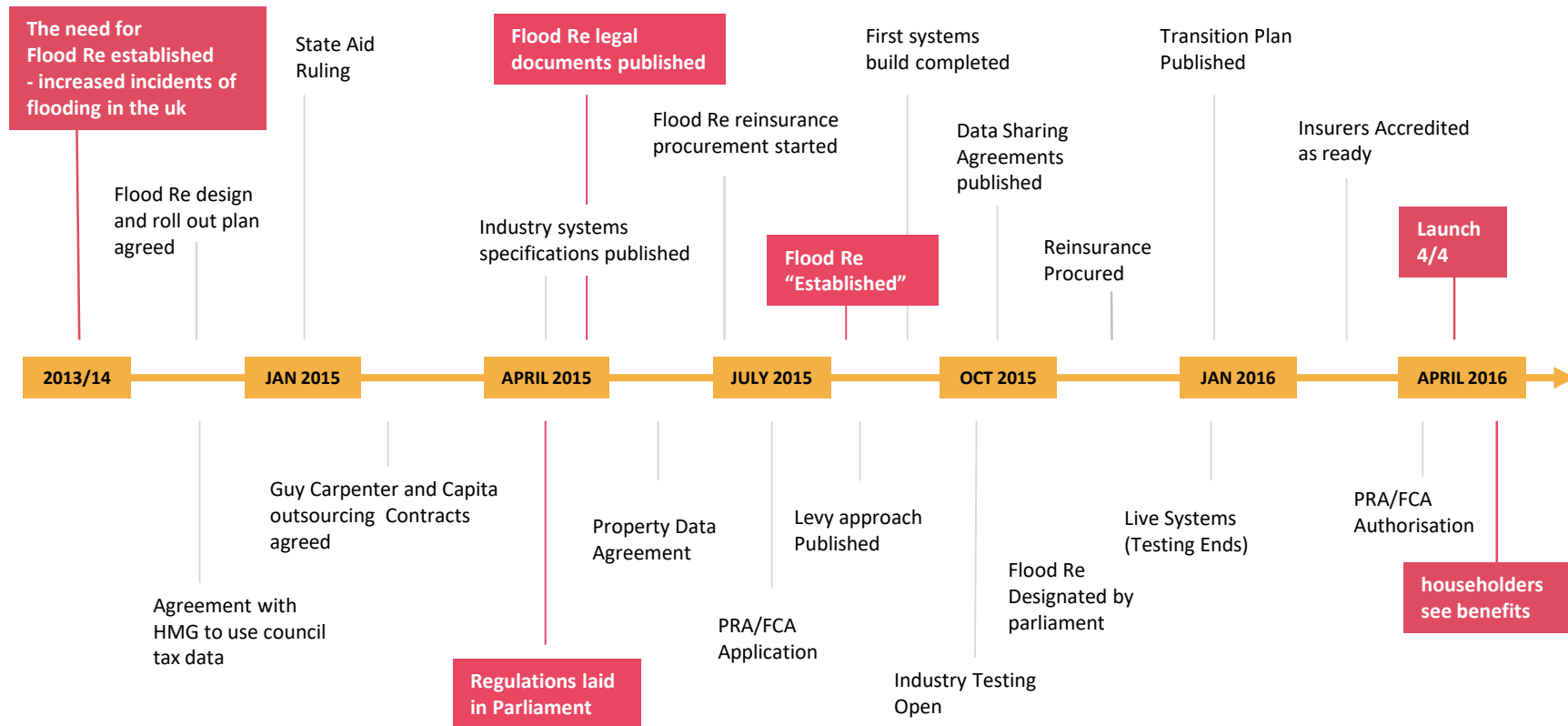
...but we're
not

A source of
betterment

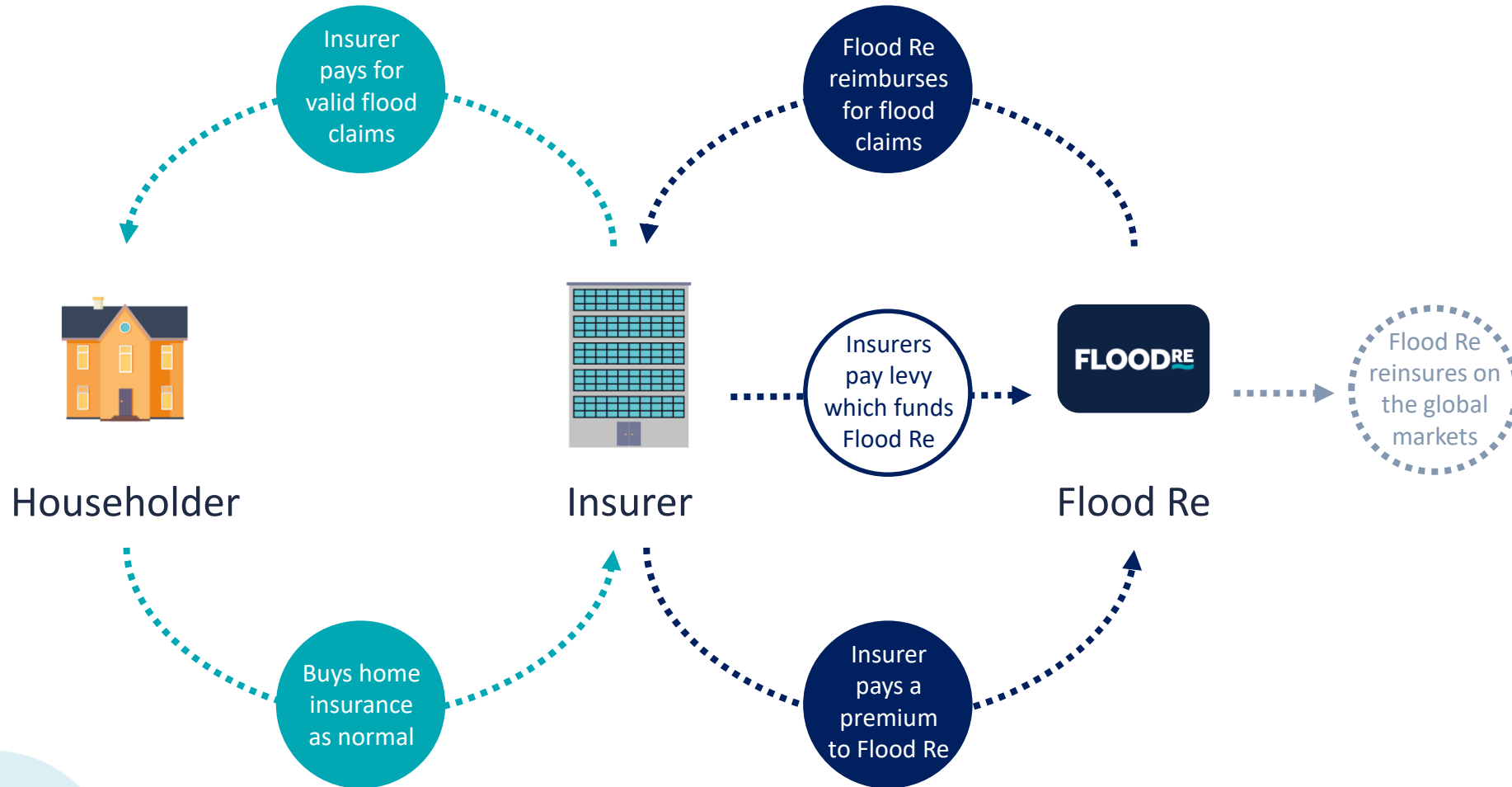
A change or influence
in the customer
experience



Creating Flood Re



How Flood Re Works



How Flood Re Works

Fixed charge for eligible properties

Charges using Council Tax Bands as an indication of affordability

Insurer chooses which properties to cede

Back to back with product purchased

Insurer/Customer relationship unaffected



How Flood Re Works

Yes, but **HOW** is it sold?

Insurers interact with Property Data Hub

Property Data Hub confirms eligibility for YoB and residential status

Tax band confirmed for charging

Added to or included in Policy Net Rate



How Flood Re Works

Yes, but **HOW** are claims handled?

Customer claims with insurer

Claim handled as normal

Reported to Flood Re

Flood Re reimburses insurer loss with a fixed excess



ELIGIBLE PROPERTIES:

Insured in the name of individuals

Must have a Council tax band
(All Council Tax bands covered)

Held for residential use

Insured on individual basis

Occupied by policy holder or
immediate family some of
the time or unoccupied

OUT OF SCOPE:

Homes built on or after
01 January 2009

Small businesses
(business rated)

Buildings cover for leasehold
premises 4 or more units



Flood Re's Success



150,000

Policies written
in 2017/18

90%

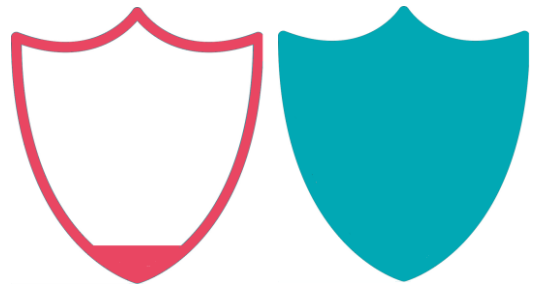
Market offers
Flood Re



Success of Flood Re

A customer view – Availability

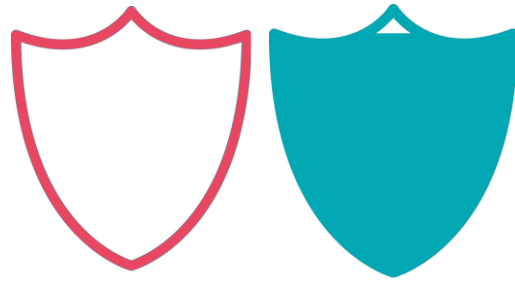
2+ Insurers



9%

100%

5+ Insurers



0%

97%

10+ Insurers



0%

81%

15+ Insurers



0%

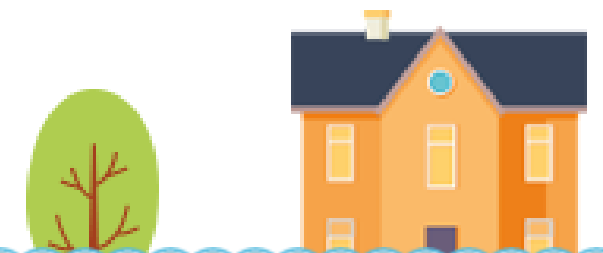
68%



A customer view - Affordability



79% saw premiums fall by more than 50%



A customer view - Excesses



Our Future



Flood Re's purpose is to promote and enable the availability and affordability of flood insurance for eligible homes and manage over its lifetime the **transition** to an affordable market for household flood insurance where prices reflect the risks of flooding



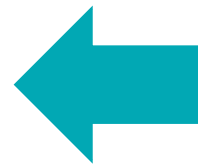
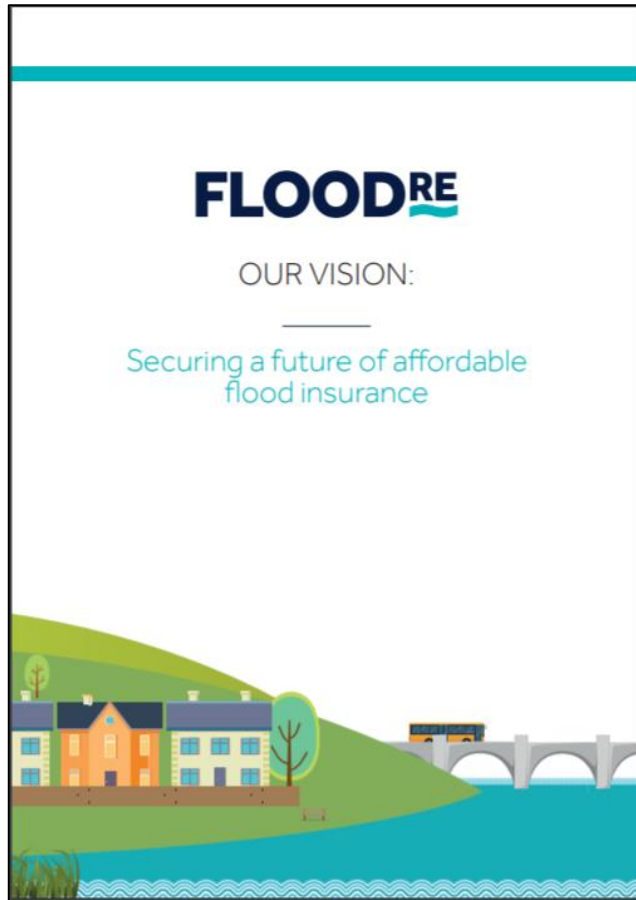
transition



What do we need to do between now and 2039?

Industry
Government
Public





Reports for Transition Plan:

Incentivising household action on flooding: Options for using incentives to increase the take up of flood resilience and resistance measures.

Social Market Foundation

Evidence review for Property Flood Resilience, Phase 2 report.

University of the West of England.



What needs to happen to transition back to a risk reflective state?

Reduce the Risk of flooding

Reduce the damage and costs of flooding

Achieve an effective market





Reducing the risk of flooding

Investing in flood risk
management and defences

Development with flood
risk in mind





Achieving an effective market

Improving flood modelling

A smooth Flood Re exit

Improving consumer
information on flooding and
the value of insurance

Active engagement in
the market

In Summary

We were set up to answer and remedy a market failure.

We promote the availability of affordable flood cover to eligible homes.

We're only here for 21 more years.

So, we must work to return the market to a risk reflective state.



Ask me...

