



Protecting homes, helping families:

## Ensuring access to affordable flood insurance



**350,000**

homes could benefit from Flood Re



**£180m**

industry levy to enable Flood Re



**130,000**

supported in the first year

Insurance is an essential safety net that provides peace of mind to businesses and families across the UK. Flooding is a growing risk for huge numbers of families – not only those that live near coastlines and rivers - and is arguably the greatest natural threat the country faces. The number of major flood events has risen, and so has their cost.

In response, the insurance industry worked with Government to create a world-first not-for-profit scheme to ensure the availability of affordable home insurance for the properties most at risk. This takes the form of **Flood Re**, a reinsurance fund, managed by the industry but publicly accountable, funded by a levy on the industry itself.

### Spotlight on Flood Re:

#### Identifying the problem.

Since 2000, insurers had agreed to continue offering flood insurance as a standard part of domestic property insurance to their existing customers. But high-risk properties faced much higher premiums and consumers were often unable to shop around for the best deal.

#### A partnership to help consumers.

In 2011, the insurance industry proposed setting up a reinsurance fund that would share the risk more evenly with a major contribution by the industry itself. Primary legislation was needed to create Flood Re, which started work in April 2016.

#### A functioning and fair market.

By protecting individual insurers from the biggest flood risks, Flood Re ensures that those domestic properties in the UK at the highest risk of flooding can be offered affordable cover for the flood element of their household property insurance, with a reasonable excess.





## Finding a solution together to help families

The insurance industry recognised that the market for flood insurance was not working well for consumers, with people at risk of flooding being unable to switch or afford the cover they were offered. General insurers invested five years of executive and management time and over £20 million of direct funding to bring **Flood Re** to life. It is funded on an on-going basis by an annual £180 million levy on the industry.

## A functioning and fair market

**Flood Re** creates a more competitive market for flood insurance. Customers can choose who they want to insure them. Those firms then have the option to pass (or reinsure) the risk with Flood Re at a set price based on Council Tax bands. If the insurer has to pay out, Flood Re covers the risk using money from the premiums it charges plus an annual £180m levy on the industry. The new arrangement means insurers are vastly less likely to charge high premiums or even refuse any cover at all.

Summer 2017



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