**Flood Re Update: 29th March, 2016.**

In my note reporting on the Flood Re roadshow at Taunton in February, I said I would make a further check on final scheme details ahead of the start date.

I have spoken with my contact at the Association of British Insurers (ABI) and the following is the result of our discussion.

Start date for the scheme is 4th April 2016, so from this date Flood Re is open for business. Insurance Companies have to register with Flood Re to have access and many have already done so. All Companies, whether registered or not, will pay a levy of c2.2% (estimated at £10.50) to Flood Re for every policy they write for householders.

The cost of covering flood risk in Flood Re for the first year is by a capped amount based on Council Tax Bands:

£

 A/B C D E F G H

Buildings: 132 148 168 199 260 334 800

Contents: 78 98 108 131 148 206 400

 -------------------------------------------------------------------------------------Total: 210 246 276 330 408 540 1200

Of course, flood risk is only one element taken into account by an insurer when quoting an insurance premium. There are other perils (fire, burglary etc.) to be covered and these will depend upon location, claims history and other factors. Then there are the insurers’ administration costs and profit, which will vary company to company.

Post April, there will not be a sudden noticeable change - there will be a bedding in period as the industry adapts to Flood Re’s presence.

The key change from 4th April onward is that an insurer can, in effect, lay off what they perceive to be the high risk of, and potential substantial pay out cost to, a property in a flood risk area by paying into Flood Re the applicable sum above. It follows, therefore, that they do not need to levy a higher amount within the overall premium to an individual householder. Some insurers seeking market share, and whose portfolio may be light in flood risk properties, may be prepared to quote lower and retain the pay out risk themselves because if they catch a cold one year, they can always utilize Flood Re in future years.

The message is that, as policyholders, we should shop around when we renew, especially if our current premium appears high and if we have had a flood claim in recent years. Insurers can be asked directly, or via a broker, to quote for including or excluding flood risk .Patently, if the difference between the two exceeds the sum listed above for the property’s Council Tax Band, then the insurer can be asked why they are not using Flood Re – and if they will not budge, then alternative insurers tested. Similarly with excess – Flood Re will apply a cap of £250 for flood and, again, a quote can be checked by the “include – exclude” question.

In most cases, it will be at renewal that the new regime will apply. However, there may be mileage for policyholders who have renewed recently with high premiums and/or excesses to consider moving to a new policy with Flood Re in place after taking into account any cancellation charges on the existing policy.

I will be keeping in touch with my ABI contact over the coming weeks to learn how the industry and Flood Re are working together. As part of this, I would be interested in hearing of Forum Members experiences in the coming weeks and months.

Mike Curtis,

Co-Chair, CVFF.