Flood Insurance:

Current position as at October 2013

At present flood insurance is available as a result of voluntary agreements – the “Statement of Principles” – with members of the Association of British Insurers (ABI). This means your current insurer is obliged to insure you, even if you have made significant flood claims, although you may have to pay a heavy premium and accept a large flood excess. You can always shop around, but it is likely that other insurers will not want your business. The voluntary agreements have reached their expiry date, but are being extended pending the resolution of a proposed new approach, following months of discussion between the Government and the Insurance Industry.

**If you are having problems getting insurance on a realistic basis, you can ask via the Contact Us page on the website for the** **Forum’s Co – chairs**, **Rachel** **Wilson or Mike Curtis to contact you – they** **may be able to help**.

“Flood Re” Proposal

The new approach put forward by the Insurance Industry, with broad Government backing, would effectively cap the most that high risk properties should have to pay for the flood component of their home insurance. The maximum amounts for flood cover would differ by Council Tax band, ranging from £210 for band A properties to £540 for band G. When the price to cover other perils (fire etc) plus insurer overheads and profit are included, this would give a typical premium of about £650 for band A and £1550 for band G. This would represent a saving in premium of probably £500 to perhaps as much as £1000 or more compared to no Flood Re scheme. Householders could shop around for the best deal knowing effectively the maximum they would have to pay if the market does not offer better. The maximum prices charged under Flood Re would increase each year so that households can adjust gradually.

Flood Re would be a not-for-profit scheme, run by an Administrator and funded by the flood cover elements mentioned above, plus an annual levy on all insurers of an estimated £10.50 on all their buildings and contents policies.

What next?

Ifthe scheme details can be resolved (see below), then it is intended to give it legislative effect by enshrining it in a Water Bill, planned to be put through Parliament in 2014. This would enable the scheme to take effect in the second half of 2015.

However ,the proposed scheme is at a crucial phase and is not yet finally agreed. In particular, 3 aspects need resolution.

1) It is intended to provide a legal framework for the scheme, following the expiry of the present voluntary arrangements, in a Water Bill to be presented in 2014. Draft clauses have been published for consultation, and we have ,as a Forum, responded. Assuming Parliamentary time is made available next year, the legislation should be enacted.

2) It appears the enacted scheme will require en exemption to be granted by Brussels from the State Aid Directive provisions. DEFRA is the Department which will have to obtain this. Legal opinion indicates this should not be a problem, but it does need to addressed in a timely fashion.

3) More seriously , there is currently a stand off between the Government and the Insurance Industry over the situation that would occur if claims on the Flood Re fund overwhelmed its resources. The Government thinks the Insurance Industry should bear such costs, repairing any serious impact on balance sheet s in subsequent “good” years. The Insurance Industry would like to ”overdraw”, so to speak, on the fund and make bigger contributions in “ good” years to avoid damage to balance sheets which could have a wider negative impact : however, this would mean effectively an increase in Government borrowing, which it says it cannot countenance.

PriceWaterhouse Coopers have been retained to try to devise an acceptable formula.

**A letter to our M.P. has been sent on behalf of the Forum, urging him to press the appropriate people in Government to resolve the outstanding issues to enable Flood Re to proceed. It is important that as many Forum members as possible write to our M.P. to stress the need for the Flood Re scheme to be agreed and enacted. A suggested letter is produced below which can be amplified and personalised by members to reflect their actual experience.**

Specimen letter to Jacob Rees-Mogg MP , House of Commons, London , SW1A OAA

As a constituent and home owner in a high flood risk area which was badly affected last year, I am very concerned about the future availability of affordable flood insurance.

I have read about the proposed Flood Re-insurance Scheme which seems to represent a fair, workable and easily understood solution.

It appears that the scheme, if agreed, would not be operative until late 2015 and that some details still need to be finalised if it is to come into effect at all.

I would ask that you use your good offices to press those in the Ministries involved to resolve with the Insurance Industry any outstanding details so that the scheme can proceed.

Without this scheme, I am fearful that the flood insurance I will require in future will not be affordable or even, perhaps, available.

Yours sincerely