

Melanie Wathen

From: Treagust, Vendy <Vendy.Treagust@eastleigh.gov.uk>
Sent: 24 July 2013 10:27
To: Undisclosed recipients:
Subject: Flood Insurance Consultation

To All Parish Clerks – For the attention of your council:

An item was included in the e-update yesterday regarding the flood insurance consultation. Herewith some further information from Steven Lugg:

“Dear Member Councils,

I wanted to ensure that with the summer holidays looming, that you are aware that the current Flood Insurance Consultation will affect all homes, and some councils will wish to respond?

The government has announced an agreement with the Insurance Industry to develop a new model for flood insurance, called ‘Flood Re’. This will replace the existing gentleman’s agreement, or “Statement of Principles”, which has given limited assurance in the past to flooded households that they will be able to get flood cover after a flood. You may have read about this in the press?

Linking premiums to the council tax band of a property aims to keep premiums affordable and reflect, broadly, a household’s “ability to pay”.

The main elements of the scheme are as follows:

A Levy of £10.50 p.a. will be taken by insurers from premiums for every household insurance policy. This will be used to fund the costs of providing flood insurance for the roughly 500,000 high flood risk properties in the UK. £10.50 is roughly the amount of cross-subsidy that exists now. Formalising it as a levy requires primary legislation and leads to the need for referral to the EU under State Aid regulations.

The Levy will generate about £180 Million a year. This, plus insurance premiums from high risk households (£140 Million), will be passed to a new, not-for-profit company, called Flood Re, that will manage the Pool fund and meet the costs of flood claims from high risk properties. All this will happen behind the scenes and householders will only deal with their own insurer.

The amount of money in the Pool will build up in years when there is less flooding and reduce when there is more flooding. The Pool should be able to meet flood claims in 199 out of 200 years on average.

Premiums for low flood risk households will continue to be calculated as now, apart from the formal Levy. For high flood risk properties, premiums for the flood element of insurance will be capped to the amounts shown in the table below, for the first five years. They will then be reviewed.

Flood Re will require all household insurers to offer cover to high risk properties. This is the essential element that will ensure high risk households can get affordable flood insurance. It also ensures potential house purchasers will have access too. It will protect households at high flood risk from huge increases in insurance costs.

Many details are still to be worked out. Legislation is required and will be included in the Water Bill scheduled for this Autumn. EU approval is needed under State Aid regulations. There are issues to be resolved over high level financing and how the independent Flood Re company will operate and account to Parliament. All this is likely to take 2 years to complete so the new scheme is not expected to be up and running before June 2015. The "Statement of Principles" will continue in force in the meantime.

Flood Re is the government's "preferred option", however, they intend to legislate for a regulatory alternative, called the Flood Insurance Obligation, in case Flood Re fails or cannot be achieved for any reason. Whichever scheme comes about, government hope to phase it out over 20-25 years.

If you want to know more, there is a wealth of information on the Defra and ABI websites (www.abi.org.uk). Government want to hear views on the scheme and have produced a consultation document, with an end date of 8th August 2013. You can view this at <https://consult.defra.gov.uk/flooding/floodinsurance> ← 61 pages.

The DEFRA Consultation hub for all public consultations can be found at <https://consult.defra.gov.uk/>

The Hampshire ALC has recently responded to the consultation, as your infrastructure body.

The lead executive member on flooding and water management is Cllr Charles Milner-Williams, also Chair of the Test Valley Association.

Best Wishes

Steven"

Vendy Treagust
Member Support Officer

I work part-time and I am normally in the office Tuesdays and Wednesdays. Other times I am available online on a flexible basis.

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