



Breakfast briefing

Preparing for Flood Re – opportunities for Insurers

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Climate Change and Flooding

- This weekend over **3,500** residential properties flooded with 2,000 in Carlisle and the 55,000 lost power in Lancaster
- We expect **sea levels to rise** increasing the risk of coastal flooding
- The frequency and severity of **rainstorms** will increase, increasing the risk of inland flooding
- Without investment, climate change would mean 500,000 more properties would be at '**significant**' risk of flooding by 2035



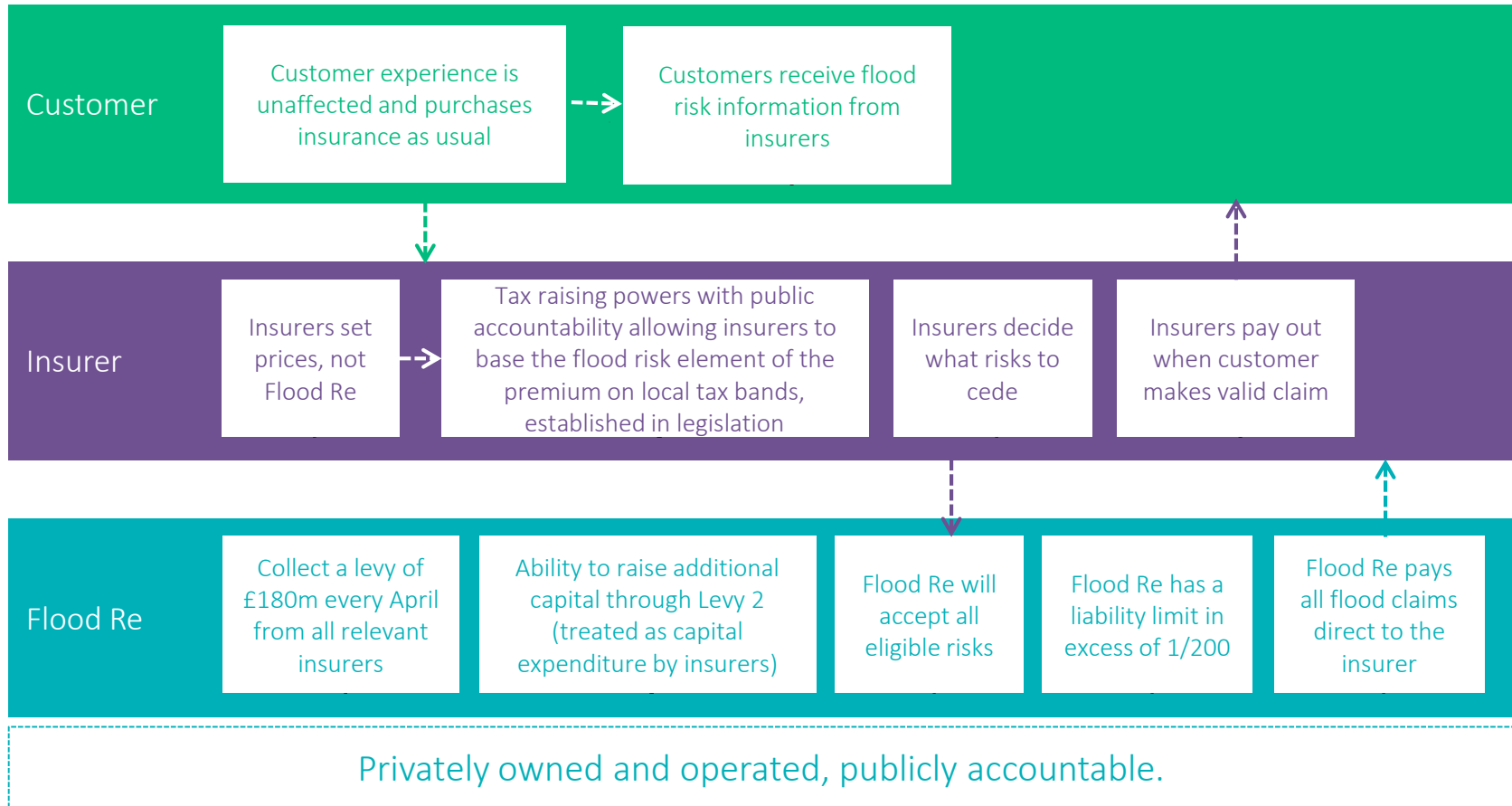
What is Flood Re?

- Solution to a long standing problem relating to the availability and affordability of flood insurance
- Likely to benefit circa 500,000 households
- Special Purpose Vehicle designed to create a reinsurance/ pool solution
- Authorised by the UK regulators in the same way other reinsurers are
- Owned and operated by the insurance industry with public accountability to Parliament – therefore needing Government involvement
- Life span of 25 years

What Flood Re is not

- Causing any change to customer experience – Point of Sale and claims
- Tasked with paying for property level resilience
- A primary response to climate change adaptation

How will Flood Re operate?



How will Flood Re be funded?

For each policy to be ceded to Flood Re:

Ceded risk premium **charged to insurers** at a fixed price according to council tax bands:

Council Tax Band	A, B	C	D	E	F	G	H
Buildings Policy	132	148	168	199	260	334	800
Contents Policy	78	98	108	131	148	206	400
Combined Policy	210	246	276	330	408	540	1200

All insurers writing UK household business:

- Levy 1 of £180m p.a.
- Capacity to call a second Levy from UK household insurers if required
- Insurers set retail prices – not Flood Re

What will Flood Re cover

Eligible Properties:

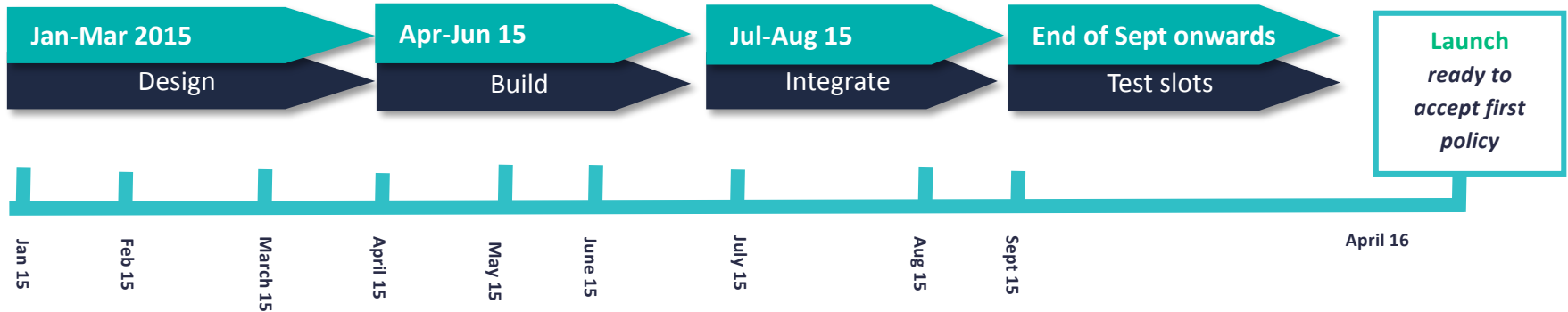
- Insured in the name of individuals
- All Council Tax bands
- Residential only
- Individual premium
- Occupied by owner or immediate family

Out of scope:

- Homes built on or after 01 January 2009
- Small businesses
- Leasehold properties (4+ residential units)

Timeline and achievements

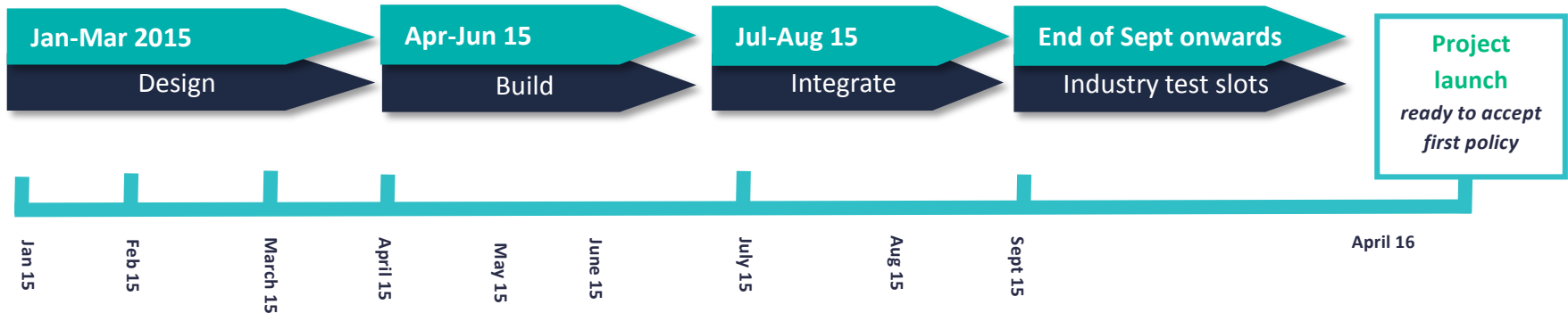
Project timeline:



- Flood Re now designated by Parliament as the Flood Re scheme administrator
- Systems built and tested
- Reinsurance purchase underway
- Team and Board in place
- Insurer systems testing underway

Next steps

Project timeline:

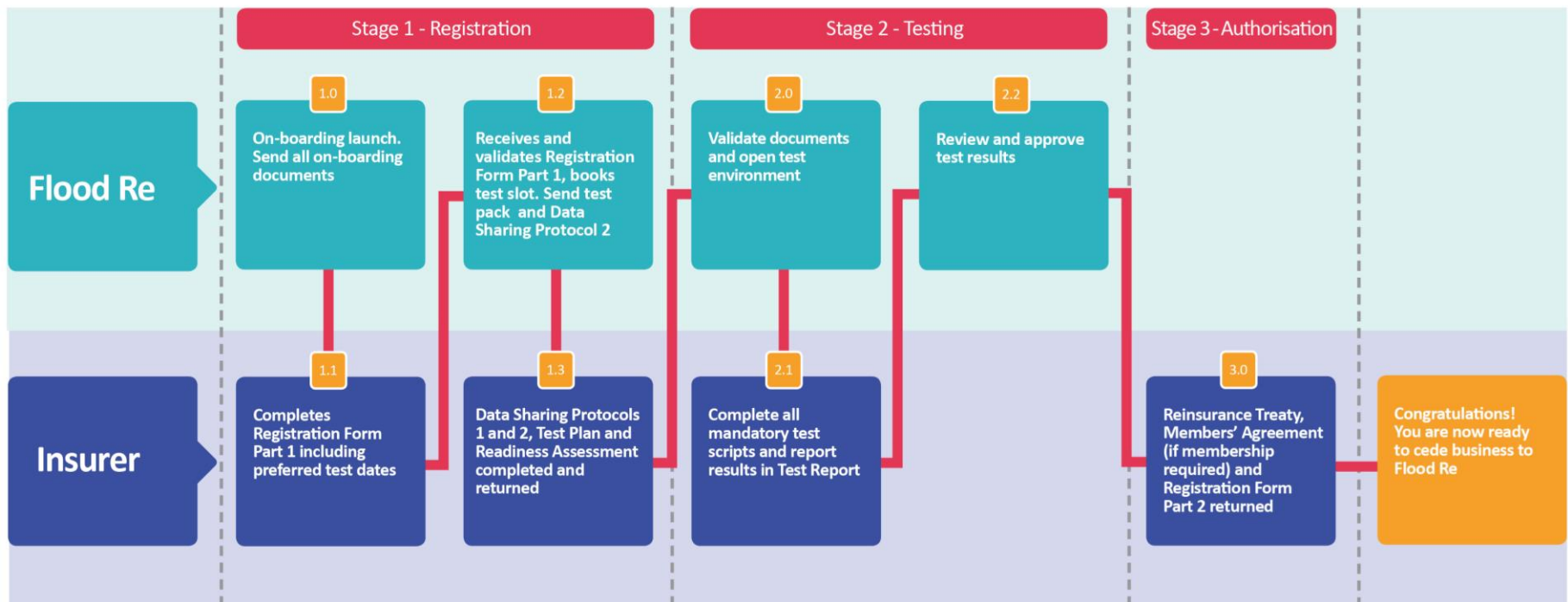


- Continued testing with insurers
- Working with industry bodies to help support market engagement
- Regulatory approval

The on-boarding process

Key documents

- Complete Registration Form 1 to begin the process
- Sign Data Sharing Protocol 1 required before testing can start
- Book a testing workshop which explains the testing
- Ensure any key service providers you use, including those offshore, sign the Data Sharing Protocol as they will not be able to test without it



Challenge to the industry

- Industry testing has started and some insurers are well prepared
- But... April 2016 is only **16 weeks** away even less with Christmas and Easter holidays
- First levy payment due 1st April 2016 – how will you get the most value out of this?
- Are you actively engaged in the building and testing of infrastructure?
- Are you pushing the software houses to complete their system builds in time for you to test your systems before April?
- What are your plans for communicating with your customers
- Have you engaged with your distribution panel partners?
- Have you engaged with your offshore service providers about their readiness? They may need to sign the Data Sharing Protocols as well as you

Benefits for insurers

Getting maximum benefit from the £180m industry levy

- New business - Flood Re will allow you to review your flood risk strategy
- Back book – allow you to offer more competitive premiums in areas liable for flooding
- Opportunity to expand the amount of flood risk you offer
- Flood Re will provide a benchmark which will make it much easier for pricing flood risk



Thank you

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