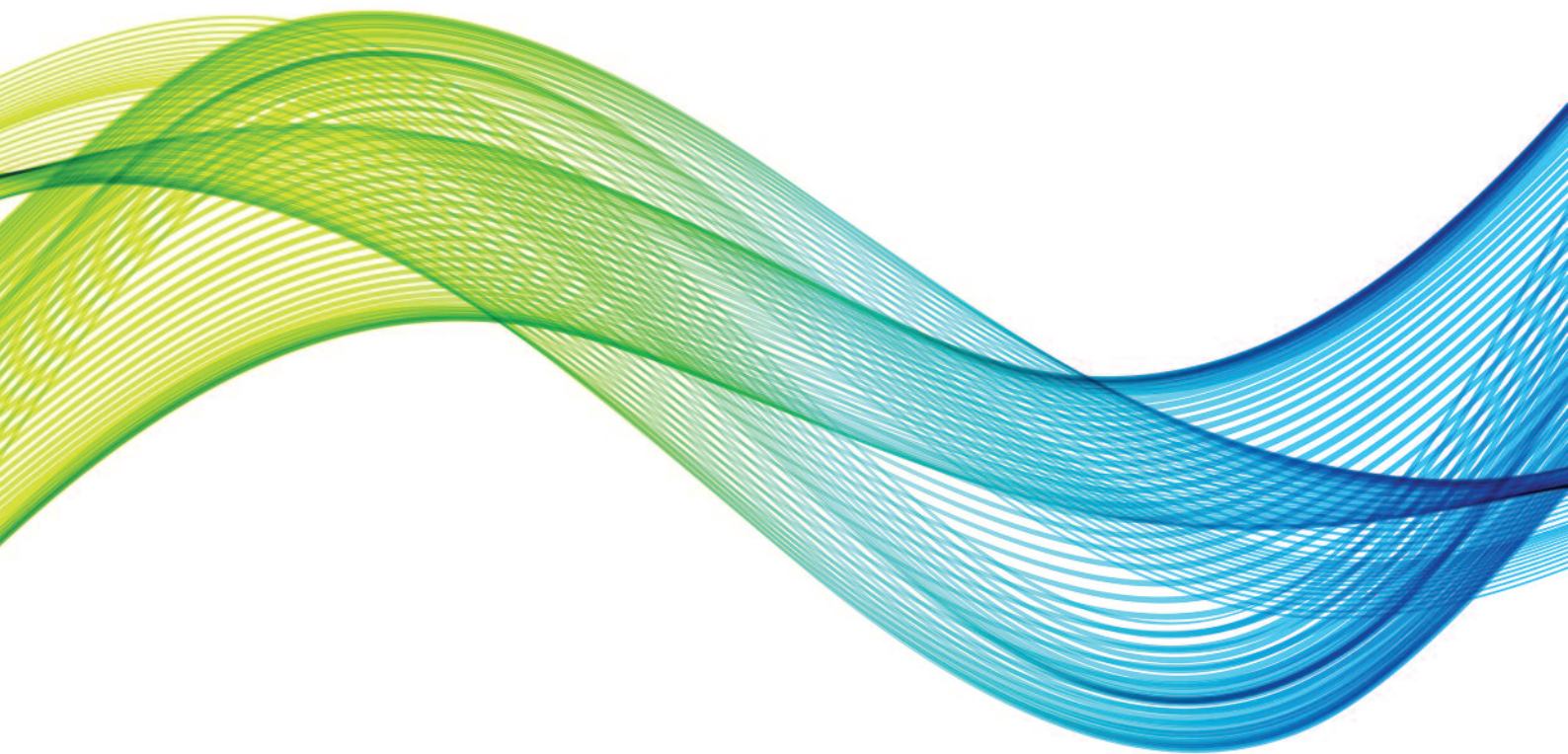




Participating in
FLOODRE

Guide to Flood Insurance

for domestic properties in the UK



A guide for brokers by Neil Bresler
Cherish Insurance Brokers Limited

Updated January 2018

Introduction

By Neil Bresler, Managing Director
Cherish Insurance Brokers Limited

Welcome to the Cherish Guide to Flood Insurance for domestic properties in the UK.

Some insurers have closed the door to brokers when Flood Re comes into play. That's where Cherish Insurance comes in.

Flood Re has proved to be a great success since its launch in April 2016. As the first ever Scheme of its kind in the world, it is widely believed to be one of the most significant innovations introduced into the home insurance market.

And with over 350,000 property owners likely to benefit, it's easy to see why. They can enjoy many advantages, especially more affordable and accessible flood insurance.

But it's not just the homeowners who have seen great advantages. The UK broking community has experienced many benefits including:

- ✓ A more level playing field for quoting flood risk
- ✓ New opportunities in flood-prone areas
- ✓ Fewer declines when quoting flood risk

Having said that, it hasn't all been plain sailing. Some MGAs and insurers have been slow to adopt Flood Re due to operational issues, which in turn has left brokers with limited options. Others have simply closed the door to brokers when Flood Re comes into play. That's where Cherish comes in.

A logical choice for brokers

As specialists in non-standard home insurance, Cherish is your logical choice for Flood Re solutions and beyond.

Cherish was one of the earliest firms to be accredited by Flood Re. The criteria for eligibility are complicated and not easily handled by the rating engines of the major software houses. In stark contrast, our advanced bespoke platform rose to the challenge with an admirable demonstration of its flexibility.

I hope that you find this guide informative. If you have any further questions, myself or my team would be delighted to help. Our contact details are given on the back page, or you can visit cherishinsurance.co.uk.

Neil Bresler

neil@cherishinsurance.co.uk

What is Flood Re?

Flood Re is an initiative between the industry and the Government to help the flood insurance element of home insurance to remain available and affordable to homeowners who are at risk of flooding.

The establishment of Flood Re will benefit an estimated 350,000 homeowners across the UK who are at significant flood risk and would otherwise struggle to access affordable flood insurance.

The Flood Re scheme is a not-for-profit flood reinsurance fund, owned and managed by the insurance industry. It was established to ensure that those domestic properties in the UK at the highest risk of flooding can receive affordable cover for the flood element of their home insurance.

Reinsurance is a way for insurers themselves to insure against large scale losses with other insurers.

Insurers sell policies to their customers in the usual way, but they may pass the risk carried by those policies to a reinsurance company or reinsurance vehicle, like Flood Re. Those risks are pooled into a fund which pays out to the insurer if claims are made.

The contractual responsibility for paying out to the customers if a claim is made still rests with the original insurer. But they have their own back-up from the reinsurance pool which they can claim against. This helps insurers take on more risk as the consequences of large claims are more widely spread.

A comparable (albeit different) scheme is Pool Re which covers insurers for loss incurred by terrorism and where some insurers choose to reinsure policies sold in case the losses are very high. This was set up in the 1990s after the IRA bombing of the City of London made insuring commercial risk prohibitively expensive.

How Flood Re works

Insurers will sell insurance in the normal way, and have an incentive to compete for the business of customers with high flood risk because they know they can pass the flood component element of the policy into Flood Re. The flood element of a home insurance policy will be placed in Flood Re, based on Council Tax band.

Insurers will use Flood Re for the 1-2% highest risk homes – an estimated 350,000 homes – that would have struggled to find any affordable cover in a normal market.

If they are flooded, those customers will deal with their insurer in the usual way to get their claim paid and Flood Re will reimburse the insurer behind the scenes for the cost of the claim.

An estimated 5.3m properties in the UK are at risk of flooding. Flood Re is for the most vulnerable of these.



Who pays for Flood Re?

The insurance industry has paid the £10m costs to get Flood Re up and running. The Flood Re pool itself has two sources of income. The first is the flood element of the policies which are passed into it. The second is an additional levy on the industry, equivalent to the existing cross-subsidy that exists in the market.

Who is eligible?

Qualifying properties which may be ceded to Flood Re

Flood Cover is available for Buildings, Contents or Combined Policies in England, Wales, Scotland or Northern Ireland. It excludes the Isle of Man and Channel Islands. It is provided for Household Premises, defined as:

A	A dwelling, or
B	A building in the UK which is held for private residential use and comprises 2 or 3 residential units. It can include garages and sheds or other buildings which form part of the building.

They must also :

1	Be insured in the name of, or on trust for, one or more individuals or by the personal representative of an individual.
2	Be insured on an individual basis.
3	Have a domestic Council Tax band (or equivalent).
4	Have been added to the Council Tax Valuation List (or equivalent) or been constructed before 1st January 2009.

Additionally for a Buildings policy or Combined policy:

5	If insuring a dwelling, the policyholder or immediate family must live in the property for all or some of the time (whether or not with others) or the dwelling must be unoccupied. The property must be held on a freehold basis or be a commonhold unit or be a flat in a tenement or (if on a leasehold) the leaseholder must insure the structure of the dwelling.
6	If insuring household premises (category B above), the property must be held on freehold and be insured by the freeholder or by an owner of a share of the freehold. They must live for all or some of the time (whether or not with others) in one of the residential units.

For clarification, all of the following risk categories will be interpreted as being eligible as long as they also meet the previous criteria:

a	Bed and breakfast premises paying Council Tax and insured under a home insurance contract.
b	Farmhouse dwellings and cottages. Where farmhouse dwellings are included in a commercial policy, provided the insurer can split out the dwelling element (which meets the criteria 1-6 inclusive above), that part of the risk can be ceded to Flood Re.
c	Holiday/Second homes.
d	Household premises used by home workers.
e	Individual leaseholders protecting own dwelling.
f	Leasehold blocks will be eligible for buildings cover if they contain 3 units or fewer, and the freeholder(s) lives in one of the units to be insured.
g	Residential 'buy to let'.
h	Mobile homes if in personal ownership as the only or main residence.
i	Tenant's/individual's contents (if living in large block/flats, where the buildings flood risk would not be eligible).

Domestic Properties not eligible for Flood Re

a	Bed and breakfast premises paying business rates
b	Blocks of more than three residential flats
c	Company houses/flats
d	Contingent buildings policies (e.g. held by banks)
e	Farm outbuildings
f	Freeholders/leaseholders deriving commercial income insuring blocks/large numbers of properties in a portfolio
g	Housing association's residential properties
h	Multi-use under commercial or private ownership
i	Residential 'buy to let' (which do not meet the criteria 1-6 (inclusive) above)
j	Social housing properties; (eligible for contents cover but not eligible for buildings cover)
k	Static caravan site owners (for commercial gain)

Flood Re Premiums

The premiums charged to insurers will be capped based on Council Tax bands. They will start at £213 per policy per annum for a combined policy and rise to £1218 for the highest band. The regional breakdown of premium according to council tax band is shown below.

ENGLAND & SCOTLAND	Valuation Band	A	B	C	D	E	F	G	H	I
	Buildings Policy	134	134	150	170	202	264	339	812	–
	Contents Policy	79	79	99	109	133	150	209	406	–
	Combined Policy	213	213	249	279	335	414	548	1218	–

WALES	Valuation Band	A	B	C	D	E	F	G	H	I
	Buildings Policy	134	134	134	150	170	202	264	339	812
	Contents Policy	79	79	79	99	109	133	150	209	406
	Combined Policy	213	213	213	249	279	335	414	548	1218

NORTHERN IRELAND	Flood Re Category	1	2	3	4	5	6	7	8
	Buildings Policy	134	134	150	170	202	264	339	812
	Contents Policy	79	79	99	109	133	150	209	406
	Combined Policy	213	213	249	279	335	414	548	1218

The Flood Re Categories for Northern Ireland are broken down as follows:

Flood Re Category	1	2	3	4	5	6	7	8
Property value as of 1st Jan 2005	Up to £75,000	£72,501 to £92,500	£92,501 to £125,000	£125,001 to £160,000	£160,001 to £205,000	£205,001 to £260,000	£260,001 to £450,000	£450,001 and over

Rates valid until 30th Sept 2018.

Potential market

Flood Re is likely to be particularly relevant for householders who are currently:

- not insured
- insured without cover for flood
- insured with large excess and/or loaded premium
- insured with an insurer/MGA who cannot cede risks to Flood Re
- insured with an insurer/MGA who does not want to cede a particular group of risks to Flood Re.

Whilst not all will be eligible for Flood Re or be prepared to pay the premium, there is still a significant flow of potential new business.

It is estimated that over 350,000 risks could eventually be covered under Flood Re. But this is dependent upon individual Insurers' appetites to underwrite or cede the flood risk as well as consumers' desire to source flood cover with better quality capacity or lower excesses (the Flood Re excess is £250).

How to enjoy easy access to Flood Re

In January 2016, Cherish became one of the first firms to be accredited by Flood Re. Since then, we have seen an influx of flood-related quotes from brokers whose usual providers cannot cede the policy to Flood Re.

Our system contains over 28 million UK address records. This gives us the capability to individually assess every property using advanced geo-mapping techniques. That means we can provide AXA with all of the information necessary to quickly cede a risk to Flood Re.

With advanced geo-mapping, every property is assessed on an individual basis.

The Cherish Flood Re solution

Brokers can access Flood Re cover for all of our domestic home insurance range. This includes the following policies:

PRODUCT	FLOOD RE
Cherish Home Insurance	✓
Cherish Home B&B Insurance	✓
Cherish Second Home Insurance (inc commercial guests)	✓
Cherish Residential Landlord Insurance	✓

Please visit cherishinsurance.co.uk for information about these policies.

There are three main criteria for the property to qualify for Flood Re cover from Cherish:

- A** Property is within 50 metres of a river, stream or tidal water **OR** **B** It has suffered a flood claim in the last 25 years **OR** **C** It is in a 'high risk' flood area

The risk will be subject to individual geo-mapping as well as our usual underwriting rules for claims history (other than flood), construction and similar criteria.

Assuming the risk meets our underwriting criteria then we will be able to either offer flood cover underwritten by AXA or ceded to Flood Re.

The competition

Behind the scenes, it is clear that some MGAs as well as small and even medium sized insurers are still not equipped to deal with Flood Re. This is perhaps because they are taking a 'wait and see' approach.

It may also be because the processes established by the ABI for Flood Re to cede risks depends upon the ability to deliver and receive data risks in a highly complex process.



Participating in

FLOODRE

Contact Cherish to find out more

With a growing reputation as the go-to business for wholesale home insurance provision, Cherish is the ideal partner for brokers of all sizes.

Our speciality range of home insurance products are designed to fill niche demands such as second homes, small B&B's and residential landlords. Add our Flood Re solution into the mix and you'll begin to see the advantages we can offer your business.

We are regularly able to accept risk which many of our competitors would automatically decline. **To find out more, simply visit our website at cherishinsurance.co.uk or call one of our specialists.**

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Neil Bresler

Managing Director

neil@cherishinsurance.co.uk

Office: 01255 871965 option 2

www.cherishinsurance.co.uk

01255 871965 option 2



Cherish Insurance Brokers Limited

Carlson House, Bradfield Road, Wix, CO11 2SP

Tel: 01255 871965 option 2 cherishinsurance.co.uk

Registered in England No. 2781995

Registered office: Venture House, 20/20 Business Park, St. Leonards Road, Allington, Maidstone, Kent, ME16 0LS

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