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From Rory Stewart OBE MP

Parliamentary Under Secretary of State for Environment and Rural Affairs

Dear James,

Thank you for your letter of 2 December about properties eligible for Flood Re.

It will be for insurers to decide as to which properties are eligible for Flood Re. If an insurer calculates that the technical flood risk insurance premium for a household exceeds the premium threshold for their council tax band they can transfer the flood risk to Flood Re. We currently estimate that in the region of 350-500,000 households will have their flood insurance premium limited by Flood Re but there is no set limit. If another insurer calculates the price or the risk lower it could still offer insurance without having to use Flood Re. If anyone is unhappy with a quote then it almost always pays to shop around for other insurers. We advise talking to insurers over the phone or contacting a specialist broker to explore ways of reducing premiums, such as through fitting property-level resistance and resilience measures (where these are appropriate). Insurers use a variety of models to identify flood risks. These may differ by area and organisation and will depend on their approach to risk and their underwriting strategies. Insurance companies do not have to disclose the criteria they use.

Flood Re is not intended to provide permanent support to those at high risk. The powers in the Water Act 2014 require the Flood Re Scheme administrator to produce and publish a plan for achieving the transition to risk reflective prices at the end of the 25 years. We are expecting this plan to be published in February 2016. We are also continuing to explore with the industry to find out how people could be incentivised to take action to manage their own flood risk to help them prepare for the withdrawal of the subsidy over time.

We will continue to work closely with the industry to ensure people have access to flood insurance in the long-term. We want Flood Re to play its part in preparing those that benefit from the scheme for the withdrawal of the subsidy over time. This will be done by signposting them to information about their flood risk and the transitional nature of Flood Re; and by ensuring that the correct incentives are in place to drive uptake of resilient repairs after a flood.

RORY STEWART