



# Snapshot

## Flood Re in the UK

### Summary

Flood Re is a collaboration between the UK Government and the insurance industry, with the goal of enabling insurers to provide flood-prone households across the UK with affordable insurance cover. The scheme is funded by an industry-wide levy on all domestic property insurance policies in the UK. It is estimated that insurers will pass on to Flood Re the flood risk element of insurance policies (home and contents) for around 350,000 households. The scheme will run for 25 years.

### Keywords

Flood Re, insurance, reinsurance, flood risk, UK

Major floods in the UK since 2007 have led to insurance claims in excess of 4 billion pounds sterling and have left many residential properties either uninsurable or too expensive to insure (see Figure 1). In response, the government worked with the insurance industry to set up Flood Re, a scheme that enables insurers to offer competitive premiums and lower excesses to high flood risk homes across the UK. In operation since April 2016, Flood Re has the following main features.

The scheme sets up a non-profit pool to provide reinsurance for the flood risk element of insurance policies for those households deemed at high risk of flooding.

It is funded by an industry-wide levy on all domestic property insurance policies in the UK.

It is run and financed by insurers, and will be voluntary in nature.

The scheme aims to prevent a market failure for domestic property insurance in certain areas by allowing insurers to transfer the highest flood risk elements to the pool at a set premium (see Figure 2).

It is estimated that around 500,000 properties will be covered. The scheme does not cover properties built since 2009 (to avoid incentivising unwise building in known high flood risk areas).

The scheme is seen as transitional in nature, and is expected to be in place until 2039. At the end of this period, insurers should be able to price flood insurance depending on risk but at affordable levels.

To enable this to happen, the UK government has committed to invest in infrastructure to improve flood risk management in the UK. Expected expenditure is around 2.1 billion pounds sterling.

## Further reading

Association of British Insurers, 2014: Flood Re explained. Accessed 29 May 2017. [Available online at <https://www.abi.org.uk/Insurance-and-savings/Topics-and-issues/Flood-Re/Flood-Re-explained>].

Horn, D., 2014: After the flood: Finding ways to insure the uninsurable without breaking the bank. The Conversation, 18 February, 2014. Accessed 29 May 2017. [Available online at <https://theconversation.com/after-the-flood-finding-ways-to-insure-the-uninsurable-without-breaking-the-bank-23110>].

The Flood Re website: <http://www.floodre.co.uk/industry/> (accessed 29 May 2017).

Video that explains how the Flood Re scheme works: <http://www.floodre.co.uk/homeowner/about-us/> (accessed 29 May 2017).

**This Snapshot was prepared by the NCCARF CoastAdapt Development Team. Please cite as:** NCCARF, 2016: Flood Re in the UK. Snapshot for CoastAdapt, National Climate Change Adaptation Research Facility, Gold Coast.



Figure 1: Floods in the UK caused major damage to residential properties. Photo: © Adobestock.

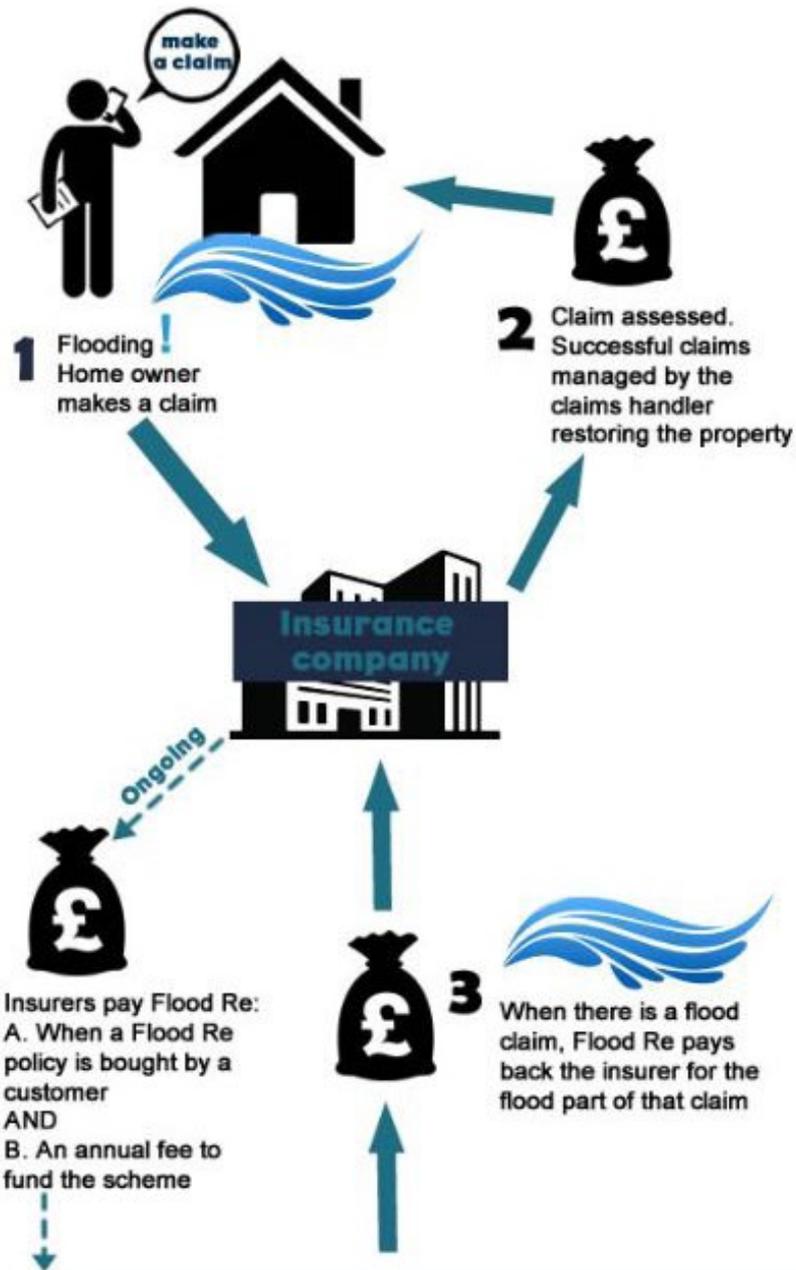


Figure 2: Diagram explaining how the Flood Re scheme works. Source: [HomeProtect.co.uk](http://HomeProtect.co.uk). © Avantia Insurance Limited 2016.

