

Guide to Flood Re for Brokers

Flood Re is one of the most significant innovations ever to be introduced into the home insurance market. It has been designed to make affordable insurance cover widely available to householders in the UK who live in private residential homes at risk of flooding.

Flood Re is managed and owned by the insurance industry and is directly accountable to Parliament. It is funded by an annual levy on insurance companies and by individual reinsurance premiums paid to Flood Re by insurers, on ceded risks.

Flood Re estimates that, over time, some 350,000 homes may benefit, from both more affordable insurance premiums and from reduced policy excesses. Customers will continue to buy their home insurance in the same ways as they currently do whether that is through a broker, direct or through a price comparison website.

The guide, developed in partnership with BIBA, outlines how the scheme will work for brokers.

What property is eligible?

Flood Re's scope is to accept private residential household insurance policies only as this is where it was accepted by the insurance industry and government, that there was an emerging market failure to deliver affordable flood insurance. Flood Re will not cover businesses, which are excluded from scope. It will also not cover properties built on or after 1st January 2009 so that Flood Re does not incentivise further house building in areas of high flood risk.

For full details of the eligibility criteria please see:
www.floodre.co.uk/industry/eligibility

Opportunity for brokers

Customers will buy their home insurance in the same way as before, including through brokers. If you partner with an insurer who is working with Flood Re then you should be able to offer customers home insurance quotes where previously you would have had to decline the business. Customers should see their premiums and excesses being offered at more affordable prices. This benefit, matched with the advice and service that brokers can offer customers represents a significant opportunity for brokers to develop and grow their book of business.

Flood Re - fast facts

- Flood Re is a not-for-profit reinsurance company, owned and managed by the insurance industry, with public accountability and is regulated by the PRA and FCA
- Its purpose is to ensure UK householders living in homes at the highest risk of flooding can obtain affordable flood cover
- It's estimated that around 350,000 homes are set to benefit from Flood Re at maturity
- Flood Re will be funded through an industry-wide levy which will raise £180m every year and it will also receive capped reinsurance premiums per policy ceded by each insurer
- The powers to establish Flood Re is part of the Water Bill, which passed in May 2014
- Insurers will continue to sell home insurance policies to householders in the same way they do now, but the flood risk element is passed on to Flood Re
- Insurers will pay Flood Re a premium for the flood risk element which will be based on the Council Tax band and priced accordingly from £210 for Band A to £1,200 for Band H
- Insurers are solely responsible for setting the price householders pay for their cover and will take into account the premium paid to Flood Re when doing this
- Let and commercial properties are excluded as are properties built since 2009

How insurers work with Flood Re

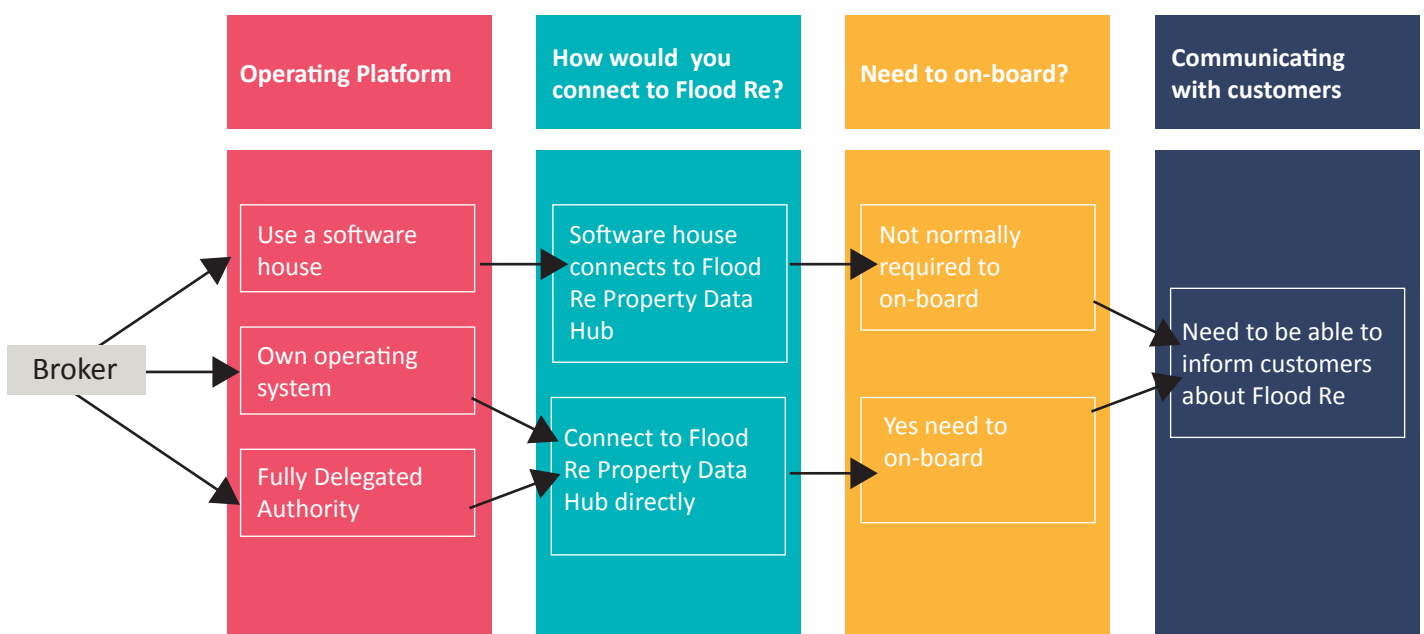
1. Insurers and Lloyd’s managing agents using the scheme, collect the Property Tax Data (council tax band and other risk data required to determine Flood Re eligibility) from the Flood Re Property Data Hub in order to determine the Flood Re premium
2. The decision is made on whether to cede the risk to Flood Re and a quote is then provided to the customer based on the decision
3. If the quote is taken up by the customer, then the insurer submits the risk to Flood Re on a bordereau
4. Any resulting claims are dealt with by the insurer in the same way they do now and the cost of the flood element is recovered from Flood Re via bordereaux

How brokers will work with Flood Re

The most important thing is to talk to your insurer partner(s) and understand their strategy for pricing high flood risk properties, whether they are using Flood Re and what opportunities this will offer you.

Depending on how you operate as a broker will affect how you interact with Flood Re and your insurer partners and whether you need to on-board and connect to Flood Re.

These options are explained below:



Brokers using a software house

If you are a broker who uses software house technology, then you should speak to the software house to ensure they have undertaken the required systems development to enable you to offer Flood Re backed prices.

Software houses will normally connect with Flood Re to capture the Property Tax Data in order to build the Flood Re premium into insurer pricing engines for products on your platform. Insurers are also required to update their pricing engines to receive the Property Tax Data and price accordingly. For bound policies, software houses will need to change EDI messaging back to insurers to include the appropriate Flood Re ceding information.

You will not normally be required to on-board or register with Flood Re; all the interaction will be between Flood Re and the software house and your insurer partners.

What you need to do on following page >>

What you need to do:

- Talk to your software house and insurers immediately to ensure they have completed the required development work or to see when this will be done
- Understand the process of how you will use the Scheme and compile an implementation plan
- You will be required to tell customers that their policy has been ceded to Flood Re and let them know where they can find out more information about the Flood Re scheme. This information will be provided by Flood Re via your insurer partner and can also be found at www.floodre.co.uk/homeowner/information-and-advice
- You will also need to explain that if they were to make a claim then the interaction would continue to be with their broker and insurance company and that Flood Re will not handle claims

Brokers with bespoke operating platforms

If you are a broker who has a bespoke operating and administration system, then we would normally expect you to connect to the Flood Re Property Data Hub to collect the Property Tax Data or to take a local copy of the Data. Insurers are also required to update their pricing engines to receive the Property Tax Data and price accordingly. For bound policies, you will need to change EDI messaging back to insurers to include the appropriate Flood Re ceding information. Unless you have underwriting and claims delegated authority you won't be able to submit bordereaux direct to Flood Re, this will be done by your insurer.

What you need to do:

- Speak to your insurer partners to confirm how using Flood Re will work for your business
- Design the process of how you will use the Scheme including understanding any system development required and compile an implementation plan
- Complete a registration form which can be downloaded from the Flood Re website after which Flood Re will issue on-boarding guidance based on your circumstances
- Begin the on-boarding process ready to use the scheme outlined below

Brokers who have claims and underwriting delegated authority

If you are a broker with both claims and underwriting delegated authority and your insurer has agreed that you will submit claims and underwriting bordereaux to Flood Re on their behalf, then you will need to connect to the Flood Re Property Data Hub and the bordereaux submission system. In practice this means that you will operate in the same way as an insurer and will need to connect up to Flood Re, complete relevant legal documents and undergo on boarding, including testing.

What you need to do:

- Speak to your insurer partners to confirm how using Flood Re will work for your business
- Design the process of how you will use the Scheme including understanding any system development required and compile an implementation plan
- This may include access to the Flood Re Property Data Hub and also the bordereaux submission system
- Complete a registration form which can be downloaded from the Flood Re website after which Flood Re will issue on-boarding guidance based on your circumstances
- Begin the on-boarding process outlined below

Brokers with access to insurers via phone or other modes

Some brokers are able to interact with insurers via phone or other modes which don't involve any on-boarding activity with Flood Re. This will require work to scope out how they price policies and how they provide details to insurers to notify them of ceded risks so the risks can be submitted to Flood Re.

How to on-board

In order to start testing and ultimately interact with Flood Re, there are certain steps that brokers will need to complete in order to be ready. The first of these steps is to complete the registration form which can be found on the Flood Re website www.floodre.co.uk/industry/on-boarding. Instructions for where to send the completed form are on the site.

Once the Flood Re service desk has received the completed registration form they will send the relevant on-boarding documents along with a guide to the overall process. You will also be invited to a testing workshop to help support you through the testing process.

Communicating with your customers

This is a vital step in the process to support customers who are at risk of flooding. Please speak to your insurer partners about how they are planning to inform their customers about Flood Re and for the information provided to insurers from Flood Re. You will need to train your staff so that they fully understand the scheme and the processes involved.

For further help and advice please contact the Flood Re service desk.

✉ servicedesk@floodre-operations.co.uk

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🌐 www.floodre.co.uk

🌐 www.biba.org.uk/current-issues/flood-insurance

🐦 @floodre

A number of leaflets and a video designed for customers are available and can be found at www.floodre.co.uk/homeowner.