
DRAFT STATUTORY INSTRUMENTS

2015 No.

**The Flood Reinsurance (Scheme Funding
and Administration) Regulations 2015**

PART 3

FR Scheme Funding

Gross written premium

6.—(1) For the purposes of this Part, a relevant insurer’s “gross written premium” means the aggregate sterling amount paid or payable by, or on behalf of, holders of home insurance for the relevant risk element of home insurance, before the deduction of any amount (including commission), but after the deduction of insurance premium tax⁽¹⁾.

(2) A relevant insurer’s gross written premium must be increased by the amount of any gross written premium paid or payable for the relevant preceding calendar year for transferred home insurance.

(3) For the purposes of paragraph (2), “transferred home insurance” means the rights and liabilities arising out of, or in connection with, home insurance, where the home insurance—

- (a) formed the whole, or part, of an insurance business carried on by a person (“A”),
- (b) the insurance business, or that part, has been transferred to, or has otherwise vested in, the relevant insurer in the preceding calendar year, and
- (c) A is not a relevant insurer on the date on which the levy is due under regulation 9.

(4) When calculating a relevant insurer’s gross written premium under paragraphs (1) and (2), home insurance shall be taken to cover only the relevant risk element unless the contrary is shown by the relevant insurer to the reasonable satisfaction of the FR Scheme administrator.

(5) For the purposes of this regulation, “the relevant risk element”, in relation to home insurance, is any risk of damage to, or loss or destruction of, either or both of the following—

- (a) a dwelling;
- (b) the contents of a dwelling.

Provision of information by relevant insurers

7. Within 30 days of receipt of a written request, a relevant insurer must provide to the FR Scheme administrator such information as the FR Scheme administrator may request relating to the gross written premium for that relevant insurer for the preceding calendar year.

⁽¹⁾ Insurance premium tax is charged on receipt of an insurance premium by a relevant insurer under a taxable insurance contract on or after 1st October 1994. Insurance premium tax was established by sections 48 to 74 of, and Schedules 6A, 7 and 7A to, the Finance Act 1994 (c.9).

Calculation of the levy

8.—(1) A relevant insurer must pay to the FR Scheme administrator a levy for each financial year from (and including) the financial year commencing 1st April 2016, calculated in accordance with the following formula—

$$TL \times \frac{X}{Y}.$$

(2) For the purposes of the formula in paragraph (1)—

- (a) “TL” means the total levy of £180 million;
- (b) “X” means the relevant insurer’s gross written premium for the preceding calendar year unless paragraph (3) applies, in which case, “X” is determined in accordance with that paragraph; and
- (c) “Y” means the sum of all relevant insurers’ “X” for the preceding calendar year.

(3) If a relevant insurer fails to provide the information requested under regulation 7 within the period required by that regulation, “X” is the amount considered by the FR Scheme administrator to be a reasonable estimate of the gross written premium of the relevant insurer for the preceding calendar year, on the basis of information reasonably available.

(4) The FR Scheme administrator must calculate the levy payable under paragraph (1) by a relevant insurer on the basis of the information reasonably available at the time a request for an instalment is made under regulation 9(1) or (2).

Payment of the levy by instalments and adjustments to instalments

9.—(1) For each financial year, the levy under regulation 8 is due on 1st April and is payable by each relevant insurer by such instalments and at such times as the FR Scheme administrator thinks fit and no later than 30 days following a request in writing by the FR Scheme administrator.

(2) The FR Scheme administrator must make such adjustments to subsequent instalments requested as may be necessary in the light of any further information which becomes available.

(3) No adjustments to instalments may be made more than 2 years after the date on which the levy becomes due under paragraphs (1) or (2).

Payment of additional levy or contributions

10.—(1) A relevant insurer must pay by levy any additional amount requested in writing from time to time by the FR Scheme administrator in accordance with the FR Scheme and regulation 11.

(2) The obligation in paragraph (1) does not apply if the relevant insurer has received a request from the FR Scheme administrator to pay the additional amount by way of contribution, and such contribution has been paid by the relevant insurer in accordance with the requirements of the FR Scheme administrator.

Requirements for request of additional levy or contributions

11.—(1) When making a request for payment of the levy under regulation 10(1), or when making a request for the contribution referred to in regulation 10(2), the FR Scheme administrator must ensure that—

- (a) the total additional amount requested from all relevant insurers at any one time is no more than the amount that the FR Scheme administrator considers—
 - (i) necessary to comply with any obligation which the FR Scheme administrator is subject to under or by virtue of the Financial Services and Markets Act 2000, or any obligation arising from directly applicable EU legislation; or

- (ii) appropriate for the prudent management of the FR Scheme;
- (b) the amount requested from a relevant insurer shall be calculated in accordance with the following formula—

$$TAA \times \frac{X}{Y}.$$

- (2) For the purposes of the formula in paragraph (1)—
 - “TAA” means the total additional amount requested by way of levy under regulation 10(1) or contribution referred to in regulation 10(2) at any one time; and
 - “X” and “Y” have the same meaning as in regulation 8.
- (3) Within 30 days of each request, the FR Scheme administrator must notify the Secretary of State of the amount requested and the reasons for the request.

Adjustments to payments of additional amounts

- 12.**—(1) The FR Scheme administrator must—
- (a) calculate the levy payable under regulation 10(1) or the contribution referred to in regulation 10(2) on the basis of the information reasonably available at the time the request is made;
 - (b) make such adjustments to the amounts requested (whether by way of a balancing refund or a request in writing for a balancing payment) as may be necessary in the light of any further information which becomes available.
- (2) No adjustments to the amounts requested may be made more than 2 years after the date on which the request for the levy or contribution was made.

Application of levy or contributions collected

- 13.**—(1) The FR Scheme administrator must only use the levy collected under regulation 8 or 10(1), or any contribution referred to in regulation 10(2), for—
- (a) the purposes of the FR Scheme, including any purposes incidental to the FR Scheme;
 - (b) the administration of the FR Scheme.
- (2) These Regulations do not prevent or require the repayment by the FR Scheme administrator of contributions.
- (3) Paragraph (2) does not affect the requirement in regulation 12(1)(b) to make an adjustment.

Recovery of amounts due as a civil debt

- 14.**—(1) This regulation applies where a sum payable by a relevant insurer under regulation 8 or 10(1) remains unpaid 30 days after the date of the request in writing referred to in regulation 9(1) or (2), 10(1) or 12(1)(b).
- (2) The sum referred to in paragraph (1) is recoverable summarily (or, in Scotland, is recoverable) as a civil debt by the FR Scheme administrator.