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DRAFT STATUTORY INSTRUMENTS

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**2015 No.**

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

**PART 5**

**FR Scheme Administration**

**Exercise of the FR Scheme administrator's functions**

**20.** The FR Scheme administrator must have regard to the following in discharging its functions—

- (a) the need to ensure economy, efficiency and effectiveness in the discharge of those functions;
- (b) the need to act in the public interest; and
- (c) the need to ensure propriety and regularity in the operation of the FR Scheme.

**Restrictions on the exercise of the FR Scheme administrator's functions**

**21.—**(1) When discharging its functions, the FR Scheme administrator must comply with the following conditions—

- (a) there is a limit on the borrowed amount of £25 million;
- (b) the FR Scheme administrator must only use, or transfer, any assets relating to the FR Scheme for—
  - (i) the purposes of the FR Scheme, including any purposes incidental to the FR Scheme;
  - (ii) the administration of the FR Scheme.

(2) For the purposes of paragraph (1)(a), “borrowed amount” means the total amount outstanding at the end of a financial year in respect of any sums borrowed by the FR Scheme administrator, and includes any bank loans or overdraft, or other temporary borrowing (including amounts which the FR Scheme administrator owes to suppliers in respect of products or services acquired), but does not include contributions, or any amounts owed by the FR Scheme administrator in respect of any contract of reinsurance.

**Transition to risk reflective pricing of flood insurance**

**22.—**(1) The FR Scheme administrator must have regard to the need to manage, over the period of operation of the FR Scheme, the transition to risk-reflective pricing of flood insurance for household premises.

(2) The FR Scheme administrator must produce and publish a plan relating to the management of the transition referred to in paragraph (1) (to be known as the transition plan) within 3 months of these Regulations coming into force.

(3) The transition plan may contain the following—

- (a) the steps which may be taken to manage the transition referred to in paragraph (1) over the period of operation of the FR Scheme;
  - (b) general information about the estimated impact of those steps on the amount of the levy payable under regulation 8 and the level of the reinsurance premium thresholds under regulations 15, 16 and 17 over the period of operation of the FR Scheme;
  - (c) such other information relating to the transition plan as the FR Scheme administrator considers it useful to publish.
- (4) The FR Scheme administrator must update and publish the transition plan at least every 5 years.
- (5) The FR Scheme administrator must publish the transition plan and any subsequent updated transition plan by placing it on its website.

### **The Responsible Officer**

- 23.**—(1) The FR Scheme administrator must designate the person who acts as its Chief Executive Officer as the responsible officer of the FR Scheme.
- (2) The responsible officer has the following responsibilities in relation to the FR Scheme—
- (a) accountability to Parliament for the stewardship of the FR Scheme, including management of its finances;
  - (b) accountability to Parliament for the economy, efficiency and effectiveness with which the FR Scheme administrator uses resources in discharging its functions under the FR Scheme;
  - (c) accountability to Parliament for propriety and regularity in the operation of the FR Scheme;
  - (d) accountability to Parliament in respect of any reports laid under regulation 24;
  - (e) the laying of a copy of the audited accounts of the FR Scheme and the annual report of its auditor before Parliament, no later than 3 months after the end of the financial year to which those accounts and annual report apply.

### **Powers of the Comptroller and Auditor General**

- 24.**—(1) The Comptroller and Auditor General may carry out examinations into—
- (a) the economy, efficiency and effectiveness with which the FR Scheme administrator has used resources in discharging its functions; and
  - (b) propriety and regularity in the operation of the FR Scheme.
- (2) For the purposes of carrying out an examination under paragraph (1), the Comptroller and Auditor General has a right of access, at all reasonable times, to all such documents relating to the FR Scheme as the Comptroller and Auditor General may reasonably require.
- (3) The Comptroller and Auditor General may require from any person who holds, or has control of, any such document such information and explanation as are reasonably necessary in relation to any of those documents.
- (4) The Comptroller and Auditor General may lay any reports on examinations carried out under paragraph (1) before Parliament.

### **Provision of information by the FR Scheme administrator**

- 25.** If, and in so far as, the FR Scheme has an effect on public accounts, the FR Scheme administrator must provide to the Secretary of State any information in relation to the FR Scheme which the Secretary of State reasonably requires for the purposes of government accounting.

### **Provision of information to relevant insurers**

26. By 1st April of each year, the FR Scheme administrator must provide the following information to relevant insurers who have effected a buildings policy, contents policy or combined policy reinsured under the FR Scheme in the immediately preceding financial year, for the purposes of enabling those insurers to supply that information to holders of those policies—

- (a) information about how to find out about the levels of flood risk to which an area in which household premises are situated is subject and general information about how to find out about how any flood risk may be managed;
- (b) general information about the FR Scheme; and
- (c) general information about the estimated impact of the transition referred to in regulation 22(1) on the cost of those insurance policies.

### **Review and report on the FR Scheme**

27.—(1) During each review period, the FR Scheme administrator must produce at least one report which—

- (a) reviews the FR Scheme;
- (b) sets out, for the following review period, an assessment of possible combinations of the total levy under regulation 8 and the reinsurance premium thresholds under regulations 15, 16 and 17, having regard to the need to manage the transition referred to in regulation 22(1) and all other relevant considerations, together with the actuarial evidence which underpins this assessment; and
- (c) makes any necessary recommendations.

(2) The FR Scheme administrator may produce a report under paragraph (1) at any time, and must do so—

- (a) at least 12 months before the end of the review period; or
- (b) on request by the Secretary of State.

(3) The FR Scheme administrator must send a copy of each report to the Secretary of State.

(4) On receipt of a report, the Secretary of State must consider any recommendations made in the report.

(5) The FR Scheme administrator must provide any information requested by the Secretary of State to enable the Secretary of State to carry out an actuarial review of any recommendations in the report.

(6) In this regulation, “review period” means the period of 5 years ending 31st March 2021 and each successive period of 5 years.

### **Report on the total amount of contributions requested**

28.—(1) If the total net additional amount by way of contribution requested by the FR Scheme administrator exceeds £100 million at any time, the FR Scheme administrator must produce a report to the Secretary of State which—

- (a) evaluates the circumstances and reasons that led to each request for additional amounts; and
- (b) makes recommendations, including any suggested changes to the level of the total levy under regulation 8 or the reinsurance premium thresholds under regulations 15, 16 and 17.

(2) The Secretary of State must consider the recommendations in the report.

(3) Paragraph (1) does not apply where the total net additional amount by way of contribution requested by the FR Scheme administrator exceeds £100 million only in order to achieve initial capitalisation by 30th September 2016.