

WATER ACT 2014

EXPLANATORY NOTES

COMMENTARY

Part 4

Flood Insurance

The Flood Reinsurance Scheme

Section 64: The Flood Reinsurance Scheme

230. Subsection (1)(a) introduces the Flood Reinsurance Scheme (“FR Scheme”) as a scheme established for the purpose set out in subsection (2). Subsection (1)(b) states that the FR Scheme will be designated by regulations made by the Secretary of State.
231. Subsection (2) specifies the purpose of the FR Scheme which is to promote the availability and affordability of flood insurance for household premises, while limiting the costs of doing so. The FR Scheme will do this by making reinsurance for flood risk available to all insurers that underwrite household insurance policies in the UK. Reinsurance is routinely purchased by insurers to limit their exposure to risk. The FR Scheme will cover the risks that are directly attributable to flooding but will not cover other risks, such as theft or subsidence, which tend to be covered under standard household policies. The provision of reinsurance shall be done in a way as to manage the transition to risk reflective pricing.
232. Subsection (3) gives the Secretary of State power to make regulations to set the level of those reinsurance premiums which will be payable by relevant insurers should they choose to reinsure flood risk relating to an insurance policy with the FR Scheme. Subsection (4) provides that those regulations may make different provision for different purposes by reference to the value of the property insured which is likely to be by reference to Council Tax bands (or an equivalent where Council Tax bands are not in place). Subsection (5) provides a definition of flood insurance for the purpose of the FR Scheme.