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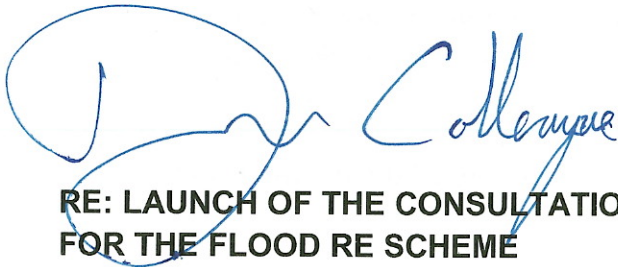
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From Dan Rogerson MP

Parliamentary Under Secretary of State for Water, Forestry, Rural Affairs and Resource Management



**RE: LAUNCH OF THE CONSULTATION ON THE IMPLEMENTING REGULATIONS
FOR THE FLOOD RE SCHEME**

I am writing to advise you that the Government's consultation on the Secondary Legislation for the Flood Re Scheme has been launched today.

These regulations will ensure that domestic property insurance continues to be widely available and affordable in areas of high flood risk without placing unsustainable costs on wider policy holders or the taxpayer. The Scheme will provide a gradual transition toward more risk-reflective prices. As you will remember from discussion during the passage of the Water Act, which received Royal Assent in May, the Flood Reinsurance Scheme ("Flood Re") will be established as a not for profit, industry run and managed scheme. Flood Re itself will be directly accountable to Parliament for the day to day operation of the Scheme.

The draft regulations set out how the Scheme will be administered and funded and how the Scheme and the Administrator will be designated. Specifically the regulations:

On funding and finance:

- Provide Flood Re with levy raising powers to fund the Scheme and set limits on the amount which can be raised through the primary levy.
- Provide the formula for the calculation of levy payments payable by insurers, outline the levy review process and set out the premium thresholds (the limits on the amount of premium that customers will pay if their policy is ceded to Flood Re).



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- Set the conditions under which Flood Re may access additional funding through contribution or levy from insurers.

On administration:

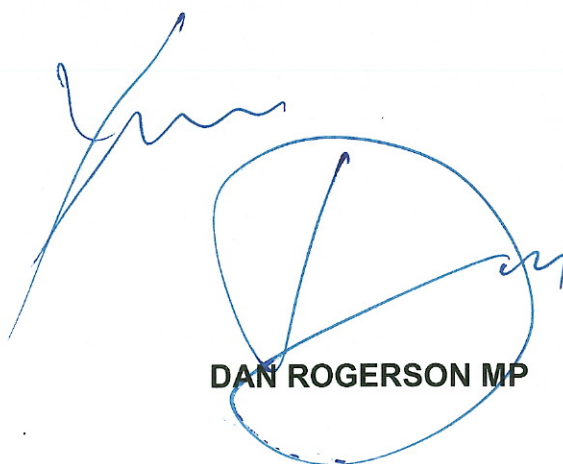
- Require the Scheme administrator to provide value for money, through ensuring the effectiveness, efficiency and economy of the Scheme and propriety and regularity in its management. The administrator must also act in the public interest.
- Require Flood Re to be directly accountable to Parliament for the management of the Scheme, detailing the agreed novel accountability arrangements agreed by Parliament during the passage of the Water Act, which reflect Flood Re's status as an industry-run and led body. The Scheme Administrator must appoint a Responsible Officer, who will be responsible to Parliament for the governance of the Scheme, including its financial and operational stewardship, ensuring value for money, propriety and regularity of the Scheme and that it is acting in the public interest. The Responsible Officer will also be accountable to Parliament for any reports on Flood Re undertaken by the National Audit Office.
- Require Flood Re to lay its audited annual accounts in Parliament and provide the National Audit Office with powers to examine Flood Re, should it be necessary.
- Set the transitional nature of the Scheme and require Flood Re to provide insurers with standard information on the Scheme and where their customers can find information on how to improve their resilience and resistance to flooding.
- Define key terms used in the regulations.

The Regulations also provide for the designation of the Scheme Administrator and the Scheme itself.

All these Regulations will be subject to affirmative procedure in Parliament. A copy of the consultation and the draft legislation can be found at:

<https://consult.defra.gov.uk/flooding/floodreinsurancescheme/>

I welcome your comments, ideally by 15th September, on the questions in the consultation.



DAN ROGERSON MP