

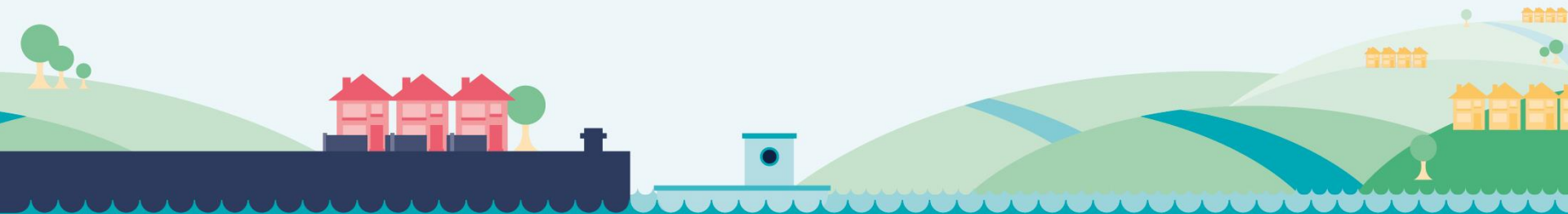


Enabling affordable cover for the UK's homes

Andrew Creedon (Head of Client Relationships)

Gary McNally (Chief Actuary)

9th November 2016



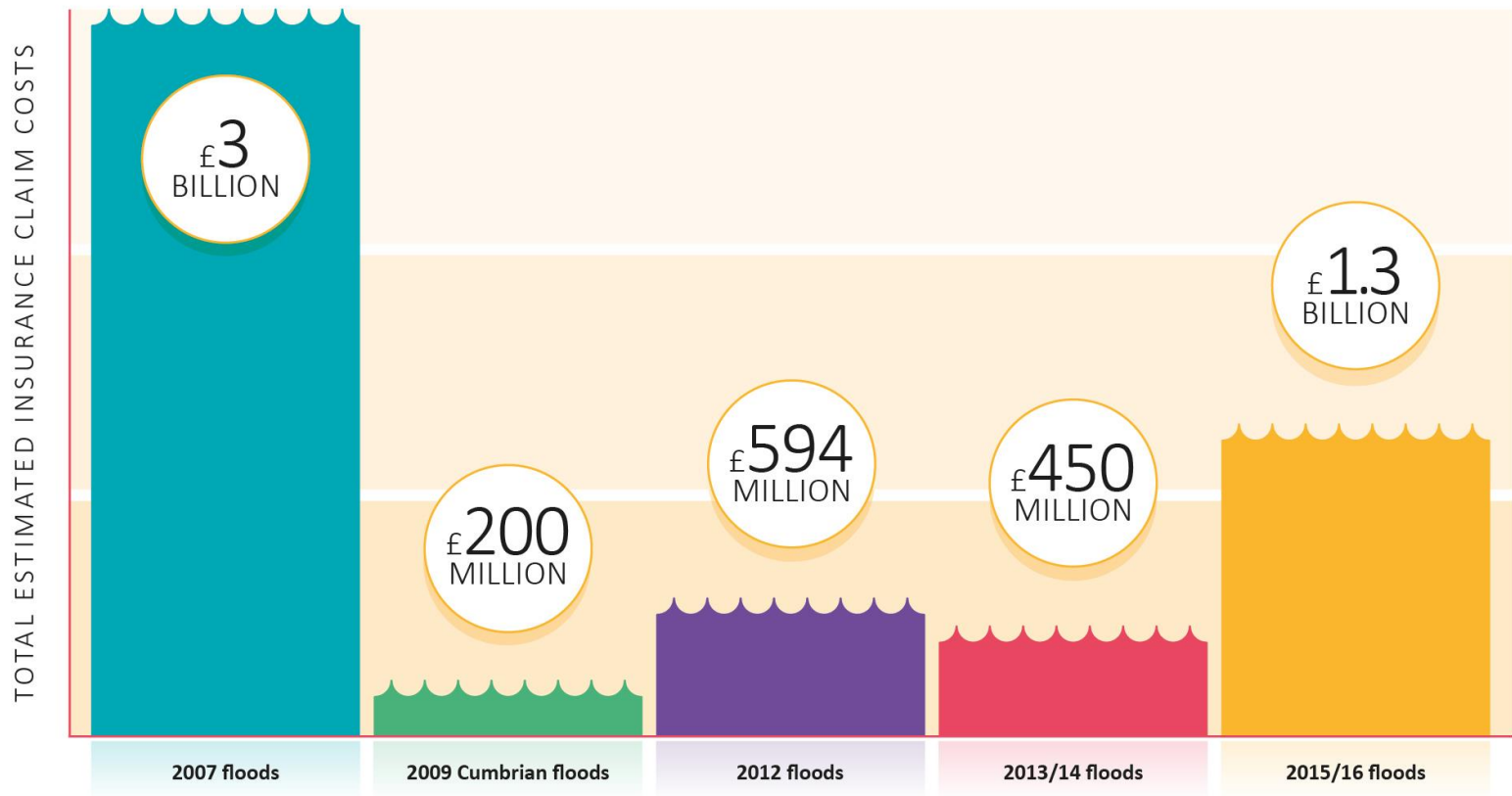
Flood risk forecasts



5.2 million properties at risk of flooding
23.8 million properties not susceptible to flooding

Environment Agency 2014

Estimated total insurance claim costs



Before Flood Re: The Statement of Principles

**An agreement with Government, in place between
2000 and 2013 – the ‘Statement of Principles’:**

Insurers continued to offer cover (i.e. offer renewals)

Government managed flood risk effectively

Applied to both household and SME policies,
for properties built before 2009.
Larger commercial properties not covered

Separate (but virtually identical) agreements for England,
Scotland, Wales and Northern Ireland

All four expired on 30th June 2013



The aims of Flood Re



Enable availability and affordability of insurance for those living in high flood risk areas.



Could benefit up to 350,000 households over time.



Drive competition in market.



What is Flood Re

Solution to a long standing problem relating to the availability and affordability of flood insurance

Likely to benefit up to 500,000 households over time

Special Purpose Vehicle designed to create a reinsurance / pool solution

Authorised by the UK regulators in the same way other reinsurers are

Owned and operated by the insurance industry with public accountability to Parliament – therefore needing Government involvement

Life span of 25 years

What Flood Re is not

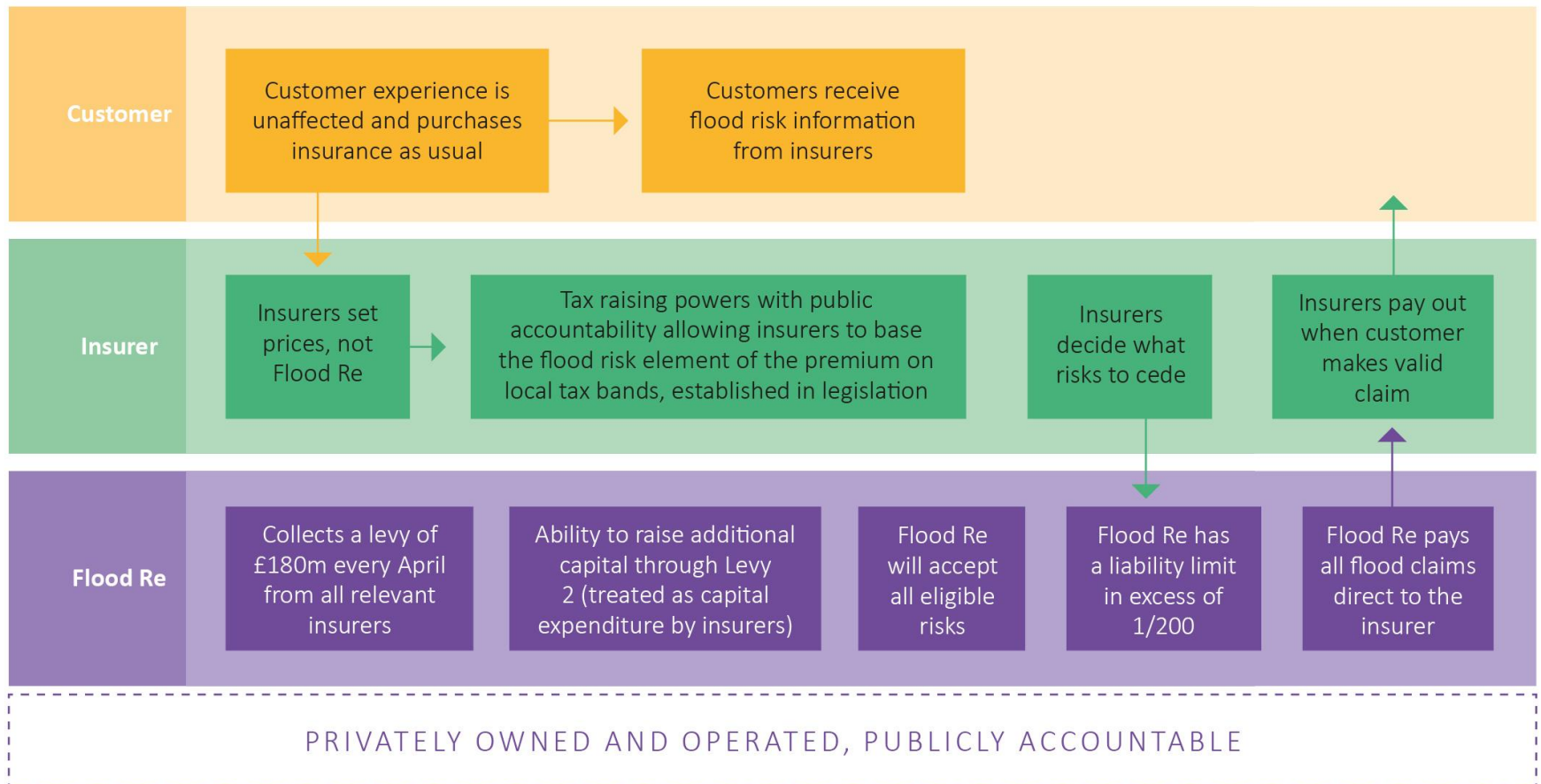
Causing any change to customer experience – Point of Sale and claims

Tasked with paying for property level resilience

A primary response to climate change adaptation



How Flood Re operates



How Flood Re is funded

A

For each policy to be ceded to Flood Re:

Ceded risk premium charged to insurers at a fixed price according to council tax bands:

Council Tax band	A,B	C	D	E	F	G	H
Buildings policy	132	148	168	199	260	334	800
Contents policy	78	98	108	131	148	206	400
Combined policy	210	246	276	330	408	540	1200

B

All insurers writing UK household business:

Levy 1 of £180m p.a.

Capacity to call a second Levy from UK household insurers if required

Insurers set retail prices – not Flood Re

What properties does Flood Re cover

ELIGIBLE PROPERTIES:

Insured in the name of individuals

Must have a Council tax band
(All Council Tax bands covered)

Held for residential use

Insured on individual basis

Occupied by policy holder or
immediate family some of
the time or unoccupied

OUT OF SCOPE:

Homes built on or after
01 January 2009

Small businesses
(business rated)

Properties (4+ residential units)

Buildings cover for leasehold
premises 2 or more units

Principles of underwriting eligibility

Flood Re's policy objective is to help those households who live in a flood risk area find more affordable home insurance.

Flood Re is only in operation for a further 23 years.

Set up to deal with legacy issue which has built up over many years.

The Scheme should not be used as an incentive for irresponsible planning decisions.

Flood Re's policy is to be 'back-to-back' with the insurers' standard policies. We do not expect policies to be gold plated as a response to Flood Re.

Fundamental underwriting principle:

The number of flood exposed residential properties will not increase as a result of Flood Re's existence





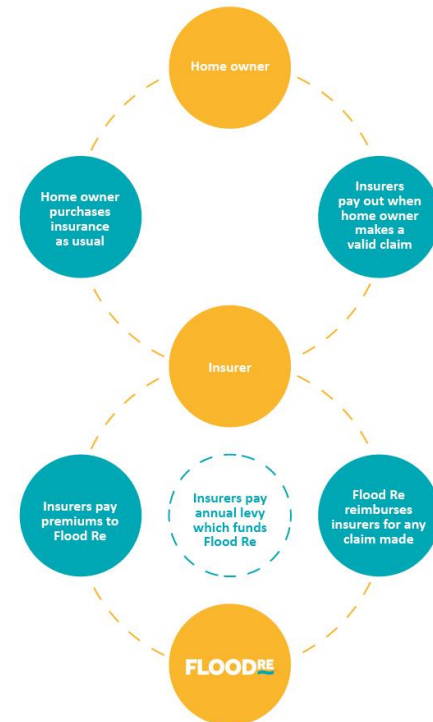
What does Flood Re mean for customers?

Flood Re makes no difference to the way customers buy home insurance

Any claims made will continue to be handled by the insurance company

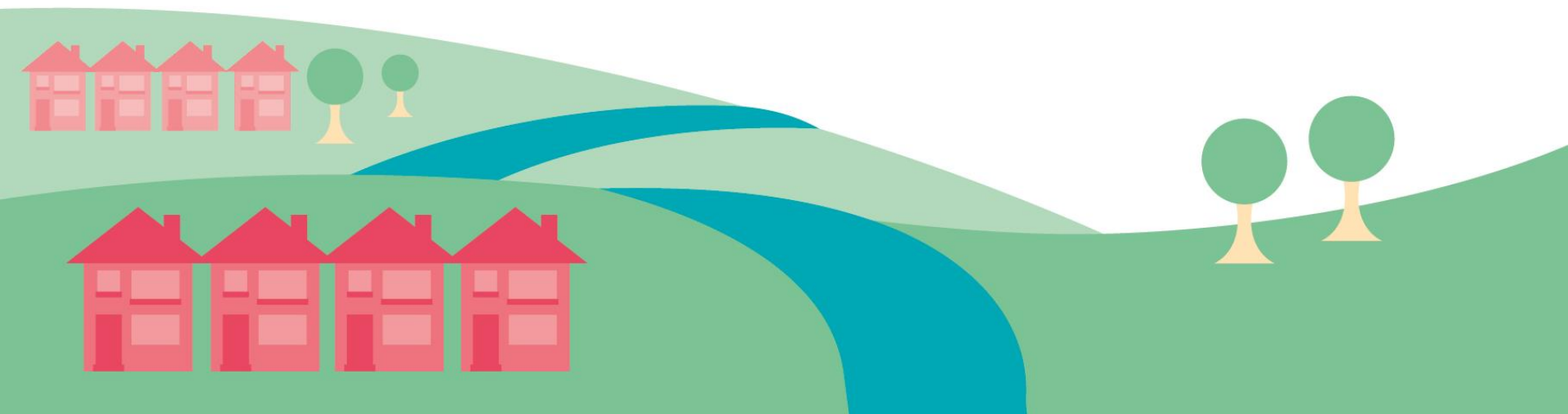
With Flood Re in place customers have greater choice of insurance policies and they should be more competitively priced

Insurance company will continue to be responsible for setting the retail premiums



First Steps...

...and the Journey ahead



Launch Campaign

Flood Re's launch in numbers 1-4 April 2016

COVERAGE

OVER **240**
PIECES OF COVERAGE



TOTAL CIRCULATION

462,365,324
READERS IN TOTAL

TRADE TITLES

OVER **40**
PIECES



NATIONAL COVERAGE

22
PIECES
OF NATIONAL
COVERAGE



LOCAL AND REGIONAL

OVER **100**
PIECES



WEBSITE

SOCIAL
ACTIVITY
AROUND 8%
OF ALL TOTAL
WEBSITE
VISITS



ADWORDS

56,064
+26,829
=82,893
IMPRESSIONS

POSITIVE
POLICIES
FINANCIAL
AD

667
+350
=1,017
CLICKS

POSITIVE
POLICIES
FINANCIAL
AD

10
MPs
TWEETED

- Diana Johnson MP
- Brandon Lewis MP
- Andrew Percy MP
- Rachael Maskell MP
- Kevin Hollinrake MP
- Philip Davies MP
- Harriett Baldwin MP
- Guy Opperman MP
- Philip Hammond MP
- Dr James Davies MP



SOCIAL MEDIA (1-4 APRIL)

INCREASE OF
OVER **200**
FOLLOWERS



26,502
IMPRESSIONS

165
ENGAGEMENTS

62
LINK CLICKS



**POSITIVE
TWITTER
ENGAGEMENT**

FROM
MONEYSUPERMARKET
MONEYSAVINGEXPERT
DEFRA
ABI
BIBA



PROGRAMME Sky News



SKY NEWS CENTRE LONDON

FLOOD RE: AGREEMENT BETWEEN INSURERS & GOVT AIMS TO HELP RESIDENTS IN FLOOD-RISK AREAS GET CHEAPER INSURANCE



FLOOD RE: AGREEMENT BETWEEN INSURERS & GOVT AIMS TO HELP RESIDENTS IN FLOOD-RISK AREAS GET CHEAPER INSURANCE

PROGRAMME ITV News



BRENDAN MCCAFFERTY
Chief Executive, Flood Re

PROGRAMME Channel 4 News

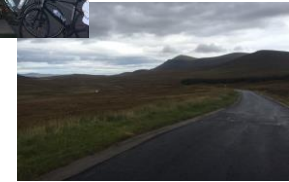


Land's End to John o'Groats



14 Sept

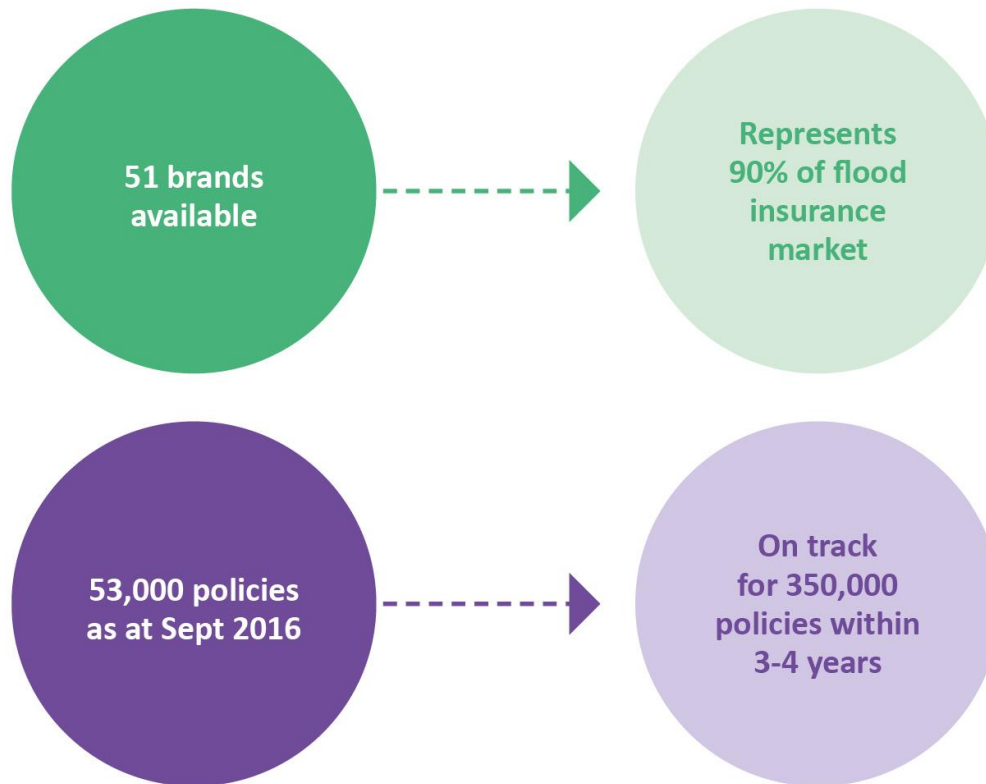
24 Sept



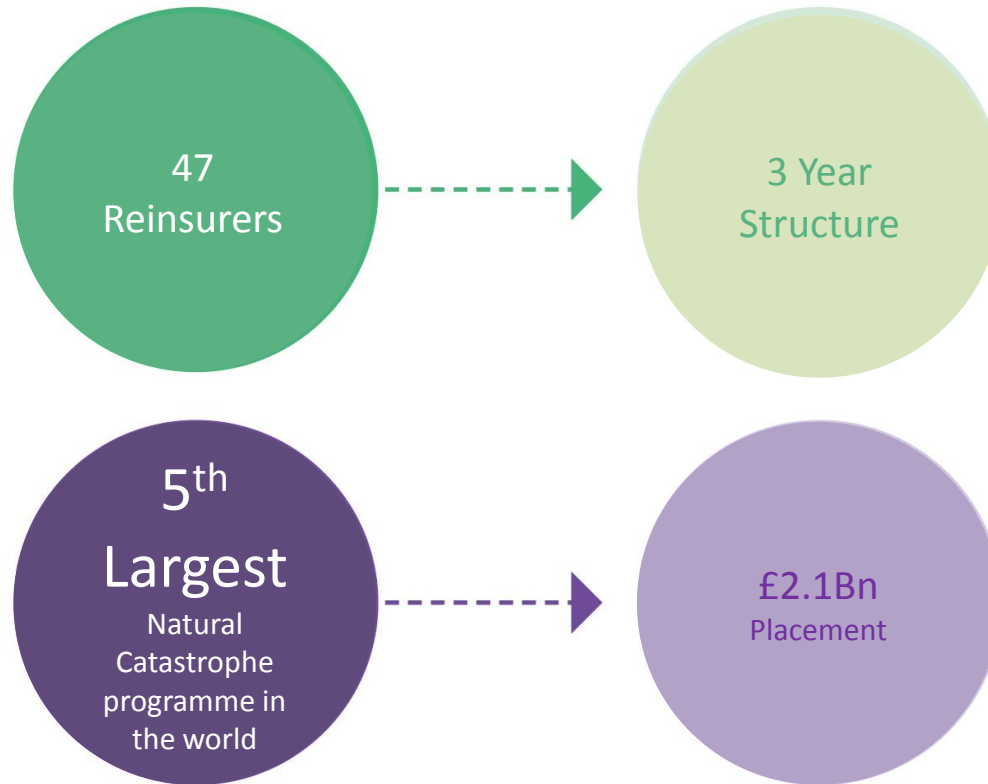
- 10 days
- 1,124 miles
- 10 public meetings
- Regional Radio and Local Newspaper articles

Key Learning:
Recognised need to increase
grass roots local level promotion

Key stats post launch



Key stats post launch



How has this benefitted customers?

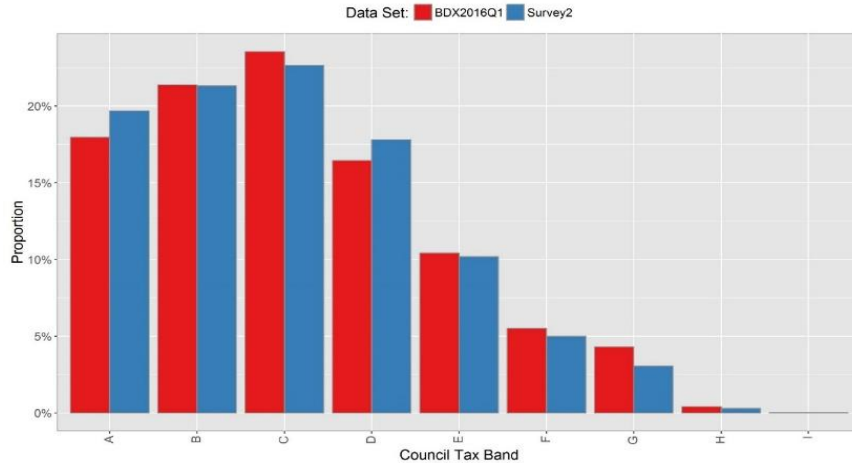
Results from a benchmarking exercise of the insurance market **prior to Flood Re launch**



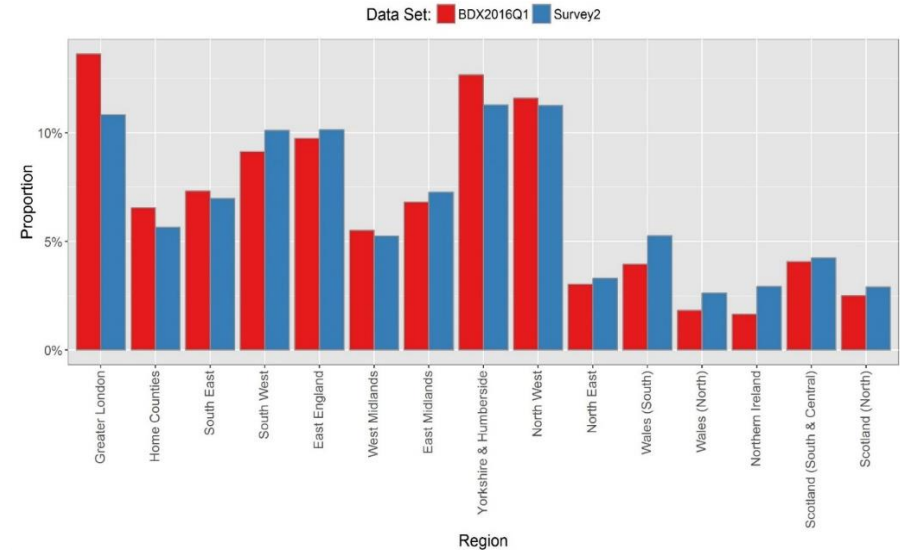
Full results of benchmarking exercise expected later in the year

Actual V Expected Mix of Ceded Policies

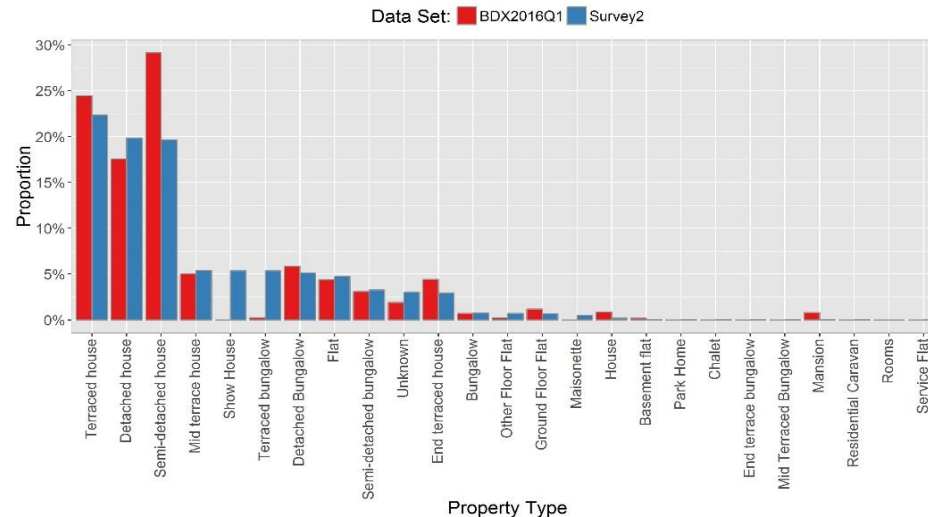
Council Tax Distribution Actual at 2016Q1 vs. Survey 2



Region Distribution Actual at 2016Q1 vs. Survey 2

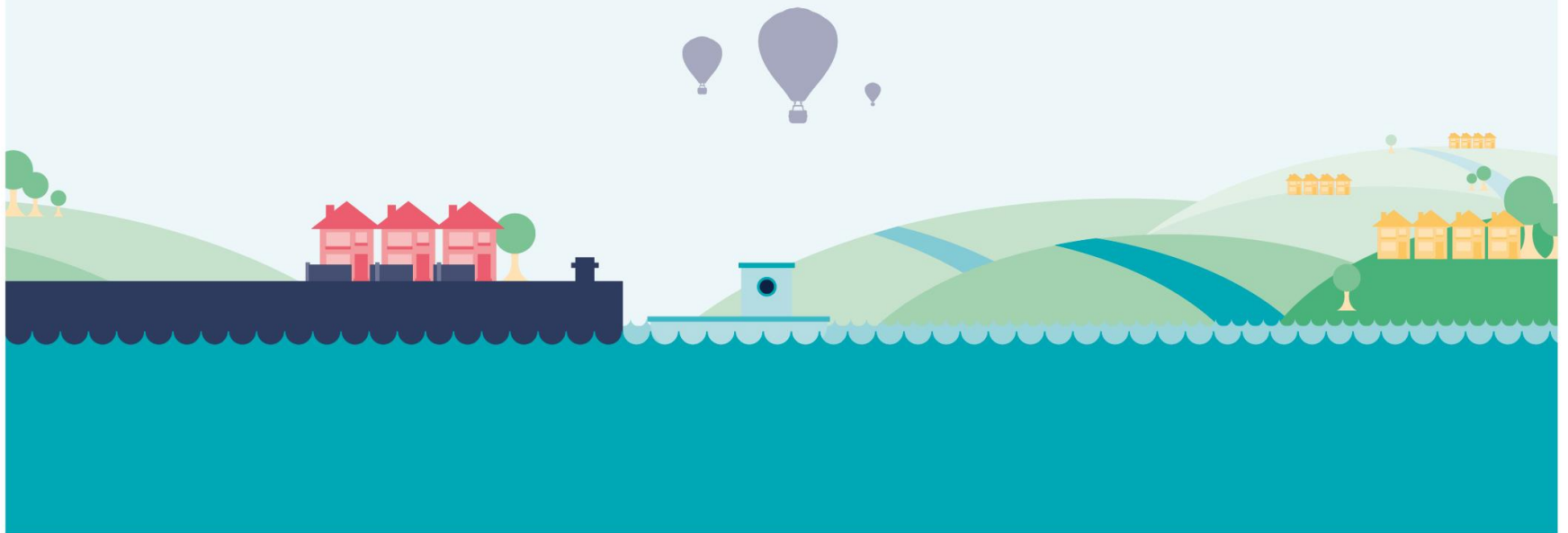


Property Type Distribution Actual at 2016Q1 vs. Survey 2



FLOODRE

The Transition Plan



Flood risk forecasts



We expect sea levels to rise increasing the risk of coastal flooding.



The frequency and severity of rainstorms will increase, increasing the risk of inland flooding.



Without investment, climate change would mean 500,000 more properties would be at 'significant' risk of flooding by 2035.



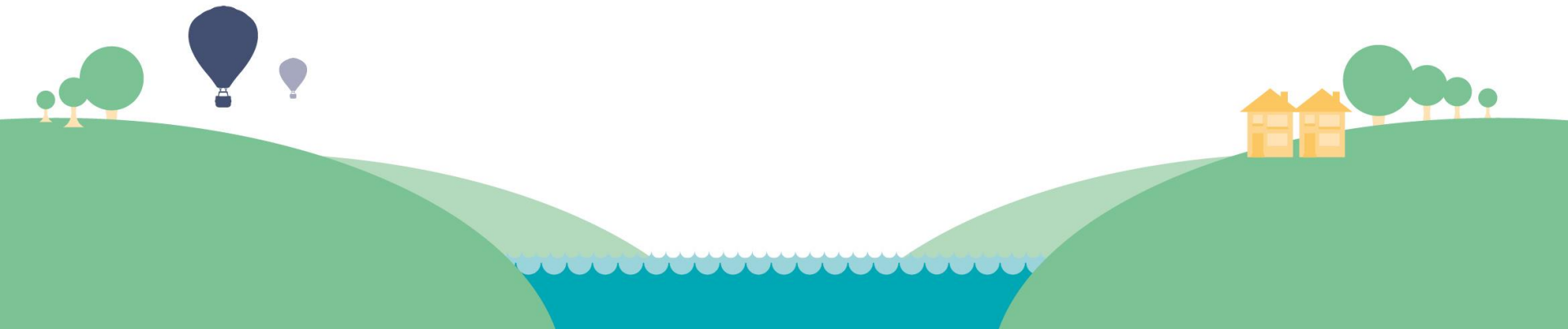
5.2 million properties at risk of flooding
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Environment Agency 2014

An introduction



This transition plan sets out the signposts that flood Re will follow as the scheme grows and matures, to help reduce the costs of flooding. This in turn will allow Flood Re to return the market to risk reflective pricing over the years to come.



Between now and 2039 Flood Re will:

Drive lower prices and excesses.

Benchmark and track prices and availability of household flood insurance.

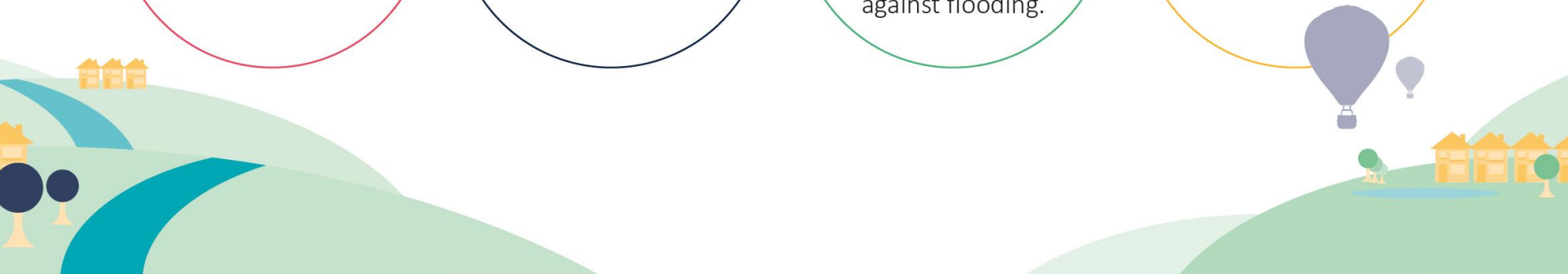
Help Government and flood bodies make flood risk management decisions.

Provide evidence to understand how households and insurers can reduce flood costs.

Advise most effective spending and incentives to cut cost of flooding.

Shape how householders and insurers can be incentivised to take effective measures to protect homes against flooding.

Highlight changing nature of flood risk.

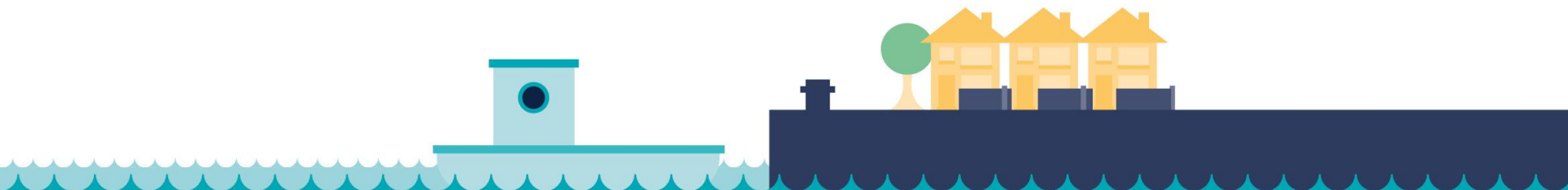


Why 2039?

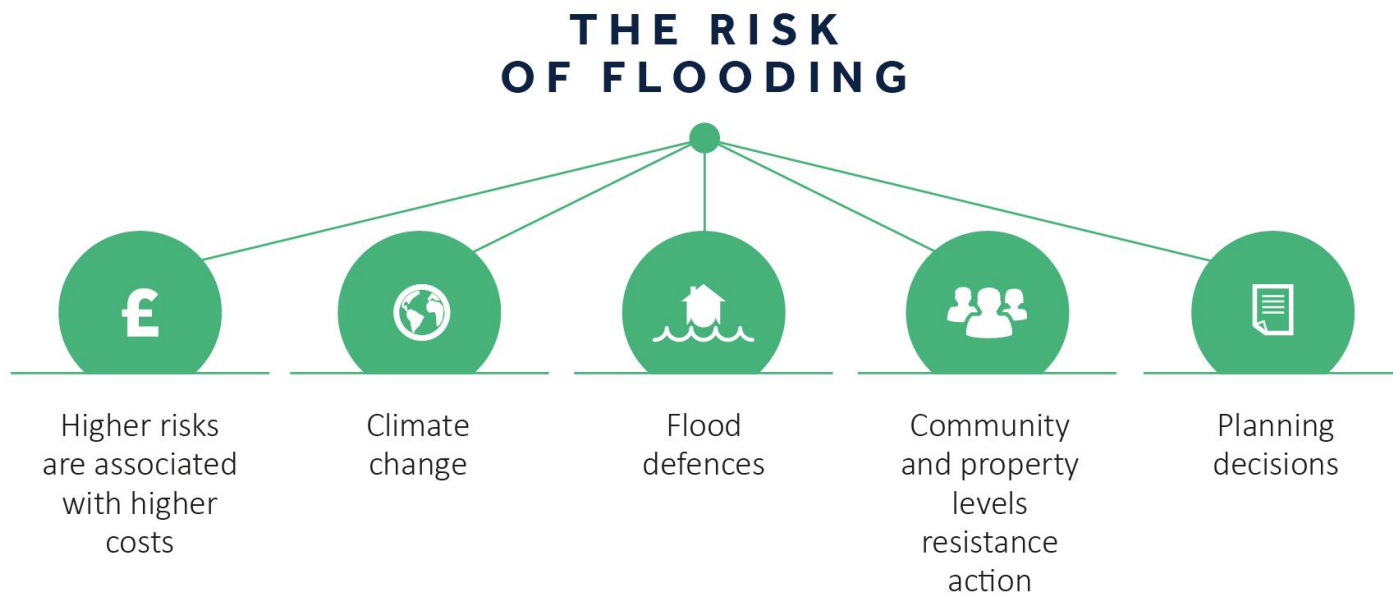
Flood Re was set up to correct a market failure in the home insurance market but this level of intervention should not be a long-term solution.

We have chosen to interpret the legislation as intending that a return to market pricing means affordability and availability remain in place.

By 2039 premiums and excesses for high flood risk properties should be priced to reflect the cost of flooding.



Reducing cost of household flood insurance

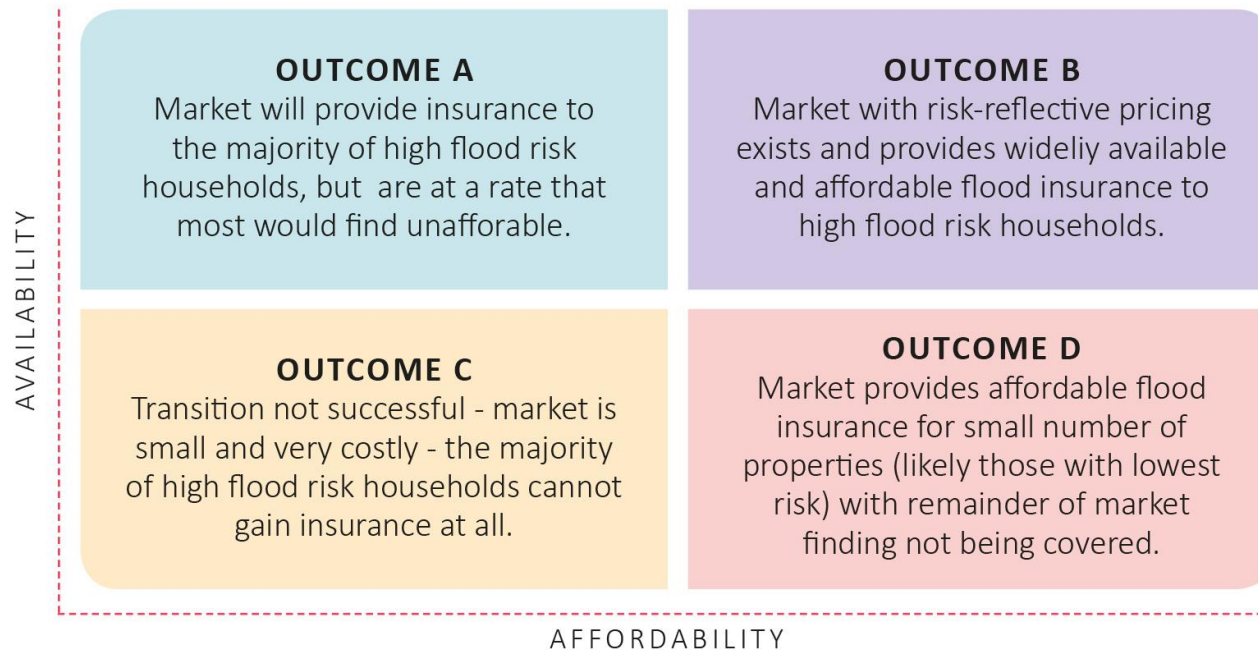


Reducing cost of household flood insurance

THE COSTS OF CLAIMS



Potential market outcomes from transition to risk-reflective pricing



Imperative is to reduce cost of flooding

Transition plan reviewed

