

Amendments to the Flood Re Scheme - Consultation

Response from Propertymark

April 2021

Background

1. Propertymark is the leading professional body for estate and letting agents, inventory providers, commercial agents, auctioneers and valuers, comprising nearly 17,500 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Questions

Discounted premiums for households with Property Flood Resilience (PFR)

Q1. How far do you agree or disagree that Flood Re should offer discounted premiums for householders who have installed Property Flood Resilience (PFR)?

2. We agree that Flood Re should offer discounted premiums for householders who have installed PFR.

Q2. To what extent do you think that Flood Re offering discounted premiums for householders who have installed PFR will help to incentivise uptake of PFR in high-risk households?

3. We do think that to some extent that Flood Re offering discounted premiums for householders who have installed PFR will help to incentivise uptake of PFR in high-risk households. Uptake of PFR is likely to be based on households ability to afford to install additional measures.

Q3. How far do you agree or disagree that Flood Re offering discounted premiums for householders who have installed PFR will incentivise insurers to offer discounted premiums?

4. We agree that Flood Re offering discounted premiums for householders who have installed PFR will likely incentivise insurers to offer discounted premiums.

Q4. Do you foresee any unintended consequences of offering discounted premiums to householders with policies ceded to Flood Re who have taken steps to install Property Flood Resilience?

5. We are concerned that by offering discounted premiums to householders with policies ceded to Flood Re who have taken steps to install Property Flood Resilience, this will continue to create a two-tier market for Flood Re insurance. In order that more people can benefit from Flood Re it is vital that the UK Government ensure that the scheme is extended, and insurance is provided at reasonable rates to private landlords, leaseholders and small businesses.

Q5. What is the best way that Flood Re could reduce insurance premiums for those with appropriate PFR measures installed?

6. We believe that the best way that Flood Re could reduce insurance premiums for those with appropriate PFR measures installed is to apply the same reduction to all qualifying policies.

Build Back Better

Q6. Do you agree or disagree that Flood Re should offer Build Back Better to policies ceded to the Scheme?

7. We agree that Flood Re should offer Build Back Better to policies ceded to the Scheme. This will help to reduce the level of risk for future floods.

Q7. What are the potential impacts of Flood Re offering Build Back Better?

8. There are two potential impacts of Flood Re offering Build Back Better. Firstly, the exclusion of leasehold properties is of concern. With no access to cover under Flood Re and the existing scheme extending measures to include Build Back Better this will provide protection for this important part of the housing market and ensure that the condition and standards of all properties are maintained and improved. Secondly, considering that Buy-to-Let property are not covered by Flood Re insurance subsidy and therefore insurance is expensive for thousands of landlords. If landlords in high flood risk areas cannot afford the premiums, this could lead to abandonment of property, a reduction in housing stock and added pressure on local housing markets.

Q8. If betterment were offered in line with the proposal above, how effective do you think it would be at encouraging householders to consider fitting PFR?

9. If betterment were offered, we do think it would be effective in encouraging householders to consider fitting PFR.

Q9. How far do you agree or disagree that insurers should be able to choose whether or not to offer Build Back Better as funded by Flood Re?

10. We agree that insurers should be able to choose whether or not to offer Build Back Better as funded by Flood Re.

Q10. Additionally, how far do you agree or disagree this proposal will encourage the insurance market to make Build Back Better a standard offer in policies ahead of 2039?

11. We agree that the proposal will encourage the insurance market to make Build Back Better a standard offer in policies ahead of 2039.

Levy I

Q11. How far do you agree or disagree that Levy I should be set on a three year basis, rather than five years?

12. We do not have enough relevant information to answer this question.

Q12. Are there any unintended consequences of changing the Levy I cycle from five years to three years?

13. We do not have enough relevant information to answer this question.

Q13. How far do you agree or disagree that three years is an appropriate setting period for the liability limit?

14. We do not have enough relevant information to answer this question.

Q14. What are the possible impacts of changing the period that the liability limit is set from five years to three years?

15. We do not have enough relevant information to answer this question.

Q15. How far do you agree or disagree that Flood Re should be able to spend their funds, over and above what they need to operate as a commercial reinsurer, on a wider range of activities that contribute towards increased uptake of PFR?

16. We do not have enough relevant information to answer this question.

Q16. What could be the impacts or consequences of Flood Re spending any surplus it accrues over a levy setting period (above and beyond what it requires to operate and meet its regulatory requirements) on further activities?

17. We do not have enough relevant information to answer this question.

Q17. What activities would Flood Re be best placed to put money towards to accelerate the transition towards a risk reflective insurance market in the UK in 2039?

18. Whilst we recognise the intention to encourage the uptake of PFR among households at high risk of flooding across the UK, when considering how to ensure housing and other property developments can become more resilient to flooding, PropertyMark has three main concerns about Flood Re. Firstly, it is not managing to cover all the properties the scheme was designed to include. Secondly, some high street businesses are unable to get cover. Thirdly, some landlords are unable to get a mortgage without the likelihood of cover. To this end, an estimated seven million homes remain excluded from the Flood Re insurance obligation,

including 1.1 million leasehold homes and three million homes in urban areas.¹ Propertymark has long held the view that Flood Re should be extended to the leasehold sector and the private rented sector. Flat owners, private rented sector landlords and renters are householders and should get the same guarantee as those who own houses.

Q18. How far do you agree or disagree that Flood Re should further reduce the cost of their cheapest premiums?

19. We do not have enough relevant information to answer this question.

Q19. What could the impact or consequence of Flood Re changing the cost of their cheapest premiums be?

20. We do not have enough relevant information to answer this question.

¹ <https://www.bpf.org.uk/>