



All Party Parliamentary Group on **Insurance & Financial Services**

News Bulletin

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Floods minister signals that insurance deal is nearly done

RICHARD BENYON, Parliamentary Under-Secretary for Natural Environment, Water and Rural Affairs, gave the clearest hint yet that a deal to ensure homes at the highest risk of flooding have access to insurance will be sorted out within the next couple of months when he spoke to the All Party Group last week.

The minister had been scheduled to speak to the group before the Easter recess but pulled out at the last-minute because he felt there would be little to say. Although he was still cautious and tight-lipped about the details last week, he said enough for the outline shape of the agreement that most people now expect to emerge from the protracted on-off discussions to be clear.

It will be based on the Flood Re model long promoted by the Association of British Insurers and most of its member firms. This is despite the enthusiastic promotion of some broker-led alternatives over the last few months. These no longer appear to be on the table at the Department for Environment, Food and Rural Affairs (DEFRA).

The issues that remain to be resolved are focussed on how much of the costs will be shouldered by each of three elements of the agreement – government, insurers and policyholders. The government does not want to risk any open-ended commitments, especially as most estimates of a repetition of the floods of summer 2007 suggest that claims would come in at £3bn. This leaves the gap to be



Benyon: hinted that a deal is close

closed by (re)insurers and a policy levy.

Insiders say that previously DEFRA was worried about being blamed for pushing up the cost of household insurance if the policy levy crept above £8 but Mr Benyon's frequent references to expecting the cost of insurance to rise suggest that DEFRA is now relaxed about the levy going over £10. With the known reluctance of the Treasury to pick up the tab, a levy of around £12 per policy now seems inevitable.

The timescale for sealing the deal is still tight despite the insurance industry extending the ten year old Statement of Principles for a month until the end of July, especially as the minister said he wanted to be able to make the final announcement to Parliament, which rises for the Summer recess on 18 July.

Equity release and protection on the agenda

EQUITY RELEASE and the role it could play in funding retirement and care in later life will be the next topic for the Group on Tuesday 11 June (4.30pm, Committee Room 20). There will be speakers from Just Retirement and Age UK.

That will be followed by a meeting on 2

July on attitudes towards financial protection. This will discuss the findings of four recent reports on the attitudes of different groups – ranging from policymakers to the public – with the help of presentations from specialist insurer Unum and Demos, the widely respected think-tank.

Solvency 2 timetable under the microscope

PETER SKINNER, the Labour MEP most closely involved in the debates on Solvency 2 in the European Parliament, offered a frank summary of the challenges to implementation when he spoke to the Group.

On the timetable, it was clear that many of the industry observers at the meeting just wanted certainty, even if that meant looking into the middle distance at 2017. One of their biggest fears was that a sudden rush to implementation might leave them operating under two regimes, increasing the already considerable costs of compliance. Mr Skinner was able to offer some reassurance on the dangers of two reporting regimes overlapping, promising that the European Parliament and the Commission were both aware of the need to avoid this.

He injected some political reality into the debate about the timetable, pointing out that both the Commission and the Parliament are due to run only until 2014 and will be keen to resolve this issue before their mandates run out, a hint that the Brussels log-jam could suddenly clear.

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