Draft Regulations laid before Parliament under section 84(6) of the Water Act 2014, for approval by resolution of each House of Parliament.

D R A F T S T A T U T O R Y I N S T R U M E N T S

2015 No.

INSURANCE

The Flood Reinsurance (Scheme Funding and Administration) Regulations 2015

Made - - - -	***
Coming into force - -	***

The Secretary of State makes the following Regulations, with the consent of the Treasury, in exercise of the powers conferred by sections 64(3) and (4), 66(1) to (4), 67(1) to (7) and (9), 69(4), 82(3), (5) and (7) and 84(3) and (4) of the Water Act 2014(**a**) ("the Act").

The Secretary of State has consulted the Commissioners for Her Majesty's Revenue and Customs in accordance with section 69(7) of the Act.

The Secretary of State has consulted such persons as the Secretary of State thinks appropriate in accordance with section 82(4) of the Act.

A draft of these Regulations has been laid before and approved by a resolution of each House of Parliament pursuant to section 84(6) of the Act.

PART 1

Introduction

Citation and commencement

1. These Regulations—

(a) may be cited as the Flood Reinsurance (Scheme Funding and Administration) Regulations 2015; and

(b) come into force on the day after the day on which they were made.

Interpretation

2. In these Regulations—

(**a**) 2014 c.21.

"the Act" means the Water Act 2014;

"buildings policy" means a contract of insurance covering the structure of household premises, which may include fixtures and fittings, swimming pools, permanently fixed hot tubs, tennis courts, patios, terraces, service tanks, drains, septic tanks, pipes and cables, central heating fuel storage tanks, driveways, footpaths, garden walls, hedges, gates and fences;

"combined policy" means a contract of insurance which comprises a buildings policy and a contents policy;

"contents", in relation to a dwelling, means household goods and personal possessions, which may include valuables (except fine art), clothes, sports equipment and bicycles, camping equipment, money, satellite dishes, aerials and other articles, which belong to persons who live in the dwelling or for which they are responsible, or which belong to guests in the dwelling (except paying guests);

"contents policy" means a contract of insurance covering the contents of household premises which consist of a dwelling;

"contribution" means a sum payable by way of capital contribution by a relevant insurer to the FR Scheme administrator pursuant to a contractual obligation under or by virtue of the FR Scheme;

"dwelling" means any building, or part of a building, or mobile home in the United Kingdom that is held for private, residential use as a single residential unit, and includes any garage, shed or other building which forms part of, and is enjoyed with, the residential unit;

"financial year" means a period of 12 months ending on the 31st March;

"the FR Scheme administrator" means the body designated by the Flood Reinsurance (Scheme and Scheme Administrator Designation) Regulations 2015(**a**);

"the FR Scheme" means the scheme described in the Scheme Document dated 16th March 2015 and designated as the Flood Reinsurance Scheme by the Flood Reinsurance (Scheme and Scheme Administrator Designation) Regulations 2015(**b**);

"home insurance" means a contract of insurance which—

(a) includes cover for any risk of damage to, or loss or destruction of, either or both—

(i) a dwelling;

(ii) the contents of a dwelling; and

(b) meets the criteria relating to "home insurance" set out in section 4.4 of the FR Scheme;

"mobile home" means a caravan within the meaning of Part 1 of the Caravan Sites and Control of Development Act 1960(**c**) (disregarding the effect of section 13(2) of the Caravan Sites Act 1968(**d**)) which is occupied by the occupier as their only or main residence;

"preceding calendar year", in relation to a financial year, means the year ending on 31st December immediately preceding the financial year.

(**a**) [insert SI number]

(**b**) The Scheme Document is annexed to the Explanatory Memorandum available alongside these Regulations and can be found at www.legislation.gov.uk. A copy can also be obtained from Flood Re Limited at their current registered office which is 51 Gresham Street, London, EC2V 7HQ.

(**c**) 1960 c.62. This Act was amended by the Mobile Homes Act 2013 (c.14) but those amendments are not relevant for the purposes of these Regulations.

(**d**) 1968 c.52. Section 13(2) was amended by S.I. 2006/2374 and S.I. 2007/3163.

PART 2

Definitions for the purposes of the Act

Definition of "relevant insurer"

3.—(1) For the purposes of Part 4 of the Act, an insurer(**a**) is a relevant insurer in a financial year if the insurer—

(a) (i) effected any home insurance in the period of 12 months immediately preceding the first day of the financial year, and

(ii) has permission under the Financial Services and Markets Act 2000(**b**) which allows the insurer to effect and carry out home insurance on the first day of the financial year; or

(b) is a member of the Society (within the meaning of the Lloyd's Act 1982(**c**)) and, as such a member—

(i) effected any home insurance during the period of 12 months immediately preceding the first day of the financial year; and

(ii) on the first day of the financial year, intends to effect further home insurance during the financial year.

(2) For the purposes of paragraph (1)(b), an insurer who falls within paragraph (1)(b)(i) shall be taken to fall within paragraph (1)(b)(ii), unless the contrary is shown by the insurer to the reasonable satisfaction of the FR Scheme administrator.

Definition of "flood"

4.—(1) For the purposes of sections 64 to 69 of the Act, "flood" means water, from any source external to a building, which enters a building—

(a) (i) at or below ground level; or

(ii) above ground level, provided that part of the body of such water is at ground level; and

(b) does so with a volume, weight or force which is substantial and abnormal.

(2) For the purposes of paragraph (1), the following do not constitute a flood—

(a) the gradual seepage or percolation of water into a building (such as rising damp);

(b) water escaping from a water main, drain, sewer, pipe or other thing inside a building, unless such escape was solely the consequence of a flood falling within paragraph (1).

Definition of "household premises"

5. For the purposes of sections 64 to 69 of the Act, "household premises" means—

(a) a dwelling which meets the criteria relating to "household premises" set out in sections 4.7 to 4.9 of the FR Scheme; or

(b) a building in the United Kingdom which:

(i) is held for private residential use and comprises two or three residential units, and includes any garage, shed or other building which forms part of, and is enjoyed with, the building; and

(ii) meets the criteria relating to "household premises" set out in sections 4.7 to 4.9 of the FR Scheme.

(**a**) For the definition of insurer, see section 82(1) of the Act.
(**b**) 2000 c.8.
(**c**) 1982 c.xiv.

PART 3

FR Scheme Funding

Gross written premium

6.—(1) For the purposes of this Part, a relevant insurer's "gross written premium" means the aggregate sterling amount paid or payable by, or on behalf of, holders of home insurance for the relevant risk element of home insurance, before the deduction of any amount (including commission), but after the deduction of insurance premium tax(**a**).

(2) A relevant insurer's gross written premium must be increased by the amount of any gross written premium paid or payable for the relevant preceding calendar year for transferred home insurance.

(3) For the purposes of paragraph (2), "transferred home insurance" means the rights and liabilities arising out of, or in connection with, home insurance, where the home insurance—

(a) formed the whole, or part, of an insurance business carried on by a person ("A"),

(b) the insurance business, or that part, has been transferred to, or has otherwise vested in, the relevant insurer in the preceding calendar year, and

(c) A is not a relevant insurer on the date on which the levy is due under regulation 9.

(4) When calculating a relevant insurer's gross written premium under paragraphs (1) and (2), home insurance shall be taken to cover only the relevant risk element unless the contrary is shown by the relevant insurer to the reasonable satisfaction of the FR Scheme administrator.

(5) For the purposes of this regulation, "the relevant risk element", in relation to home insurance, is any risk of damage to, or loss or destruction of, either or both of the following—

(a) a dwelling;

(b) the contents of a dwelling.

Provision of information by relevant insurers

7. Within 30 days of receipt of a written request, a relevant insurer must provide to the FR Scheme administrator such information as the FR Scheme administrator may request relating to the gross written premium for that relevant insurer for the preceding calendar year.

Calculation of the levy

8.—(1) A relevant insurer must pay to the FR Scheme administrator a levy for each financial year from (and including) the financial year commencing 1st April 2016, calculated in accordance with the following formula—

$$TL \times \frac{X}{Y}.$$

(2) For the purposes of the formula in paragraph (1)—

(a) "TL" means the total levy of £180 million;

(b) "X" means the relevant insurer's gross written premium for the preceding calendar year unless paragraph (3) applies, in which case, "X" is determined in accordance with that paragraph; and

(c) "Y" means the sum of all relevant insurers' "X" for the preceding calendar year.

(**a**) Insurance premium tax is charged on receipt of an insurance premium by a relevant insurer under a taxable insurance contract on or after 1st October 1994. Insurance premium tax was established by sections 48 to 74 of, and Schedules 6A, 7 and 7A to, the Finance Act 1994 (c.9).

(3) If a relevant insurer fails to provide the information requested under regulation 7 within the period required by that regulation, "X" is the amount considered by the FR Scheme administrator to be a reasonable estimate of the gross written premium of the relevant insurer for the preceding calendar year, on the basis of information reasonably available.

(4) The FR Scheme administrator must calculate the levy payable under paragraph (1) by a relevant insurer on the basis of the information reasonably available at the time a request for an instalment is made under regulation 9(1) or (2).

Payment of the levy by instalments and adjustments to instalments

9.—(1) For each financial year, the levy under regulation 8 is due on 1st April and is payable by each relevant insurer by such instalments and at such times as the FR Scheme administrator thinks fit and no later than 30 days following a request in writing by the FR Scheme administrator.

(2) The FR Scheme administrator must make such adjustments to subsequent instalments requested as may be necessary in the light of any further information which becomes available.

(3) No adjustments to instalments may be made more than 2 years after the date on which the levy becomes due under paragraphs (1) or (2).

Payment of additional levy or contributions

10.—(1) A relevant insurer must pay by levy any additional amount requested in writing from time to time by the FR Scheme administrator in accordance with the FR Scheme and regulation 11.

(2) The obligation in paragraph (1) does not apply if the relevant insurer has received a request from the FR Scheme administrator to pay the additional amount by way of contribution, and such contribution has been paid by the relevant insurer in accordance with the requirements of the FR Scheme administrator.

Requirements for request of additional levy or contributions

11.—(1) When making a request for payment of the levy under regulation 10(1), or when making a request for the contribution referred to in regulation 10(2), the FR Scheme administrator must ensure that—

(a) the total additional amount requested from all relevant insurers at any one time is no more than the amount that the FR Scheme administrator considers—

(i) necessary to comply with any obligation which the FR Scheme administrator is subject to under or by virtue of the Financial Services and Markets Act 2000, or any obligation arising from directly applicable EU legislation; or

(ii) appropriate for the prudent management of the FR Scheme;

(b) the amount requested from a relevant insurer shall be calculated in accordance with the following formula—

$$TAA \times \frac{X}{Y}.$$

(2) For the purposes of the formula in paragraph (1)—

"TAA" means the total additional amount requested by way of levy under regulation 10(1) or contribution referred to in regulation 10(2) at any one time; and

"X" and "Y" have the same meaning as in regulation 8.

(3) Within 30 days of each request, the FR Scheme administrator must notify the Secretary of State of the amount requested and the reasons for the request.

Adjustments to payments of additional amounts

12.—(1) The FR Scheme administrator must—

(a) calculate the levy payable under regulation 10(1) or the contribution referred to in regulation 10(2) on the basis of the information reasonably available at the time the request is made;

(b) make such adjustments to the amounts requested (whether by way of a balancing refund or a request in writing for a balancing payment) as may be necessary in the light of any further information which becomes available.

(2) No adjustments to the amounts requested may be made more than 2 years after the date on which the request for the levy or contribution was made.

Application of levy or contributions collected

13.—(1) The FR Scheme administrator must only use the levy collected under regulation 8 or 10(1), or any contribution referred to in regulation 10(2), for—

(a) the purposes of the FR Scheme, including any purposes incidental to the FR Scheme;

(b) the administration of the FR Scheme.

(2) These Regulations do not prevent or require the repayment by the FR Scheme administrator of contributions.

Recovery of amounts due as a civil debt

14. The FR Scheme administrator may recover as a civil debt any levy payable under regulation 8 or 10(1) that remains unpaid 30 days after the date of the request in writing referred to in regulation 9(1) or (2), 10(1) or 12(1)(b).

PART 4

Reinsurance Premium Thresholds

FR Scheme reinsurance premium thresholds: England and Scotland

15.—(1) This regulation applies where—

(a) the FR Scheme administrator charges a relevant insurer for reinsurance premiums in respect of household premises in England or Scotland, and

(b) those premiums are in respect of the flood risk element of a combined policy, a buildings policy or a contents policy.

(2) During the financial year commencing on 1st April 2016, the amount charged by the FR Scheme administrator must not exceed the amount set out in Table 1 in the Schedule corresponding to the relevant valuation band for the household premises and the relevant type of policy.

(3) During the financial year commencing on 1st April 2017, and during each subsequent financial year, the amount charged by the FR Scheme administrator must not exceed the amount set out in Table 1 in the Schedule, as substituted in accordance with regulation 19, corresponding to the relevant valuation band for the household premises and the relevant type of policy.

(4) For the purposes of paragraphs (2) and (3)—

(a) the relevant valuation band for household premises in England shall be the same as set out in section 5(2) of the Local Government Finance Act 1992(**a**);

(**a**) 1992 c.14.

(b) the relevant valuation band for household premises in Scotland shall be the same as set out in section 74(2) of the Local Government Finance Act 1992.

FR Scheme reinsurance premium thresholds: Wales

16.—(1) This regulation applies where—

(a) the FR Scheme administrator charges a relevant insurer for reinsurance premiums in respect of household premises in Wales, and

(b) those premiums are in respect of the flood risk element of a combined policy, a buildings policy or a contents policy.

(2) During the financial year commencing on 1st April 2016, the amount charged by the FR Scheme administrator must not exceed the amount set out in Table 2 in the Schedule corresponding to the relevant valuation band for the household premises and the relevant type of policy.

(3) During the financial year commencing on 1st April 2017, and during each subsequent financial year, the amount charged by the FR Scheme administrator must not exceed the amount set out in Table 2 in the Schedule, as substituted in accordance with regulation 19, corresponding to the relevant valuation band for the household premises and the relevant type of policy.

(4) For the purposes of paragraphs (2) and (3), the relevant valuation band for household premises in Wales shall be the same as set out in section 5(3) of the Local Government Finance Act 1992(**a**).

FR Scheme reinsurance premium thresholds: Northern Ireland

17.—(1) This regulation applies where—

(a) the FR Scheme administrator charges a relevant insurer for reinsurance premiums in respect of household premises in Northern Ireland, and

(b) those premiums are in respect of the flood risk element of a combined policy, a buildings policy or a contents policy.

(2) During the financial year commencing on 1st April 2016, the amount charged by the FR Scheme administrator must not exceed the amount set out in Table 3 in the Schedule corresponding with the relevant Flood Re category for the household premises and the relevant type of policy.

(3) During the financial year commencing on 1st April 2017, and during each subsequent financial year, the amount charged by the FR Scheme administrator must not exceed the amount set out in Table 3 in the Schedule, as substituted in accordance with regulation 19, corresponding to the relevant Flood Re category for the household premises and the relevant type of policy.

(4) For the purposes of paragraphs (2) and (3), the Flood Re categories are set out in the table below—

Values of Properties at 1st January 2005	*Flood Re category*
Values not exceeding £72,500	1
Values exceeding £72,500 but not exceeding £92,500	2
Values exceeding £92,500 but not exceeding £125,000	3
Values exceeding £125,000 but not exceeding £160,000	4
Values exceeding £160,000 but not exceeding £205,000	5
Values exceeding £205,000 but not exceeding £260,000	6
Values exceeding £260,000 but not exceeding £450,000	7
Values exceeding £450,000	8

(**a**) Section 5(3) of the Local Government Finance Act 1992 was amended by S.I. 2003/3046.

Relevant valuation band or Flood Re category for household premises

18. For the purposes of regulations 15(4), 16(4) and 17(4) the relevant valuation band or Flood Re category for relevant household premises is—

(a) in a case within paragraph (a) of the definition of "household premises", the valuation band or Flood Re category applicable to the dwelling; and

(b) in a case within paragraph (b) of that definition, the valuation band or Flood Re category applicable to the residential unit occupied by the holder of the combined policy, buildings policy or contents policy for the household premises.

Calculation of reinsurance premium thresholds

19.—(1) For the financial year commencing on 1st April 2017, and each subsequent financial year, each amount set out in Tables 1, 2 and 3 in the Schedule is to be substituted with an amount calculated in accordance with the following formula—

$$A + (A \times CP)$$

with the resulting figure being stated to two decimal places and rounded to the nearest penny, and the substituted figure applies as if set out in the relevant Table.

(2) In paragraph (1)—

(a) for the financial year commencing on 1st April 2017 and each subsequent financial year, "A" is the amount set out in the relevant Table for the preceding financial year; and

(b) "CP" is the percentage increase or decrease in the consumer prices index for the preceding calendar year.

(3) In paragraph (2), "consumer prices index" means the all items consumer prices index published by the UK Statistics Authority or, if that index is not published for a relevant month, any substituted index or index figures published by the UK Statistics Authority.

PART 5

FR Scheme Administration

Exercise of the FR Scheme administrator's functions

20. The FR Scheme administrator must have regard to the following in discharging its functions—

(a) the need to ensure economy, efficiency and effectiveness in the discharge of those functions;

(b) the need to act in the public interest; and

(c) the need to ensure propriety and regularity in the operation of the FR Scheme.

Restrictions on the exercise of the FR Scheme administrator's functions

21.—(1) When discharging its functions, the FR Scheme administrator must comply with the following conditions—

(a) there is a limit on the borrowed amount of £25 million;

(b) the FR Scheme administrator must only use, or transfer, any assets relating to the FR Scheme for—

(i) the purposes of the FR Scheme, including any purposes incidental to the FR Scheme;

(ii) the administration of the FR Scheme.

(2) For the purposes of paragraph (1)(a), "borrowed amount" means the total amount outstanding at the end of a financial year in respect of any sums borrowed by the FR Scheme

administrator, and includes any bank loans or overdraft, or other temporary borrowing (including amounts which the FR Scheme administrator owes to suppliers in respect of products or services acquired), but does not include contributions, or any amounts owed by the FR Scheme administrator in respect of any contract of reinsurance.

Transition to risk reflective pricing of flood insurance

22.—(1) The FR Scheme administrator must have regard to the need to manage, over the period of operation of the FR Scheme, the transition to risk-reflective pricing of flood insurance for household premises.

(2) The FR Scheme administrator must produce and publish a plan relating to the management of the transition referred to in paragraph (1) (to be known as the transition plan) within 3 months of these Regulations coming into force.

(3) The transition plan may contain the following—

(a) the steps which may be taken to manage the transition referred to in paragraph (1) over the period of operation of the FR Scheme;

(b) general information about the estimated impact of those steps on the amount of the levy payable under regulation 8 and the level of the reinsurance premium thresholds under regulations 15, 16 and 17 over the period of operation of the FR Scheme;

(c) such other information relating to the transition plan as the FR Scheme administrator considers it useful to publish.

(4) The FR Scheme administrator must update and publish the transition plan at least every 5 years.

(5) The FR Scheme administrator must publish the transition plan and any subsequent updated transition plan by placing it on its website.

The Responsible Officer

23.—(1) The FR Scheme administrator must designate the person who acts as its Chief Executive Officer as the responsible officer of the FR Scheme.

(2) The responsible officer has the following responsibilities in relation to the FR Scheme—

(a) accountability to Parliament for the stewardship of the FR Scheme, including management of its finances;

(b) accountability to Parliament for the economy, efficiency and effectiveness with which the FR Scheme administrator uses resources in discharging its functions under the FR Scheme;

(c) accountability to Parliament for propriety and regularity in the operation of the FR Scheme;

(d) accountability to Parliament in respect of any reports laid under regulation 24;

(e) the laying of a copy of the audited accounts of the FR Scheme and the annual report of its auditor before the House of Commons, no later than 3 months after the end of the financial year to which those accounts and annual report apply.

Powers of the Comptroller and Auditor General

24.—(1) The Comptroller and Auditor General may carry out examinations into—

(a) the economy, efficiency and effectiveness with which the FR Scheme administrator has used resources in discharging its functions; and

(b) propriety and regularity in the operation of the FR Scheme.

(2) For the purposes of carrying out an examination under paragraph (1), the Comptroller and Auditor General has a right of access, at all reasonable times, to all such documents relating to the FR Scheme as the Comptroller and Auditor General may reasonably require.

(3) The Comptroller and Auditor General may require from any person who holds, or has control of, any such document such information and explanation as are reasonably necessary in relation to any of those documents.

(4) The Comptroller and Auditor General may lay any reports on examinations carried out under paragraph (1) before the House of Commons.

Provision of information by the FR Scheme administrator

25. If, and in so far as, the FR Scheme has an effect on public accounts, the FR Scheme administrator must provide to the Secretary of State any information in relation to the FR Scheme which the Secretary of State reasonably requires for the purposes of government accounting.

Provision of information to relevant insurers

26. By 1st April of each year, the FR Scheme administrator must provide the following information to relevant insurers who have effected a buildings policy, contents policy or combined policy reinsured under the FR Scheme in the immediately preceding financial year, for the purposes of enabling those insurers to supply that information to holders of those policies—

(a) information about how to find out about the levels of flood risk to which an area in which household premises are situated is subject and general information about how to find out about how any flood risk may be managed;

(b) general information about the FR Scheme; and

(c) general information about the estimated impact of the transition referred to in regulation 22(1) on the cost of those insurance policies.

Review and report on the FR Scheme

27.—(1) During each review period, the FR Scheme administrator must produce at least one report which—

(a) reviews the FR Scheme;

(b) sets out, for the following review period, an assessment of possible combinations of the total levy under regulation 8 and the reinsurance premium thresholds under regulations 15, 16 and 17, having regard to the need to manage the transition referred to in regulation 22(1) and all other relevant considerations, together with the actuarial evidence which underpins this assessment; and

(c) makes any necessary recommendations.

(2) The FR Scheme administrator may produce a report under paragraph (1) at any time, and must do so—

(a) at least 12 months before the end of the review period; or

(b) on request by the Secretary of State.

(3) The FR Scheme administrator must send a copy of each report to the Secretary of State.

(4) On receipt of a report, the Secretary of State must consider any recommendations made in the report.

(5) The FR Scheme administrator must provide any information requested by the Secretary of State to enable the Secretary of State to carry out an actuarial review of any recommendations in the report.

(6) In this regulation, "review period" means the period of 5 years ending 31st March 2021 and each successive period of 5 years.

Report on the total amount of contributions requested

28.—(1) If the total net additional amount by way of contribution requested by the FR Scheme administrator exceeds £100 million at any time, the FR Scheme administrator must produce a report to the Secretary of State which—

(a) evaluates the circumstances and reasons that led to each request for additional amounts; and

(b) makes recommendations, including any suggested changes to the level of the total levy under regulation 8 or the reinsurance premium thresholds under regulations 15, 16 and 17.

(2) The Secretary of State must consider the recommendations in the report.

(3) Paragraph (1) does not apply where the total net additional amount by way of contribution requested by the FR Scheme administrator exceeds £100 million only in order to achieve initial capitalisation by 30th September 2016.

PART 6

Amendment of the Act

29. In section 69 of the Act (disclosure of HMRC council tax information), in subsection (3)(d), for "Land and Property" substitute "Address".

We consent

Name
Name
Date — Two of the Lords Commissioners of Her Majesty's Treasury

Name
Address — Parliamentary Under Secretary of State
Date — Department for Environment, Food and Rural Affairs

SCHEDULE

Regulations 15, 16 and 17

Reinsurance Premium Thresholds

Table 1

Household premises in England and Scotland

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

Table 2

Household premises in Wales

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

Table 3

Household premises in Northern Ireland

Flood Re category	*Combined policy*	*Buildings policy*	*Contents policy*
1	£210	£132	£78
2	£210	£132	£78
3	£246	£148	£98
4	£276	£168	£108
5	£330	£199	£131
6	£408	£260	£148
7	£540	£334	£206
8	£1200	£800	£400

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Water Act 2014 ("the Act") contains new arrangements designed to promote the availability and affordability of home insurance in areas of high flood risk.

These Regulations set out the funding arrangements for the Flood Reinsurance Scheme ("the FR Scheme") and the administrative requirements for the running of the FR Scheme by the Flood Reinsurance Scheme administrator ("the FR Scheme administrator"). The FR Scheme and the FR Scheme administrator are designated by the Secretary of State in the Flood Reinsurance (Scheme and Scheme Administration Designation) Regulations 2015.

Part 2 of these Regulations define the terms 'relevant insurer', 'flood' and 'household premises' for the purposes of the Act.

Part 3 of these Regulations deal with the funding of the FR Scheme. Regulation 6 defines a relevant insurer's 'gross written premium' for the purposes of that Part. Regulation 6 also sets out the circumstances where the transfer of home insurance to a relevant insurer during the previous calendar year should be included in the calculation of that relevant insurer's gross written premium.

Regulation 7 requires relevant insurers to provide information on their gross written premium for the previous calendar year to the FR Scheme administrator.

Regulation 8 places a requirement on relevant insurers to pay a levy to the FR Scheme administrator and sets out how the levy will be calculated. The levy payable by each relevant insurer is to be calculated as a proportion of the total levy using information on the relevant insurer's gross written premium for the previous calendar year. Where a relevant insurer fails to provide the information under regulation 7, regulation 8 also provides that the gross written premium will be estimated by the FR Scheme administrator on the basis of information reasonably available.

Regulation 9 stipulates that the levy will be due on the 1st April of each financial year, and that the levy will be payable by each relevant insurer in instalments in accordance with arrangements set by the FR Scheme administrator. Regulation 9 requires the FR Scheme administrator to make adjustments to instalments of the levy payments requested, should further information be received which means that an adjustment is necessary. Regulation 9 also sets a two year time limit within which any adjustments must be made.

Regulation 10 requires relevant insurers to pay an additional levy if requested in writing by the FR Scheme administrator where certain requirements are met. The requirement to pay the additional levy does not apply if the relevant insurer has already received a request from the FR Scheme administrator to pay the additional amount by way of contribution, and that relevant insurer has fulfilled that payment request.

Regulation 11 sets out requirements the FR Scheme administrator must meet when making a request for an additional levy or contribution. The additional amount payable by each relevant insurer is to be calculated using the formula set out in regulation 11. The additional amount to be requested from each relevant insurer is a proportion of the total additional amount, and is to be calculated using information on the relevant insurer's gross written premium for the previous calendar year.

Regulation 12 sets out that the FR Scheme administrator must calculate the additional amounts requested from each individual insurer on the basis of information reasonably available when the request is made. Should further information come to light after that initial calculation, which means that an adjustment between relevant insurers is necessary, the FR Scheme administrator must make such adjustments in the form of balancing refunds to or balancing payments from each individual relevant insurer (but not amend the total additional amount requested). Regulation 12 also sets a two year time limit within which any adjustments must be made.

Regulation 13 sets out the purposes for which the levy collected under regulation 8 or any additional amounts collected under regulation 10 may be used and confirms that these Regulations do not prevent or require the repayment of contributions.

Regulation 14 provides for unpaid levy to be collected as a civil debt.

Part 4 of these Regulations deal with the levels of reinsurance premiums to be charged by the FR Scheme administrator. Regulations 15 to 18, with the tables in the Schedule, set out the maximum (the thresholds) the FR Scheme administrator may charge relevant insurers for reinsurance premium in respect of the flood risk element of an insurance policy. Regulation 19 provides for those thresholds to be adjusted each year in line with the change in value of the all items consumer prices index.

Part 5 of these Regulations make provision for the administration of the FR Scheme. Regulation 20 requires the FR Scheme administrator to take into account specified matters when discharging its functions. Regulation 21 sets out restrictions on the FR Scheme administrator when it is discharging its functions.

Section 64(2)(b) of the Act sets out that one of the purposes of the FR Scheme is to manage, over the period of operation of the Scheme, the transition to risk reflective pricing of flood insurance for household premises. Regulation 22 requires the FR Scheme administrator to have regard to the need to manage the transition to risk reflective pricing. Regulation 22 also places a requirement on the FR Scheme administrator to produce and publish a transition plan.

Regulation 23 requires the FR Scheme administrator to appoint the person acting as its Chief Executive Officer as its responsible officer and sets out the duties of the responsible officer in relation to the FR Scheme.

Regulation 24 provides powers for the Comptroller and Auditor General to carry out examinations into the economy, efficiency and effectiveness with which the FR Scheme administrator has used its resources. There is also power to carry out examinations into the propriety and regularity with which the FR Scheme is operated. Regulation 24 also provides powers of access to necessary documentation for the examinations, as well as requiring those with custody of such documentation to cooperate with requests for necessary information and explanation.

Regulation 25 requires the FR Scheme administrator to provide any information which the Secretary of State may reasonably require for the purposes of government accounting. This requirement will apply should the FR Scheme impact on government accounts.

Regulation 26 places requirements on the FR Scheme administrator to provide information on specified matters to relevant insurers, so that they may then supply that information to holders of insurance policies which are reinsured under the FR Scheme.

Regulation 27 sets out arrangements for the review of the FR Scheme by the FR Scheme administrator and the production of a report by the FR Scheme administrator which must be provided to the Secretary of State for consideration.

Regulation 28 places a requirement on the FR Scheme administrator to produce a report should the total amount of funds which are called by the FR Scheme administrator from relevant insurers by way of contribution exceed £100 million at any time.

Regulation 29 amends section 69(3)(d) of the Act, so that the primary legislation refers to the new "National Address Gazetteer" which has replaced the "National Land and Property Gazetteer" as the name of the publication which now produces the unique property reference number.

As a tax measure, an Impact Assessment (IA) is not required alongside these Regulations. An IA was prepared to inform consultees during the consultation processes. The relevant sections of the IA are attached as an Annex to the Explanatory Memorandum, alongside a note setting out updated costs, assumptions and implications. A copy of the IA can also be obtained from The Flood Insurance Team, Nobel House, 17 Smith Square, London, SW1P 3JR.

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