



19/12/14

Dear Minister,

We read your final consultation report on Flood Reinsurance Scheme Regulations with disappointment - particularly the decision to exclude the vast bulk of leasehold properties.

As you know, we expressed concern throughout the process that DEFRA and the ABI did not have accurate information on key issues. DEFRA eventually confirmed the data used in your market analysis omitted any information specific to the leasehold sector.

At para 96 you create the term "large-scale leaseholders". This term is unique to these proposals as meaning any development of more than three dwellings. This is an arbitrary and oddly misleading definition. Again we do not believe you have any information to know what proportion of leasehold sites are "large" or "small".

At para 105 you state: "There remains insufficient evidence of a systematic problem with leasehold buildings covering more than three residential units. Therefore there have been no changes to the policy on the leasehold sector; except that some leasehold flats are no longer expected to contribute towards scheme funding (these particular flats remain eligible for Flood Re). More information on this change has been set out under Question 7 above."

Again we do not understand the logic of your position. If there is no evidence of "systemic problems" the risk of adding leasehold properties should be minimal so why exclude?

We welcome the fact that at para 105 you have decided to exclude leasehold properties from the levy on domestic policies if they are not "small". However, since the leasehold sector is much larger sector than previously estimated this means a much smaller proportion will be leaseholder controlled which has relevance to the concern at para 96 of the report. The increased size of the leasehold sector, as detailed below, will also impact your estimates on the levy that will be collected from the scheme.

At para 94 the report states there were 80 responses to the consultation. This figure is arrived at by reclassifying all 134 responses on leasehold matters as a "campaign" which you then re-categorise a just one response. By contrast the numerous insurance company submissions are all deemed separate and not part of any "campaign".

From looking at earlier reports it appears DEFRA has gone through the process without a clear understanding of the size of the leasehold sector. We assume you used the old estimate of 2.5 million homes not the new 4.1 million figure published by DCLG a few month ago.

In light of the uncertainties we would ask if DEFRA will agree to review of the leasehold issue one year after the policy comes into force?

LKP/CARLEX