

A guide for effective management of Delegated Authorities

Insurers who cede policies to the Flood Re scheme are obliged to cede eligible policies only. For business models where the quotation and binding of policies is completed by a Delegated Authority, accountability for eligibility of the policy remains with the insurer.

Consequently, it is important that the insurer can evidence robust controls over Delegated Authorities in relation to scheme business. Ineffective controls could allow Delegated Authorities to underwrite ineligible properties which are subsequently ceded to the scheme via the insurer.

This document serves to provide guidance and some best practice to insurers managing Flood Re within Delegated Authority arrangements.

1. Delegating establishing Flood Re eligibility to Delegated Authority Firms

a. Issuing Underwriting Authority

Prior to issuing a Delegated Authority involving Flood Re, insurers should check and evidence that the processes and practices within the Delegated Authority firm are designed to comply with the insurer's obligations to the scheme.

b. Delegated Underwriting Authority Guides

The relevant sections of the Flood Re Treaty and Underwriting Guide dealing with scheme eligibility should be replicated in the underwriting guide(s) issued by the insurer to the Delegated Authority firm. This will ensure that eligibility requirements of the scheme are clear to firms at the point of quoting and binding.

2. Bordereau Submission

Where Delegated Authority firms prepare bordereaux, or at least provide all of the relevant data to the insurer, for ceding to Flood Re via the Underwriting Bordereau, Flood Re expects that proportionate eligibility checks are made during the bordereau management process.

Insurers remain liable for all policies ceded into the scheme.

3. Auditing & Oversight Process

Auditing related to Flood Re should be embedded within insurers' standard oversight and audit processes for Delegated Authorities.

It is expected that the detection of risks and issues relating to Flood Re business will be documented and resolved in line with the insurer's standard audit process for Delegated Authorities.

Below are some recommended measures and audit activities to evidence effective control over Delegated Authorities relating to Flood Re:

a. Site audits

Insurers should assess the Delegated Authority firm's ability to comply with the rules of the Flood Re scheme, irrespective of whether that firm is accredited by Flood Re.

The insurer remains accountable for ceded properties and should check that the Delegated Authority's processes are sufficient to ensure eligibility in all respects.

Insurers should seek to identify any processes or practices that could contravene the spirit or intention of the scheme.

Data relating to Flood Re must only be given to firms that have the appropriate accreditation from Flood Re (The Flood Re Service Desk is available to confirm this to insurers) including those which have signed legal agreements such as the End User Terms ("DS1").

Flood Re should be alerted to any breaches or risks identified which could affect policies that have been or could be ceded into the scheme, so that remediation can take place.

b. File audits

Insurers should conduct file audits for Delegated Authority businesses with an appropriate level and depth of checking relating to policies ceded to Flood Re.

Checks should evidence compliance with all elements of eligibility for each case audited.

Flood Re should be alerted to any breaches or risks identified which could affect policies that have been or could be ceded into the scheme, so that remediation can take place.

4. Claims Delegation

Insurers remain accountable for all outsourced claims processes relating to Flood Re business and where any Delegated Authority exists for claims handling.

Insurers should remain satisfied that the processes relating to reconfirming eligibility satisfy the requirements of Flood Re, particularly concerning eligibility of leasehold properties.

Insurers should also be satisfied that the outsourced party or Delegated Authority firm fulfils the requirements of the Flood Re Claims Bordereau.

Claims audits should include verification that the risk of gold-plating for Flood Re ceded flood claims has been mitigated and that all other treatment relating to the consumer is consistent with that of those policies which are not reinsured with Flood Re.

5. Flood Re's Insurer Audit Process

As part of Flood Re's Insurer Audit Process, the control and oversight of Delegated Authorities will be assessed. Insurers will be required to evidence the controls mentioned above.

6. Termination of Delegated Authorities

When insurers terminate Delegated Authorities relation to the Flood Re scheme, they should ensure that Delegated Authorities no longer retain access to the Property Data Hub provided under the End User Terms (“DS1”).

This guidance is not exhaustive and should be read in conjunction with the obligations of all formal agreements with Flood Re.