MFAG   Morpeth Town Council MTC   Morpeth & District Chamber of Trade Bridging Business and Community MDCT

The Morpeth Model May 2013

The Morpeth Model for flood insurance – cost effective – sustainable – fair on households and small businesses – and funded entirely from within the insurance industry

Why the Morpeth Model?

- As the climate changes there is an increased risk of flooding
- There is an urgent need for a workable model for flood insurance because the statement of principles between the insurance industry and the government expires in July 2013
- The Morpeth Model significantly reduces the possibility of property blight, and the consequential community blight, because it brings flood insurance within the range of every household and every small business
- The Morpeth Model enshrines the principle that affordable flood insurance should be available to all households and small businesses –including those at high risk - and should be built round subsidy from within the industry
- Under the Morpeth Model a pool is generated into which a levy on all household insurance policies is paid - the Community Flood Levy – based on property value
- The pool helps cover claims for flood damage to properties and small businesses
- The pool is managed and administered by the insurance industry
- The insurance industry is responsible for ensuring that the pool remains solvent and therefore determines the amount paid by policy holders under the Community Flood Levy, adjusting that amount in response to unfolding events
- Government lays down the framework for the operation of the model and oversees the process from a distance
- If major flood events occur in consecutive years in the early years of establishing the model there would be the need for a loan, from either the government or the insurance industry, to cover any shortfall in resources. Any such loan would be repaid from the pool as the amounts ceded to it were adjusted to match the costs of flooding events year on year
- A risk based, market orientated solution to the cost of insurance arising out of flooding will inevitably result in high insurance premiums, which place some householders and business owners outside the market – because they cannot afford to insure against flooding
- The Morpeth Model is equitable, practical and deliverable.

Benefits for homeowners

- The Morpeth Model opens up consumer choice for those living in flood zones
- Buildings and contents cover will be widely available and affordable
- The model provides incentive for sharing the risk by installation of flood resistance and resilience measures offering reduced premiums
- It ensures mortgage provision and protects property values in areas at high risk of flooding

Benefits for insurers

- By reducing their exposure to flood events the Morpeth Model allows all insurers to enter the market for flood insurance
- The Morpeth Model is administered by the insurance industry and requires minimum intervention on the part of government
- The Morpeth Model reduces insurers' capital requirements under Solvency II
- The model is sustainable and can be managed and administered in ways which are both straightforward and cost effective

Benefits for government

- As it is led by the industry, the Morpeth Model requires minimal intervention on the part of government
- Addressing the problems of the most vulnerable members of society can be achieved through the existing benefits system

Authors of the Morpeth Model: Morpeth Flood Action Group, Morpeth Town Council and Morpeth and District Chamber of Trade.
Full version downloadable from the Morpeth Flood Action Group website at www.morpethfloodaction.org.uk