

Managing the EU's flood risks

Insurance Europe's views on the EU Floods Directive

Flooding causes frequent and extensive damage in many parts of Europe, resulting in widespread physical losses, business interruption and distress.

Indeed, a third of all European natural catastrophe losses in the two decades to 2018 were the result of hydrological events and they caused \$177bn (€157bn) of damage. And just the five costliest floods of that period caused an estimated \$52.4bn of damage (see table).

Five costliest hydrological events in Europe — 1988–2018

Event	Losses (\$m, original values)	
	Overall	Insured
12–22 Aug 2002 Flood, flash flood Germany, Austria, Czech Republic, Hungary, Switzerland, Slovakia	16 400	3 400
30 May–19 Jun 2013 Flood Germany, Austria, Czech Republic, Switzerland, Hungary	12 400	2 900
4–6 Nov 1994 Flood, flash flood Italy	9 300	65
13–20 Oct 2000 Flood, landslide Italy, Switzerland	8 300	480
5 Jul–10 Aug 1997 Flood Poland, Czech Republic, Germany, Austria, Slovakia	6 000	800

All nat cat statistics and table: Munich Re NatCatSERVICE

Insurers provide significant levels of compensation for flood losses. In 2002 alone — the year that saw catastrophic flooding along the Danube and Elbe rivers — they paid out \$6.9bn.

And insurers also use their considerable flood risk expertise to play a role beyond this risk transfer. In the broader risk-management cycle of risk identification, adaptation, risk transfer and recovery, insurers are active in raising risk awareness and increasing the understanding of flood risks and how to reduce them.

Flood risks are on the increase

Flooding is a growing problem. Changing weather patterns and rising sea levels as a result of global warming are leading to increases in certain extreme events, including all types of flooding.

More frequent and severe flooding is expected in the coming decades in Europe and there will likely be an accompanying increase in the already considerable gap between the flood losses that are (and can be) insured and total losses: of Europe's hydrological losses in the two decades to 2018, only 27% were insured and that percentage varied significantly between states.

Even transferred to an insurer, a flood risk is not, of course, a risk reduced or eliminated. Insurance is not a substitute for adaptation or mitigation measures. There must be an appropriate policy framework that ensures the active involvement of public authorities and private stakeholders in flood risk management, with the proper financing of — and investment in — ways to increase resilience to flooding.

The Floods Directive in a nutshell

The EU's 2007 Directive on the assessment and management of flood risks put in place a three-stage process: EU member states must identify zones at risk from river or coastal flooding, develop flood hazard and flood risk maps, and draw up flood risk management plans. It also reinforced the rights of the public to access this information.

States are required to review/update the plans every six years, synchronised with the implementation cycle of the EU's Water Framework Directive, and to report to the European Commission.

The Commission, for its part, carried out a fitness check of the Directives in 2019, and Insurance Europe contributed to the public consultation. The EC found that the Floods Directive had improved flood risk management but that it was too early to draw conclusions as the first implementation cycle only started in 2016. No legislative action on the Floods Directive is foreseen under the European Commission of President von der Leyen. However, the Floods Directive will undoubtedly provide inspiration for the treatment of other perils as part of the Commission's EU Adaptation Strategy.

Positive effects of the Floods Directive

The European insurance industry has always been closely involved in the EU's work on floods generally and its Floods Directive (see box) in particular. Overall, insurers believe that the Floods Directive has had a positive impact on Europe's preparedness for increased flooding, particularly in terms of raising awareness and reducing risk. There are, however, still areas in which the Directive could be improved.

In general, the Directive should require EU member states to take measures to encourage the uptake of insurance in order to provide effective cover for flooding without, however, defining that insurance cover. Such a requirement would contribute to the EU's ambitions in the European Commission's action plan for financing sustainable growth, as well as in its new EU Adaptation Strategy.

Proposed improvements to the Directive

The scope of the Directive should be extended beyond river flooding to include floods caused by torrential rain and storm surges. Likewise, smaller rivers and streams should be included in its scope. This could be done by introducing a threshold above which flooding has to be modelled. As many built-up areas are concentrated around water, that threshold could be calibrated to the number of people who would be affected by the flooding.

At the same time, some of the terms used in the Directive need clarification. For example, the terms "frequent flooding" and "extreme flooding" should be defined to facilitate cross-regional comparisons. Greater clarity is likewise needed on what

should be included in flood-risk modelling. For instance, there is currently no clarity over whether sewerage systems should be included in modelling.

Flood risk management sits, of course, within broader strategies for adapting to the growing impacts of climate change. These must include modernising or improving infrastructure and require a coherent, clear and comprehensive set of land-use and building codes, particularly for flood-prone areas. Adequate enforcement of those codes is also vital. In France, for example, building on the "red zones" designated in flood risk maps is forbidden by law.

Finally, thought should be given to the use of the substantial and valuable flood-risk data collected by member states as a result of the Directive. The sharing by the insurance industries in Denmark, France and Norway of their local flood-loss data with municipalities has, for instance, been shown to support climate resilience by giving policymakers a more accurate basis on which to make decisions about public investment in preventive measures for existing infrastructure and about land-use planning.

Insurance Europe and its members will continue to engage with the European Commission and national authorities in their efforts to reduce the damage and distress caused by floods in Europe.

For more on Insurance Europe's views on adaptation to climate change, please visit the climate change section of www.insuranceeurope.eu or contact Nicolas Jeanmart, head of personal & general insurance (jeanmart@insuranceeurope.eu, tel: +32 2 894 30 40).

