



UNIWERSYTET GDAŃSKI



Polish perspective upon state support in the flood loss coverage and the role of prevention

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Flood as the biggest natural catastrophe



The risk of flood as a state (municipality) problem

- The property at risk of flooding – in large part public property
- The scope of public property insurance- higher than the scope of private property insurance
- Mandatory insurance – only insurance of agriculture buildings and crop insurance to a limited extent

The role of Polish Financial Supervision Authority in flood risk management

- **Guidelines on flood risk management** issued on 6th December 2014
 - a framework in flood risk management which should be applied by the insurance and reinsurance companies operating in non-life insurance sector with a significant exposure to flood risk
- **Criticisism** – the supervisory body imposing their standards on the risk assessment professionals
- **But-** the risk assessment has never been perfect

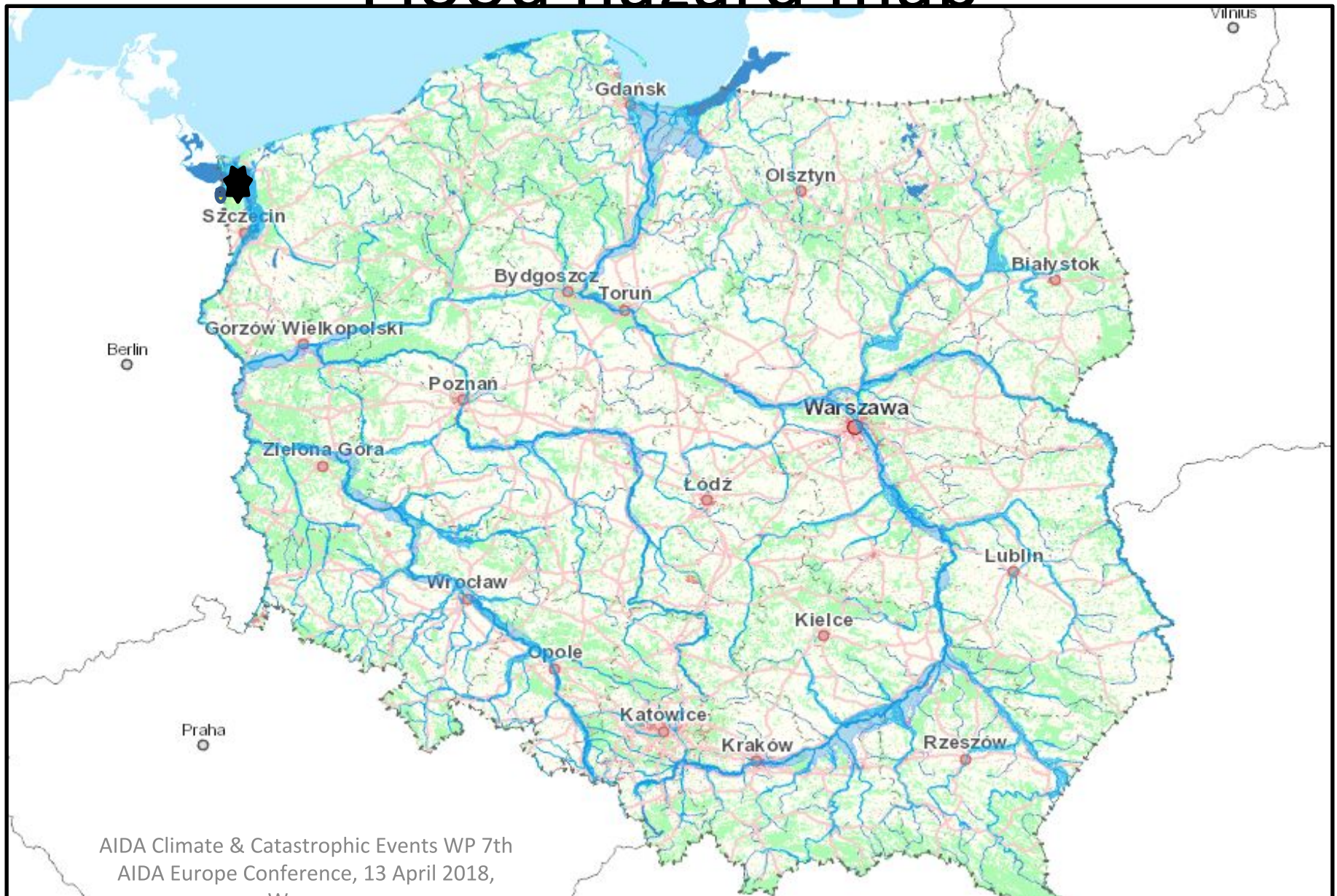
The state of protection of public property threatened by flooding

- part of the public property remains unprotected
←→ the part is underinsured
- numerous insurance contracts of elements of the property, based on different conditions developed by various insurers
- covering the property on the basis of several contracts → increase of protection costs
- each of the government and local-government administration bodies has its own right to manage insurance matters

Flood hazard maps and flood risk map

- Maps as an important instrument of **flood risk management**
- The boundaries of the areas presented in maps are taken into consideration in the concept of:
 - State spatial development
 - Voivodship spatial developments plans
 - Local spatial management plan
 - Decision on land development and management conditions
 - Flood risk management plans for areas with high probability of flood risk

Flood hazard map



Usage of the maps by the insurers

- May influence the decision about undertaking protection of the threatened property
- May form the basis for calculating insurance premiums
- May be a helpful tool to develop general insurance conditions

Crop insurance as a model of public-private partnership

A pattern of spreading the financial burden of insurance protection over the insured and the state

In 2006 the system generated about 20 mio PLN as a premium amount. In 2018 more than 600 mio PLN of premium is expected.

Aim → popularising the protection and limiting state aid in the form of compensating flood damages as a significant share in public expenses

How → endowment from the insurer's budget at the stage of insurance risk sharing → by subsidies to insurance premium

at the stage of loss indemnification → by subsidies

Subsidies to insurance premium

- **Basis** - an agreement between an insurer and the minister in charge of agriculture
- May range to 65% of the insurance premium
- Their amount for a given year is determined with a regulation of the Council of Ministers
- Their payment depends on keeping the tariff rate on a proper level by the insurer

Subsidies to cover part of the compensation

- Adopted in relation to the **risk of drought**
- All insurance concluding crop insurance contracts are entitled
- The amount depends on the proportion between the compensation paid by the insurer and the premiums collected on the basis of generically same insurance contracts

Conclusions – public support in the flood loss coverage

CURRENT STATE

risk assessment

- guidelines on flood risk management in insurance

state intervention in insurance protection

- mandatory insurance of agricultural buildings
- mandatory crop insurance

financing from public funds (budget)

- flood losses (from the special reserve)
- flood protection
- flood hazard maps and risk maps

PERSPECTIVES - POSSIBILITIES

- extension of the insurance obligation for all buildings
- using maps to a greater extent
- co-financing from public funds in the form of subsidies to premiums and / or as a part of the compensation