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).

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.
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).