

WRITTEN QUESTION P-2135/03
by Rosemarie Müller (PSE)
to the Commission

Subject: Compulsory insurance against damage caused by natural forces

Experience gained following the flood disaster in summer 2002 has highlighted a dilemma concerning insurance against damage caused by natural forces. On the one hand, in the light of the increasing number of natural disasters hard-nosed private insurance companies are deliberately withdrawing cover against damage caused by natural forces, such as storms and flooding; on the other, emergency aid and private donations are reducing the incentive to minimise the risk of damage by taking protective measures.

Over-estimates of the scale of the damage in the immediate wake of a natural disaster merely add to this dilemma. Unnecessarily high volumes of private donations and ad hoc state aid measures out of all proportion to real needs are the results. The consequent loss of private purchasing power and state investment resources causes excessive damage to the economy and diminishes the credibility of economic policy.

In its weekly report No 12/2003 the German Institute for Economic Research in Berlin suggests that the problems outlined above could largely be solved by means of the imposition of a general requirement to take out insurance against damage caused by natural forces.

Workable insurance of this kind might be based on the following provisions:

Firstly, all significant forms of damage caused by natural forces (storms, flooding, earthquakes, etc.) should be jointly insured. This arrangement would ensure risk diversification and make for the widest possible range of at-risk clients, thereby increasing the level of acceptance of this new form of insurance.

Secondly, in the case of flooding, only exceptional damage should be covered. In areas not generally at risk, almost every flood would thus be exceptional. In at-risk areas, however, damage caused by regular flooding would not be covered, since in such areas self-protection makes more sense.

Does the Commission regard this outline proposal for compulsory, Europe-wide insurance against damage caused by natural forces as workable?