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## Introduction and background

Increasing damages from floods warrant a joint public and private effort to reduce and adequately, i.e. efficiently and socially just, transfer risk.

While Austria has outstanding public flood protection, the practice of public ex-post compensation is being criticized for crowding out insurance and discouraging private risk reduction (charity hazard).

### A SWOT analysis of the current ex-post relief financed from the Katastrophenfonds

#### Strengths

- Provides solidarity to those mostly affected by floods based on economic vulnerability

#### Opportunities

- Potential to be adapted to foster household level risk reduction

#### Weaknesses

- No legal entitlement for compensation
- Potential disincentive for risk reduction
- Financing gap

#### Threats

- Potential of political abuse of payments

### The alternative<sup>1)</sup>, a compulsory natural disaster insurance, lacks political momentum

1) In a joint effort researchers, ministries and insurers developed a NatKat insurance solution for Austria (Pretenthaler et al. 2009).

The proposal includes a mandatory extension of existing home contents or fire insurance for a bundle of natural hazards. Premiums and deductibles would be differentiated by risk zones. The state would compensate if an upper system limit is reached, if the affected is insured.

**“Does the current relief system disincentivize risk reduction? And from a household perspective, is there indeed a financing gap?”**

## Results

### The current ex-post compensation practice does not disincentivize risk reduction



6 out of 10 households interviewed have risk reduction measures in place.



This proportion remains the same if we only include households that previously received compensation

The proportion also remains the same if we only include households that received compensation for more than 50% of their damages. The same applies if we substitute risk reduction measures with insurance, although this has less meaning as a basic catastrophe coverage is increasingly standard in household insurance policies.

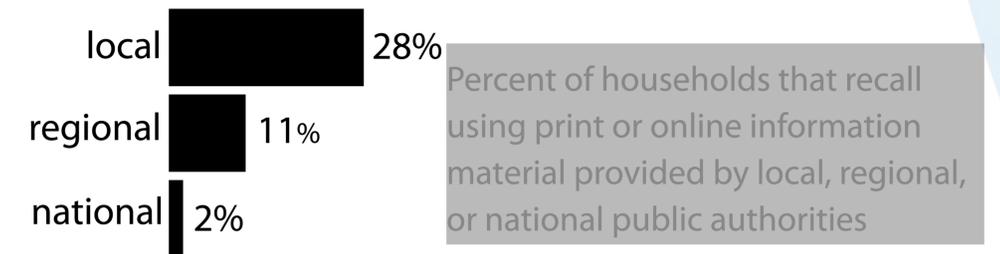
### Households finance most of their damages from personal savings >> there is room for insurance



7 out of 10 households previously experienced flood damage cover 50% or more of the costs from their own savings.

N=317 for households previously affected by floods

### Public information on disaster risk reduction is if at all most effective at the local level.



## Recommendations for the short term

(based on ideas from the expert workshop)

### Making public compensation conditional on insurance covering a minimum indemnity limit

- This will cover most (small and medium) damages
- And reduce the administrative burden of provincial governments when compensating damages ex-post
- This already happens in Vorarlberg

### Awareness raising for private risk reduction at the community and municipal level

- This should be an integral part of ongoing efforts for designing and implementing the flood management strategy

## Methods

### Stakeholder and expert interviews

(n=12) with policy makers at different jurisdictional levels, insurers, and people living in and out of flood prone areas.

### Standardized survey

(n=600) in Burgenland, Lower Austria, Salzburg, Tirol and Vorarlberg. In rural communities with high flood risk, but respondents with different levels of risk perception

### Expert workshop

25 participants from ministries, provincial governments, citizens initiatives, insurance and academia

#### References

- Hanger et al.: Insurance, public assistance and household flood risk reduction: A comparative study of Austria, England and Romania. Submitted to Environmental Science and Policy.
- Hanger and Riegler 2016: Anreize zur Reduktion von Schäden durch Naturkatastrophen. Bericht zum ExpertInnen Workshop am 20. November 2015
- Pretenthaler und Albrecher (Hg.) 2009: Hochwasser und dessen Versicherung in Österreich. Studien zum Klimawandel in Österreich