

1. Management summary

On behalf of the non-life insurance board of the Verbond van Verzekeraars (Dutch Association of Insurers) the Precipitation Clause project group investigated the extent to which current levels of precipitation cover might be extended so that from now on it will be possible to cover local floods caused by something other than local precipitation. The main thrust of the project group's proposal is for an extension to the present precipitation cover because this is more in line with the intended effect of the Wet tegemoetkoming schade bij rampen (Wts, Act on compensation for damage in the event of disasters).

It is of course up to the insurers themselves whether or not to amend the precipitation clause and to determine for their own portfolio how they will translate this into setting premium levels and terms and conditions. However, the project group believes that an amendment of the precipitation clause is achievable.

1. Firstly, it is desirable to delete terms about the volume of precipitation within a specified time period and area. That improves clarity with regard to the cover and is especially beneficial to the client whilst it will hardly have any adverse effect on insurability.
2. In addition, the project group considers that it is feasible for insurers to offer cover against flooding as a consequence of the failure (for example breaches in dikes or locks not working properly) or overtopping of secondary (regional/local) flood defences.
3. Thirdly, the project group sees no opportunity without government support for insuring the public against floods as a consequence of the failure or overtopping of primary flood defences¹. This is simply because the volumes of water cannot be stopped, as a result of which the damage may threaten the solvency of insurers. At the same time, the project group does not exclude the possibility of individual insurers offering certain groups supplementary products with flooding cover.

“Extension of the cover is possible”

The difference in cover opportunities for primary and secondary defences is determined by the fact that secondary defences mainly provide protection against floods from reservoirs and canals. Because the volume of water in reservoirs and canals is limited, the consequences are smaller in scale than with flooding from a big river that continues to carry water.

¹ See Annex III for a map of primary water defences

Wider cover

To briefly summarise, supported by the results of the modelling by reinsurance brokers and discussions with scientists, the project group is of the opinion that widening of the cover is possible so as to be more in line with the intended effect of the Wts. In fact, the project group believes that that the cover can be extended on condition that sufficient consideration is given to prudence and prevention is encouraged:

- 1) Present property insurance policies may be extended to cover all damage from precipitation and water that flows in from outside the building except for water that comes entirely or partly from the sea, a river or an inland waterway because a primary water defence has been overtopped or has failed. These “primary” water defences are specified in the Waterwet² (Water Act) and the Nationaal Basisbestand Primaire Waterkeringen³ (National Database of Primary Water Defences).
- 2) Encouraging prevention is a major part of the cover of small-scale floods and other forms of water inundation. There are more and more technical options available and building owners and users can prevent a great deal of damage with simple solutions. Doors and windows can also be made waterproof. Insurers can distinguish themselves by their inventive responses with their products and terms and conditions. Lastly, it is advisable to look for cover for damage from groundwater and sewage with causes other than precipitation.



² <http://wetten.overheid.nl/BWBR0025458/2018-07-01#Bijlage1>

³ <https://waterveiligheidsportaal.nl/#/nss/nss/norm>