“How can Italy mitigate the climate insurance protection gap?”

Motivation
& Background

The impact caused by natural disasters such as floods has grown significantly in recent times due to climate change. A key tool to tackle this growing issue is insurance (Bellia et al., 2023).

- **Objective**: Determine a flood property insurance system that is best suited for Italy.
- **Why Italy?** Italy's underdeveloped insurance system creates significant gaps in climate protection, putting it behind many European countries (ANIA, 2022).

Methodology
& Approach

To find a solution for Italy, we take a multidisciplinary, approach by comparing insurance systems in Belgium, UK and Spain.

Procedure

1. Describe status quo of each of our case studies
2. Explain rationale behind the structure of the system to increase understanding
3. Evaluate their success based on three different metrics

Evaluation Metrics:

1. Effective in getting people insured
2. Ability to solve the moral hazard

Analysis

Which Insurance Model suits Italy best?

1. **Which insurance system? Private Public Partnerships (Share of obligations between state and industry)**
2. **Which PPP:**

	Belgium	United Kingdom	Spain
Scope	Bundled	Standalone	Bundled
Premium calculation	Risk-based	Risk-based	Flat
Payment mechanism	Ex ante	Ex post	Ex post

Fig 1: Case studies and parameters

➡ Reasoning, benefits & drawbacks of every system parameter

Results
& Discussion

1. **Public Private Partnership is superior approach (Paudel et al., 2015)**
   - Enabling effective mechanisms to spread risk

2. **Spain’s insurance system suits Italy best**
   - Simple, affordable system with widespread coverage; beneficial for Italy’s relatively weak economy and cultural aversion to flood insurance.
   - Spain’s insurance system is self-sustaining which would reduce the burden on the Italian state budget while still providing sufficient compensation for flood victims (De Smedt & Faure, 2023).

➡ Effective in solving moral hazard & getting people insured

3. **Limitations and further research**
   - Further research on how to objectively design an optimal Italian PPP.

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