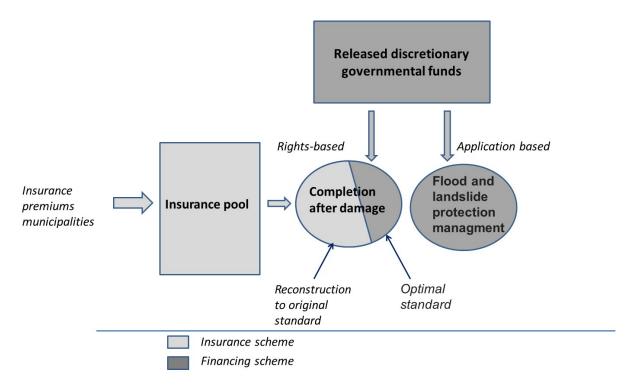


English summary:

New financing and insurance schemes for municipal infrastructure – a proposal

The KS-funded project has the following mandate: The project group is given the task of proposing new financing schemes, including insurance schemes, which will provide for better coverage of municipal costs associated with damage to physical infrastructure from natural disasters, and which will cover the need for necessary preventive measures.

The structure of the proposal can be illustrated graphically:



The proposal consists of the following elements:

A new insurance scheme for municipal infrastructure

We propose establishing a new separate natural damage insurance scheme for municipal infrastructure other than buildings. The insurance scheme will be financed by the municipalities based on the solidarity principle.

Discontinuation of the system of discretionary governmental funds in case of damage from natural disasters

We propose winding up the system of discretionary governmental funds channeled for recovery after natural disasters. Released funds should be channeled to new subsidy schemes for municipal infrastructure, see below.

New grant schemes

We propose two new grant schemes:

- A) Grants to finance preventive measures to minimize the impacts of natural disasters on municipal infrastructure.
- B) Grants to cover additional recovery costs required to reach an optimal standard after damage from a natural disaster.

Schemes to strengthen incentives for prevention

Risk relief in the proposed insurance scheme may negatively impact municipalities' incentives to use resources to reduce risk exposure. We suggest two mechanisms that may restore and/or strengthen these incentives.

- A) Increased deductibles for damage, up to the level of deductible in the current discretionary fund scheme.
- B) Differentiated insurance premiums, based on municipalities' preventive measures to minimize the impacts of natural disasters.