Every country around the world has had to wrestle with the issues discussed above that make providing flood insurance problematic. The approaches developed by Canada's international counterparts involve various combinations of insurance and government relief. There are approaches that are fully private, fully public or in between; that make flood insurance voluntary or mandatory; and that offer flood insurance on its own or as part of a bundle of several types of coverage.

This section focuses on other G8 countries' provisions for flood insurance to gain insights into ways flood coverage could be offered in Canada. Many different financial management models have been developed – with varying degrees of success. Each model provides important lessons for how Canada can adapt its response to flood management.

In general, the approach to the financial management of flood risk can be categorized based on six variables:

1. Private vs. publicly administered programs
2. Voluntary vs. mandatory insurance take-up
3. Optional vs. bundled coverage
4. Risk-based vs. government-mandated pricing
5. Policyholder-funded vs. taxpayer-funded subsidization of high-risk properties (or neither)
6. Government as insurer vs. enabler of insurance

These variables, in turn, have direct implications for insurance take-up rates and will affect which stakeholders will ultimately bear the lion's share of flood-related financial losses.

Private models are market-based, with government intervention typically being limited to investment in risk assessment and risk mitigation initiatives and with insurance pricing typically being risk-based. Public models are characterized by a strong government involvement in the provision, funding and design of flood insurance. In these cases, governments typically set prices and terms of coverage, making these systems more akin to a social assistance program than to insurance.

In some cases, flood coverage is optional and available as an additional endorsement on a standard (i.e., fire and theft) homeowner's policy on payment of a separate premium. In other cases, coverage is bundled as part of a package inclusive of other perils. There are also instances in which coverage can be both optional and bundled. Indeed, it may be automatically included in a standard homeowner's policy (making it virtually mandatory), or it may be bundled with other optional perils (e.g., earthquake and other natural disasters).

International Flood Insurance Programs at a Glance

G8 countries other than Canada

	Model	Purchase	Packaging	Take-up (residential)	Pricing	Subsidization	Government focus	Financial impact mainly borne by
France	Public	Mandatory	Bundled (with other catastrophes)	100%	Government-set	Both taxpayers and policyholders	Insurance Funding	Taxpayers
U.S.	Public	Voluntary	Optional (add-on)	20–30%	Government-set	Primarily taxpayers	Insurance funding and provision	Taxpayers
Germany	Private	Voluntary	Optional (add-on)	25–30%	Risk-based	None	Mitigation and zoning	Policyholders
Italy	Private	Voluntary	Optional (add-on)	<10%	Risk-based	Taxpayers (indirectly)	Mitigation	Taxpayers
Russia	Private	Voluntary	Optional (add-on)	<5%	Risk-based	—	—	—
Japan	Private	Voluntary	Bundled (with comprehensive homeowners policy)	40%	Risk-based	Policyholders	Mitigation	Policyholders
U.K.	Private	Voluntary	Bundled (with homeowners policy)	95%	Risk-based	Policyholders	Mitigation, mapping and zoning	Policyholders

Notes: Take-up based on residential coverage. Figures for commercial property are typically higher. No additional information for Russia was available.