



IBC

Insurance Bureau
of Canada

Emerging Issues and Stakeholder Collaboration for Resilient Communities

Alberta Municipalities Public Risk Conference

May 4, 2023 | Rob de Pruis, National Director, Consumer & Industry Relations, IBC



Agenda

- Who We Are
- Key Facts: Commercial Insurance Market
- Severe Weather Trends
- Residential Property Insurance Risks
- Factors Affecting Insurance
- IBC's Natural Catastrophe Advocacy
- Working Together with Municipalities



IBC

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Who We Are

National association for Canada's private home, auto, business insurers. IBC members represent a vast majority of the Canadian P&C market.

Vision and Mandate:



Consumers and governments **trust, value** and **support** the private property and casualty insurance industry, and its products and services.



Advocate, from a position of leadership, to governments and regulators, and to consumers, both commercial and personal, for property and casualty insurance that is **available and affordable to all Canadians.**



Key Facts: Commercial Insurance Market

140,500 people work in Canada's P&C insurance sector

\$26 billion annually to support claims that helped Canadian businesses recover from losses

\$22 billion invested in provincial, municipal, public authority and school bonds in 2022

\$17 billion invested in federal government bonds in 2022

\$13.4 billion in taxes and levies contributed to government treasuries across Canada in 2021

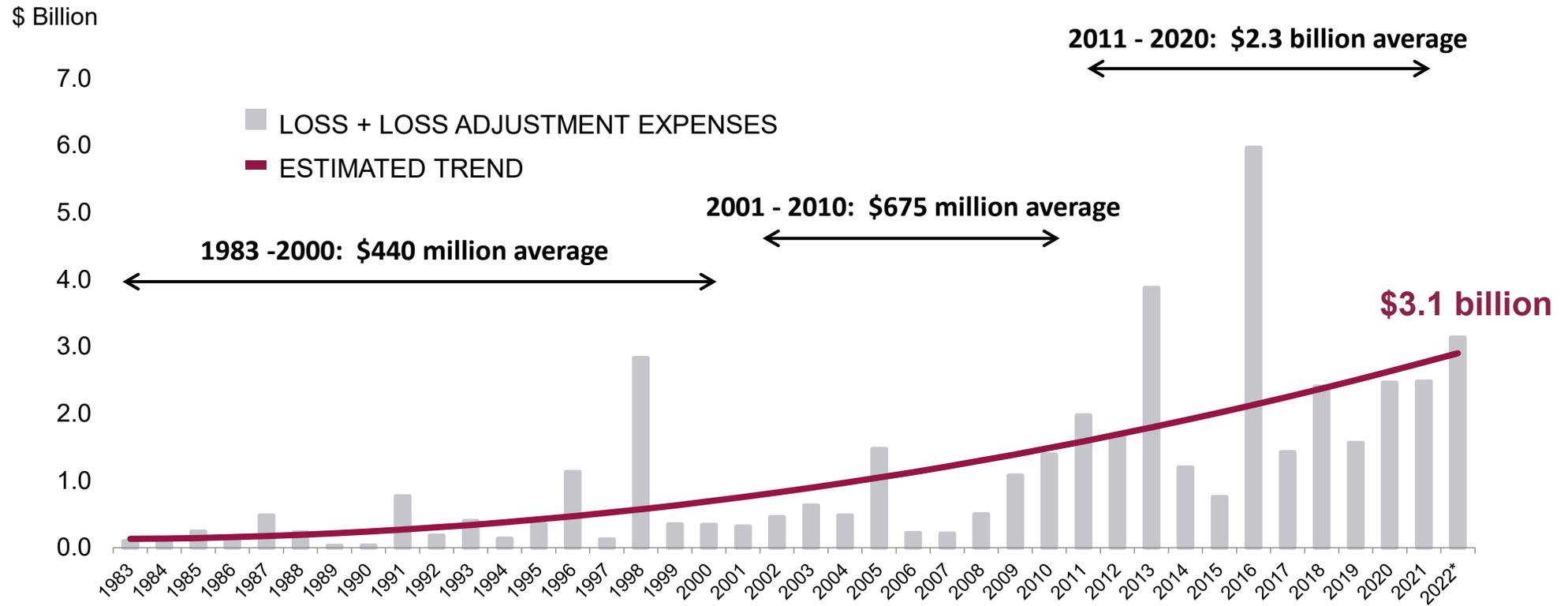


Severe Weather Trends



Insured Catastrophic Losses in Canada

*A catastrophic loss = 1 event costing \$30 million or more in insured damages

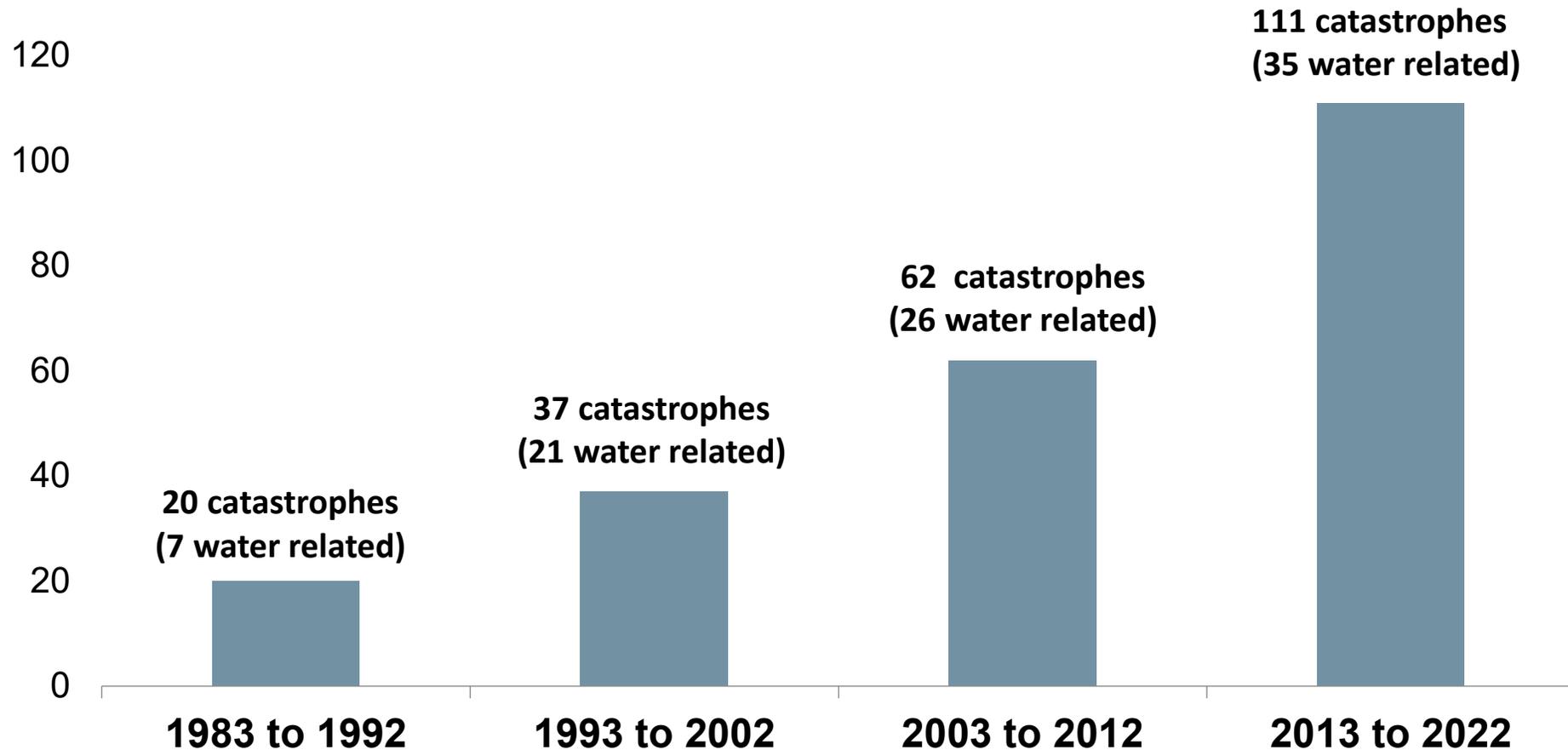


Source: IBC Facts Book, PCS, CatIQ, Swiss Re, Munich Re & Deloitte
Values in 2022\$ CAN, *2022 preliminary



Frequency of Insured Catastrophic Losses in Canada

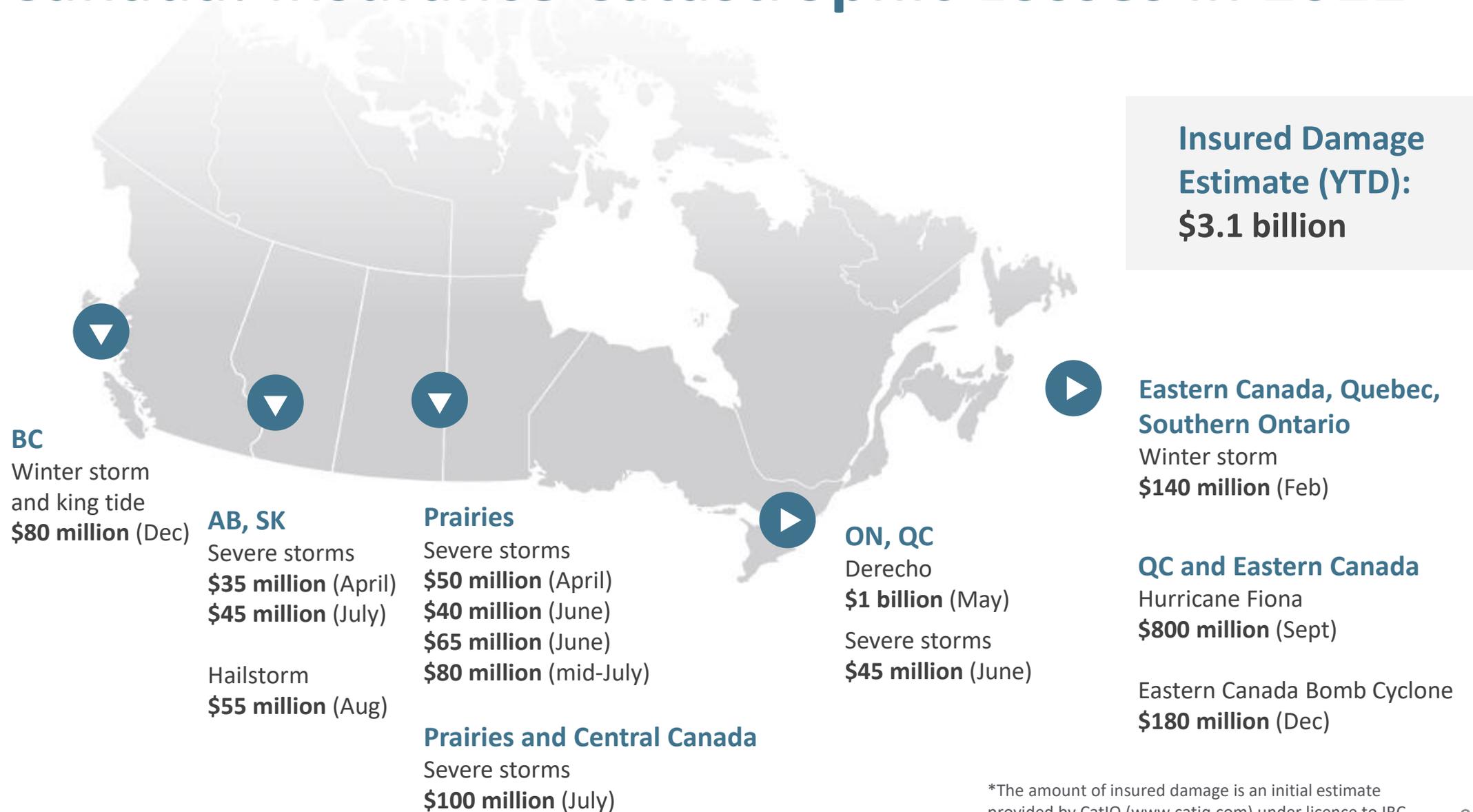
Number of Events



Source: 1983 to 2007: IBC, PCS Canada, Swiss Re and Deloitte; 2008 onward: CatIQ
The inclusion threshold for event prior to 2008 is \$25 million adjusted by GDP per capita (2008 is the benchmark)
Perils included: Flood, Water, Rain, Storm, Snow, Ice, Hail, Wind, Tornado, Hurricane



Canada: Insurance Catastrophic Losses in 2022

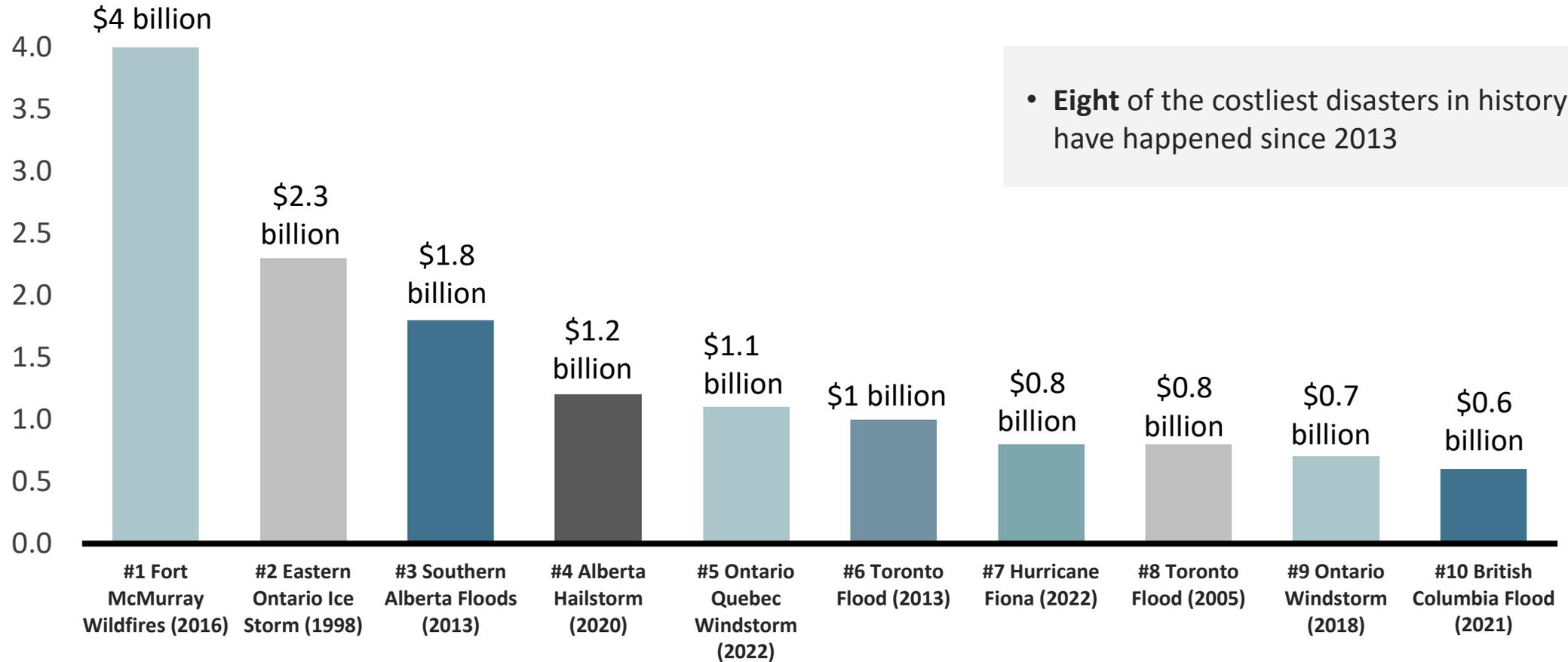


*The amount of insured damage is an initial estimate provided by CatIQ (www.catiq.com) under licence to IBC.



Top 10 Natural Disasters for Insurance Payouts

\$ Billion



Losses exclude Loss Adjustment Expenses

Source: IBC Facts Book, PCS, CatIQ, Swiss Re, Munich Re & Deloitte

Values in 2021 \$ CAN



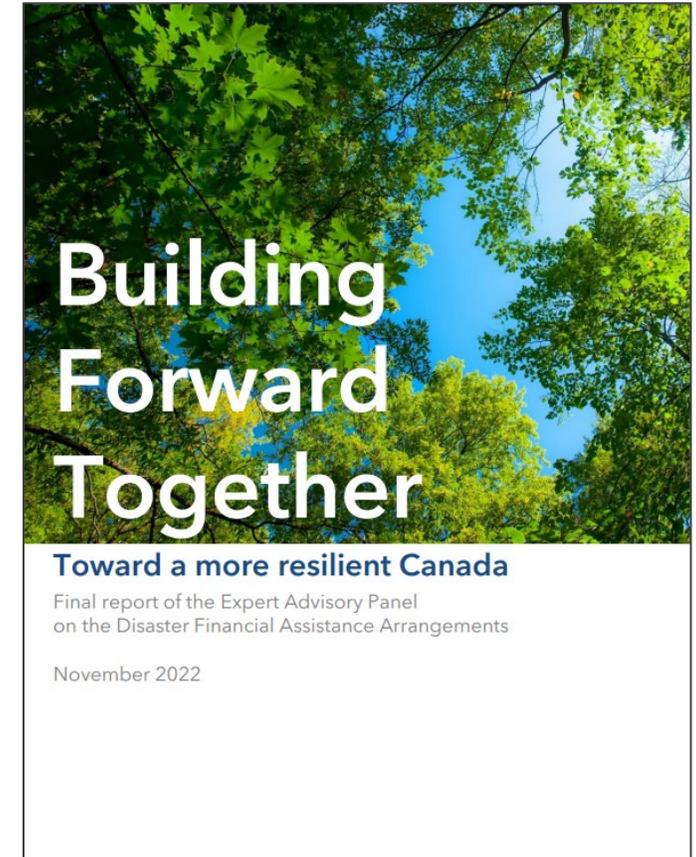
Catastrophic Losses in Alberta

- In the past 10 years, four of the most costly severe weather events occurred in Western Canada totaling in excess of \$8 billion in insured damage
- Alberta in particular has experienced more severe weather events this decade than any other region in Canada
- The frequency and severity of these weather events puts pressure on insurance premiums
- We need to build more resilient communities



Building Forward Together: Toward a more resilient Canada

- Insurance claim costs from severe weather have quadrupled across Canada since 2008
- Total insured and uninsured disaster losses are projected to reach an annual average of \$15.4 billion by 2030
 - These projections only account for direct disaster losses in financial terms, and not impacts on human and societal health and well-being.
- Report summarizes recommendations to evolve Canada's Disaster Financial Assistance Arrangements (DFAA) program to ensure it is an effective and sustainable mechanism for disaster recovery, risk reduction and resilience





Residential Property Insurance Risks



Pressures on Premiums

Residential property insurance has experienced long term availability and stability in premiums.

Now, we are seeing pressures on premiums, which include:

- Severe weather events like flood, wildfire, wind and hail are increasing in frequency and severity
- Macroeconomic challenges including fluctuating investment income and interest rates
- Inflation and supply chain issues affect the price and availability of materials like lumber, shingles, siding etc.



Hail Damage

- Between 2019-2021 average cost of hail damage has been **\$872 million** per year
- 85% of these hail claims were in Alberta. In 2020 Southern Alberta experienced Canada's costliest hail event at **\$1.2 billion**
- Insurers support the **Alberta Severe Weather Management Society** to help reduce hail damage costs
- To support resilient homes, some insurers now offer an endorsement that covers the increased cost of impact resistant roof/siding materials in the event of an insured loss



Factors Affecting Insurance

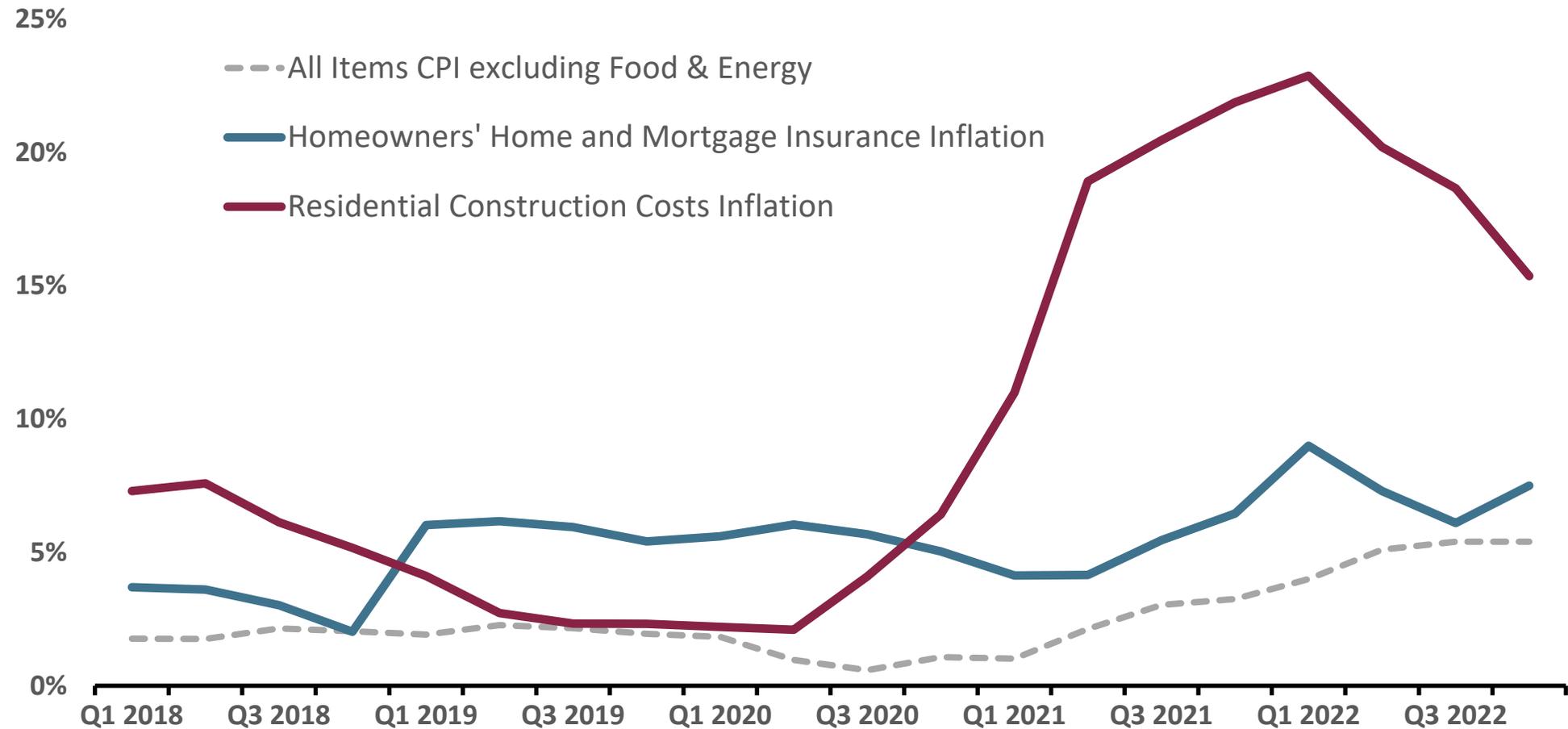


Inflation Pressures

- In June 2022, inflation in Canada hit the highest level in 40 years: **8.1%**
- For insurers, inflation leads to higher operating expenses and higher claims costs
- Inflation, price and availability of lumber and other materials, skilled labour shortages and global supply chain disruptions are main drivers of increased claims costs
- Higher replacement costs have an impact on the industry's loss exposure



Skyrocketing Residential Construction Costs



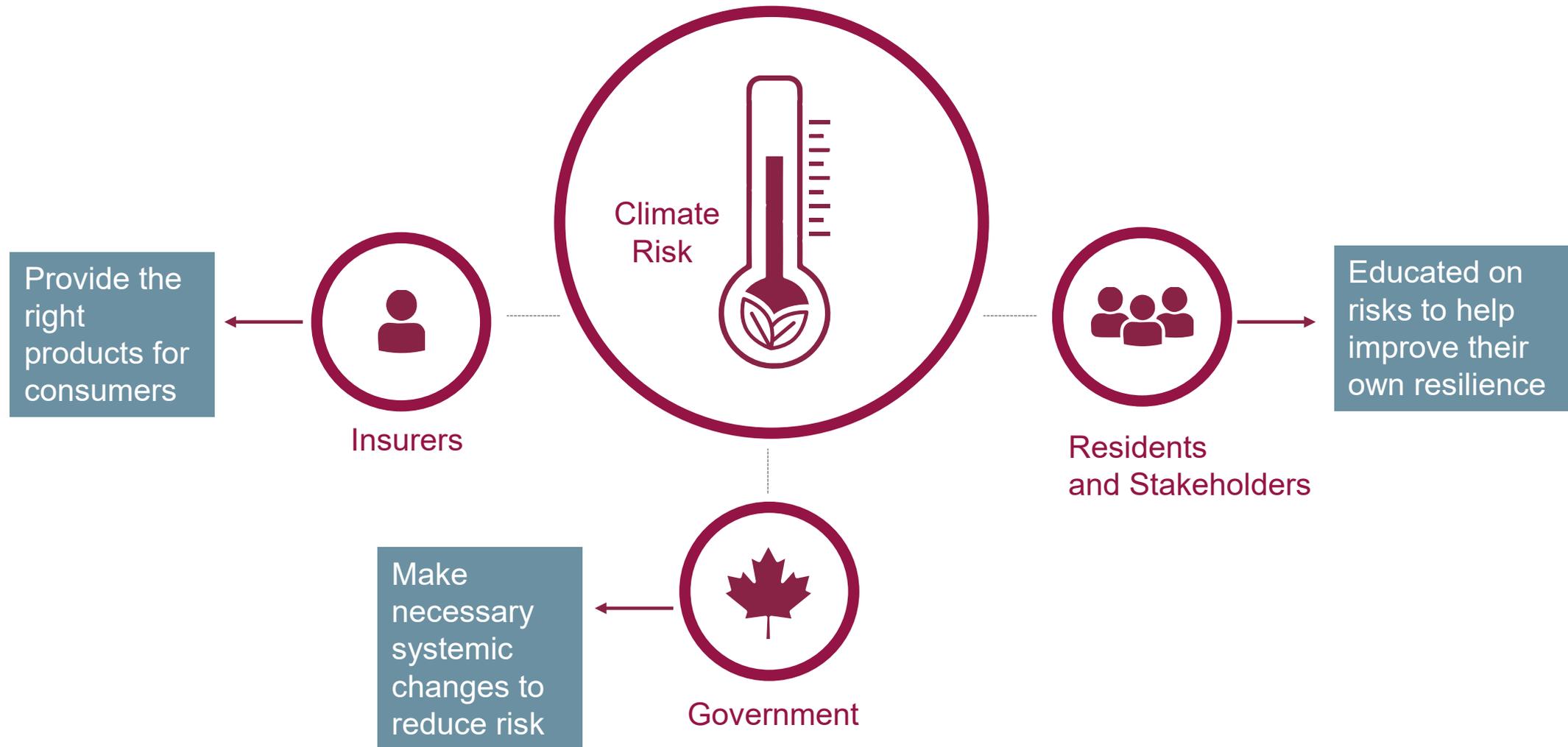
Source: IBC with data from Statistics Canada, Table # 18-10-0004-01, monthly converted to quarterly
Table # 18-10-0276-01, quarterly



IBC's Natural Catastrophe Advocacy



Taking a Collaborative Approach





National Action Plan on Flood

Our National Action Plan on Flood focuses on:

1. Education

Invest in launching a robust consumer flood portal based on accurate flood mapping and reliable information.

2. Relocation and Protection

Move homes away from areas that repeatedly flood. Develop affordable insurance protection for properties in high-risk flood zones.

3. Amended Land-Use Rules

Going forward, no home built on a flood plain should be eligible for disaster assistance or subsidized insurance, and provincial and municipal governments should adopt improved building codes and standards



Example of Flood Mitigation: Regional Municipality of Wood Buffalo

- Region has a long history of overland flooding, usually caused by ice jams
- The municipality has broken the project up into 11 “reaches” which encompass various directives to improve flood safety along the Snye, Clearwater and Athabasca rivers
- Berms, retaining walls and a combination of both are being implemented throughout the hazard areas
- Municipality has restricted development in areas prone to flooding



Example of Strategic Retreat: Fort Vermilion

- Flooding caused by an ice jam in the Peace River caused neighborhoods to flood in April 2020
- Residents were forced to evacuate homes built in the flood hazard area
- Majority of community members supported moving homes from the floodplain to higher ground
- Municipality built 3 new subdivisions to move people out of harm's way



Canada's First National Flood Insurance Program

In the 2023 federal budget, the government announced the intention to stand up Canada's first National Flood Insurance Program to protect Canadians at highest risk of flooding.

\$31.7M

To create Flood Insurance program

\$15.2M

For creation of a publicly accessible online portal

\$51.2M

To identify high-risk flood areas and implement a modernized Disaster Financial Assistance Arrangements

- This follows more than 5 years of advocacy by IBC and the P&C insurance industry.
- Canada now joins the UK, US and most other G7 countries in announcing a government-backed insurance program in collaboration with Canada's property and casualty (P&C) insurance industry.
- The new program will consider damage from storm surge, riverfront flooding and urban overland flooding.



Climate Proof Canada

- IBC is a leading member of Climate Proof Canada, a broad coalition of insurance industry representatives, municipal governments, Indigenous organizations, environmental NGOs and research organizations
- The coalition is encouraging the federal government to take action now to create a culture of preparedness and build a more disaster-resilient country
- Visit **climateproof.ca** for more information on the coalition



Building for the future: Creating resilient communities

Climate-Resilient Buildings and Core Public Infrastructure Initiative

- Development of new voluntary codes, standards and guidelines to improve community and property level climate resilience

CSA Z800: Guideline on basement flood protection and risk reduction

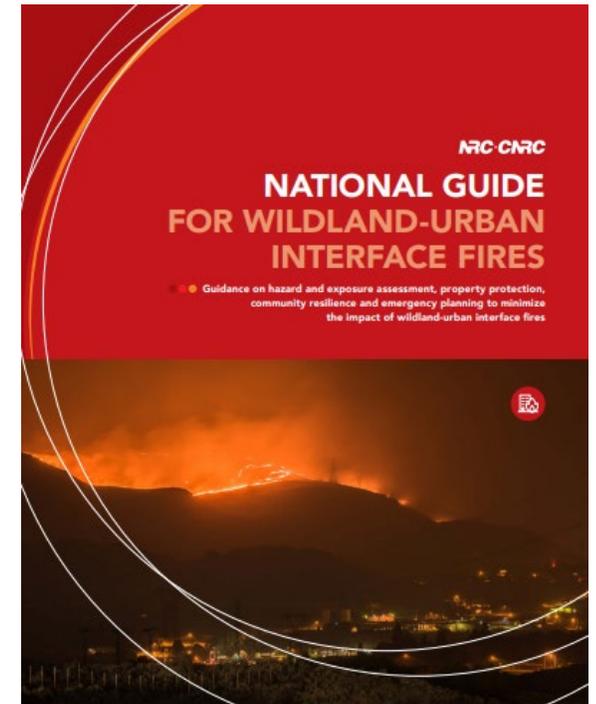
CSA W204: Flood resilient design of new residential communities

CSA W210: Prioritization of flood risk in existing communities

CSA 4013: Technical Guide – Development, interpretation and use of Intensity-duration-frequency (IDF) information

New National Guide for Wildland-Urban Interface Fires

High Wind Safety for Low-Rise Residential and Small Buildings





Working together with municipalities

- Communication, collaboration and data sharing are keys to success
- Climate Proof Canada, for example, is a coalition of like minded stakeholders including insurers, municipal governments, indigenous organizations, environmental NGO's and research organizations
- Many voices are stronger than one – we can accomplish more by working together
- Explore a regional approach to resiliency; severe weather events don't respect municipal borders

IBC's Consumer Information Centre (CIC)

People who have questions about insurance can contact our CIC

Consumer Information Centre
Toll-free: 1-844-2ask-IBC

askibcwest@ibc.ca
@IBC_West

ibc.ca





Thank you

ibc.ca

