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2019 ICLR Annual General Meeting

Message from the Chair

The following was delivered by ICLR Board Chair Barbara Bellissimo at the Institute’s AGM, held in Toronto on June 19, 2019.

Welcome to the 2019 Annual General Meeting of the Institute for Catastrophic Loss Reduction.

I will provide a few brief comments describing the environment under which ICLR worked in 2018, and then will invite Executive Director Paul Kovacs to discuss our plans for this year and beyond.

2018 saw 181 natural disaster events worldwide, totaling $76 billion in insured losses – slightly above the 10 year average. Large events included Hurricanes Florence and Michael in the U.S., Typhoon Jebi in Japan, and the Camp wildfire in California.

Total economic losses from these events last year came in at $155 billion.

Sadly, these claimed more than 9,800 lives.

Swiss Re noted in its annual sigma report that 2017 and 2018 combined went into the record books with combined insured losses of $219 billion. This marks the highest 24 month total ever recorded for the global insurance industry.

Swiss Re also noted that the protection gap – the difference between insured losses and uninsured losses – for this two year period totalled $280 billion. This means that taxpayers all over the world are paying in one way or another for disaster damage that is not covered by insurance. ICLR believes that this can and should change.

Back at home, we seem to have gotten to a point in Canada where active years from a severe weather standpoint are now, simply, a given. Now, a quiet cat year is far outside the norm and large loss years are business as usual.

The year under review was yet another that followed this new normal for Canada, as $2 billion in insured losses were racked up from disasters that met or exceeded the $25 million claims threshold set out by CatIQ.

All-in-all 12 catastrophes were declared by CatIQ in 2018. The $2 billion in claims saw the year go down as the fourth costliest on record for insured disaster losses in the country. >
There were no really big single losses in 2018 along the lines of the 2016 Fort McMurray wildfire or the 2013 southern Alberta floods. However, just two events – the May 4 Southern Ontario/Quebec windstorm and the September 21 tornado sequence in the Ottawa area – caused over $935 million in insured losses. When claims adjustment expenses are added, the two events left the industry with close to $1 billion in claims over more than 80,000 claims filed.

Canadian insurers have dealt with an unbroken string of major severe weather-related losses since 2009. In many years, these claims neared $1 billion, and at least three exceeded this number handily.

In total, all the events of $25 million in claims or higher, from 2009 to 2018 inclusive, exceed $17 billion. This is a very large number for an insurance industry of our size.

On the climate side, 2018 goes down as the fourth warmest year since records began in 1880. This was after 2017 went down as the third warmest year on record, and 2016 as the warmest. All-in-all, 17 of the 18 warmest years ever recorded have all come this century.

2018 marked yet another busy and very successful year for ICLR.

For just over two decades now, ICLR staff and researchers have been working diligently to achieve a reduction in the risk of fatalities, injuries and property damage due to natural hazards.

ICLR’s position is that the majority of losses from such events are preventable through the application of existing loss reduction knowledge that is based on the latest science.

In November 2016, ICLR published its second five year strategic plan after the document was approved by the Institute’s Board of Directors. The plan sets out specific actions for reducing the risk of loss from water, wind, hail, earthquake and wildfire.

The plan outlines four priority issues that the Institute will address in its research and engagement efforts over the period 2017 through to 2021.

These actions are:

- Champion the construction of disaster resilient homes
- Support efforts to enhance the resilience of existing homes
- Guide actions to reduce the risk of basement flooding
- Identify options to expand the role of private insurance

As Paul Kovacs will share in a few moments, the work Institute staff and researchers have been doing to address the actions outlined in the plan has been relentless and well received in all corners.

Once again, ICLR member companies paid their assessments on time and in full. This is evidence of the support from member insurers and reinsurers for the work of the Institute and for the urgency of the research and outreach goals outlined in the five year plan.

ICLR continues to leverage core insurance industry funding into an ambitious and productive research program. The Institute offers an active industry education program through its websites, research publications, trade magazine articles, media outreach, public speaking, newsletters, social media presence, conferences, and monthly webinar program.

Last year ICLR published a number of new research reports and hosted eleven webinars.

Member support for ICLR remains strong. There is a growing member interest in supporting disaster safety research and community outreach, and a growing cadre of Institute members have identified ICLR as a main source of advice and support in the area of natural hazard mitigation. Additionally, a number of insurer members have requested that ICLR staff speak to their Boards, AGMs, staffs, and brokers, most often on the subject of climate change, flood and severe weather.

As more people and property is placed in harm’s way and as the climate continues to get warmer and wetter, there is an expectation that the trend of further increases in disaster losses may bring even greater member interest in ICLR in the years ahead.

Many thanks to the members for your ongoing support of ICLR, and now I invite Paul Kovacs to speak about our plans going forward.
As climate changes, the way we build homes must change too

The impacts of floods, wildfires and other catastrophic events are on the rise in Canada. They’re already costing the country billions of dollars in losses, which only stand to grow in the coming years.

The Canadian insurance industry defines a catastrophic event as one that exceeds a threshold of $25 million in insured losses — the portion covered by private insurance. Insurance claims due to extreme weather reached $1.9 billion in 2018, including the late December wind storm on British Columbia’s south coast that downed trees and powerlines, and damaged more than 3,000 homes.

These costs have come close to, or exceeded, $1 billion in most years since 2009. They surpassed $1.5 billion in 2011, $3 billion in 2013 and $4.9 billion in 2016. In the past decade, the sum of all severe weather-related catastrophic events in Canada topped $17 billion.

These numbers, however, are only the tip of the iceberg.

Who pays for disaster damage?

In many western industrialized countries, only about 40 per cent of disaster damages are insured. This means that citizens absorb the lion’s share of damage costs in the form of insurance deductibles, costs not covered by insurance such as lost work days and higher prices passed on by businesses.

Taxpayers also fund government disaster assistance, which topped $1.02 billion in 2013-2014. Between 2009 and 2015, the federal government provided $3.3 billion in recovery funding, more in those six years than in the first 39 fiscal years of the program combined.

As people place more assets in harm’s way, existing public infrastructure ages and climate change impacts increase in the decades ahead, these large losses will only worsen.

Modern building codes key to resilience

The solution to the challenge of building societal resilience involves fostering a “whole of society” approach that includes academia, private industry, all levels of government and property owners to mitigate the impacts of natural disasters on society.

One of the weakest links in the chain is the lack of resiliency built into homes. Building codes represent the minimum legal requirements for house construction and do not take extremes into consideration.

Surprisingly, academics have paid scant attention to the home building industry and the building codes that guide the construction of thousands of houses per year. A new collaboration between researchers at Carleton University and Western University’s Institute for Catastrophic Loss Reduction aims to promote the construction of disaster resilient homes that can weather the changing climate.

Large insured catastrophic losses in Canada

Since their origins in the 1940s, Canadian building codes have existed primarily to keep people healthy and safe. Building codes have since grown into large, complex technical documents that govern numerous aspects of house construction. In light of the recent impacts of severe weather and wildfire, both insurance companies and the federal government agree that building codes could better incorporate disaster risk.

But what is a “resilient home”? Resilient homes are built to withstand extremes, such as heavy rainstorms, wildfires and severe wind. They are better than those “built to code.”

The combination of strong building codes that reflect current knowledge and rigorous inspection regimes leads to far less injury, loss of life and property damage from severe weather (and earthquakes). >
The seeds have been planted

There is more interest in reducing disaster risk now than ever before. Several federally funded projects are now looking at different types of floods, wildland fires and future climate data, in part so that builders construct homes to be more resilient.

But change is slow due to the rigorous code development process. Code officials are planning to include resilience upgrades in the National Building Code in 2025. According to our research, change is also slow due to resistance from the building industry that, in many instances, remains sceptical that construction practices need to change. Many builders and building trade associations believe that the current code is adequate to address the threat of severe weather.

But the costs and disruption from severe weather events speak for themselves. Current and future damages are unacceptable when weighed against small changes in construction practices such as extra fasteners that secure roofs in high winds, $150 backwater valves that keep sewage out of basements during extreme rainfall events and fire resilient siding that is often close to the same price as more flammable options.

The home building industry knows how to innovate. In response to public and political demands for carbon-cutting measures, new housing is dramatically more energy efficient than it was even just a decade ago.

 Builders now face another challenge: adding resiliency to homes so that they withstand severe weather. In many cases, we know what needs to be done to make homes more resilient, but face objections from some groups who need to be onside to make this happen.

The challenge is amplified by homeowners and voters who don’t seem aware of risk and who are not giving clear direction on climate change to politicians and builders.

All of society must acknowledge growing risk and act to protect our homes – and those who live in them – now and in the future by recognising the science behind changing weather and by accepting responsibility for making new homes safer.

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This article first appeared in The Conversation.

New ICLR book

Brain storms: Essays on Canadian hazards, risk and resilience

Floods. Wildfires. Tornadoes. Hurricanes. Ice storms. Hailstorms. Earthquakes. Large and impactful natural disasters are not a far-off problem that Canada will have to come to terms with and plan for. They are happening now, and they are costing the country a great deal. If we expect to make any progress on the natural disaster risk reduction front, we are going to have to come to a few understandings. ICLR’s new book of essays on hazard, risk and resilience, written and compiled by Managing Director Glenn McGillivray, looks at issues that run the gamut, from questions concerning risk and how it is perceived, to matters involving insurance, reinsurance and disaster assistance, to how we can temper the impact of natural disasters as we move further into a world that is becoming warmer and, in many cases, wetter.

The ebook is available in Kobo format on Chapters/Indigo website, see https://www.chapters.indigo.ca/en-ca/books/brain-storms-essays-on-canadian/9781927929179-item.html?ikwid=Brainstorms+McGillivray&ikwsec=Home&ikwidx=0
IBC proposes options for managing flood costs of Canada’s highest risk residential properties

On June 18, Insurance Bureau of Canada (IBC) released Options for Managing the Flood Costs of Canada’s Highest-risk Residential Properties, a paper that focuses primarily on ways to better manage the costs of flooding for high risk residential properties in Canada. The paper was developed through national consultations with the Working Group on the Financial Management of Flood Risk, co-chaired by Public Safety Canada and IBC. Highlights of the work were presented to Federal/Provincial/Territorial Ministers Responsible for Emergency Management at their annual meeting in Edmonton on January 25, 2019.

In May 2018, Federal/Provincial/Territorial Ministers Responsible for Emergency Management asked the Working Group to refine options for managing the financial costs of high-risk residential properties while drawing upon international models. IBC was asked to report on these options, which had been developed through Working Group consultations, to Ministers through the Advisory Council. The new paper, authored by IBC with input from members of the working group, is the result.

The paper explores three potential options, including a pure market approach like that used in Germany and Australia, where private insurance is the primary means of protection and governments scale back disaster assistance, an approach where insurance and government disaster assistance exist together and are better coordinated, and one where a high-risk insurance pool is introduced for properties that would not otherwise be able to access private insurance, similar to Flood Re in the United Kingdom.

The paper can be downloaded at http://assets.ibc.ca/Documents/Studies/IBC-Flood-Options-Paper-EN.pdf