ICLR'S 25TH ANNIVERSARY

STORM WATCH

Inside the founding and future of the Institute for Catastrophic Loss Reduction (ICLR), the research arm of Canada's P&C industry

By David Gambrill, Editor-in-Chief

Photo: David Gambrill

cu | How was the Institute for Catastrophic Loss Reduction founded?

ICLR's story started in 1992, when Hurricane Andrew struck near Miami. That event led to more insurance companies becoming insolvent than in any other single event since the 1906 San Francisco earthquake. There was a message in Canada and globally to the insurance industry: are you prepared for what the weather or a large earthquake might do to your company and your industry?

cu | What happened next?

At that time, I joined the Insurance Bureau of Canada (IBC) to focus on the question: could a large event cause insurance companies in Canada to go insolvent? The IBC put together a team of insurance company CEOs; I was hired to be the staff lead. Three things came out of our research. First, an earthquake could really threaten the industry, and quite a few things needed to be done to be better prepared. Second, in 1992, a consensus emerged that the weather was changing. Several groups in our industry were talking about climate change and what that would mean in terms of expecting more frequent and severe claims. Third, the Canadian insurance industry did not have enough knowledge to manage these risks effectively. So, the CEO group went back to the IBC and said, 'We should set up a group to focus on the science.' The group would give ongoing advice to the P&C insurance industry and serve as a link between the industry and government and others thinking about catastrophic earthquakes and the changing climate.

cu | What were the early expectations of ICLR?

Our understanding was that the P&C industry and the government wished to support ICLR's research. So, we set up ICLR in a way that it was independent from the IBC. Second, to qualify for government research funding, ICLR is affiliated with a university. In our first year, 1997-98, we had a competition, inviting universities to bid to be our host. The winning university was Western, and they gave us access to resources to support our research program. IBC represents privately owned insurers, and one innovative feature of our structure is that we also included public insurers from the very beginning.

cu | What was the original mandate of ICLR?

The industry approved four long-term goals. First and foremost, we would focus on science and research. Second, we would find researchers in other institutions, in other universities, and government researchers working on issues of interest to the P&C industry and develop relationships with them. Third, we would bring everything we learned back to the P&C insurance industry. So, we started appearing at industry conferences. Then we got into webinars, and now we have a lot of publications and an insurance advisory committee. The fourth focus was to reach out to the public.

cu | How did this mandate evolve?

In the beginning, [we] focused on three of the four areas. The board recognized ICLR was not ready to reach out to the public until we had a better sense of the information they needed to know. So, one of the early evolutions was to get ready to talk to the public. Over the years, we've gained a lot of knowledge about the best thing to do if you want to build community resilience. We have opinions on all the really important hazards facing Canadian society and the insurance industry. We're very comfortable now giving advice to the public about how we can become a more resilient society.

PROFILE

PAUL KOVACS

Title: **Executive Director, Institute for Catastrophic Loss Reduction**

Industry experience: **35+ years**

Volunteer: **Kovacs has been a contributing author to the Intergovernmental Panel on Climate Change since 1996. The panel won the 2007 Nobel Peace Prize for its research on man-made climate change. He co-chairs national working groups on infrastructure and housing (climate change research), and science and technology (disaster research).**

cu | Is there a specific example of this public consultation?

One example is Calgary in 2020. They had a terrible hailstorm, the most costly in the country. We had a conversation with Calgary, and we developed a three-part program. One part involved active communications with the public based on ICLR's HailSmart program. We said, 'You should install a hail impact-resilient roof, and you should put your car in the garage if a storm's coming. Here's how you can reduce the risk.' Second, we helped the city set up a rebate program. The city said to everybody who had hail damage in that storm, 'If you ask us, we'll give you an extra $3,000 to build back better and install an impact-resilient roof so that you're ready for the next storm.' That program was incredibly popular and brought our advice into action. Now we have a couple of thousand homes in Calgary with hail impact-resistant roofs. Third, we suggested to the province, 'Let's change the building code. All the new structures in Calgary that go up in areas with high risk of hail should have an impact-resistant roof when they're first built. That should be part of the new building code.' That part of the program is ongoing.

cu | What's next for ICLR?

Starting this year, our 120 member insurers asked ICLR to take on a bold new role. Now, in addition to our role as the premier disaster research institute in Canada, we are actively working to encourage decision-makers to implement our findings. This involves pressing to include science-based resilience action in building codes and new construction, sharing risk reduction best practices for existing structures, and support from ICLR's Resilience in Recovery team for communities that build back better following a major loss. The ICLR team is excited to support the leadership of the Canadian insurance industry to champion science-based risk reduction for seismic and climate extremes, and proud of our accomplishments through our first 25 years. cu