

# Climate Change: The Future is Here



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**C**anada has had much costlier years for insured natural hazard losses, but few have been as active as 2023 from a frequency standpoint. And it has insurance brokers right across the country hopping.

At writing, 13 catastrophes have been declared year to date by Catastrophe Indices and Quantification Inc. (CatIQ) with at least five others being considered for inclusion in the list and we're only into August. The year is set to substantially eclipse 2022 and 2017, the previous busiest years, both tied at 15 declared events.

CatIQ considers an event to be a cat when a minimum threshold of \$30 million in claims has been exceeded (up from \$25 million in past years, as adjustments for inflation must be made every so often).

CatIQ CEO Laura Twidle noted, "There have been over \$1 billion in cat losses so far this year, and that number will grow as the cat season estimates are released in August. Typically, July is mostly made up of cats in the Prairies. However this year, half of the July events have been in the east. Notably, Prairies cats are still occurring, but we're getting double the amount of events with the additional activity in the east."

An early, intense and ongoing extreme fire season, both in the east as well as the west, has seen more than 5,100 fires YTD (as of August 3) char more than 13 million hectares. Claims from fires so far this year will encompass lost structures (like the roughly 150 in Tantallon, NS), partially fire-damaged structures and smoke-related claims. But it's also looking like insurance claims with no physical damage (i.e. evacuation-related

Additional Living Expense claims) will also be quite high this year.

But it's not just fires. So far this year, Manitoba has been pummeled by twice the average number of hailstorms and Ontario has experienced some fairly uncommon large hail. Heavy rainfall impacted a significant portion of the Halifax area, and Montreal and other areas have seen significant flooding to date.

So far, the Northern Tornadoes Project at Western University has identified a total of 79 extreme wind events across the country, with 46 identified as tornadoes. The list of hazards and losses goes on.

Our climate is changing, quickly, and with it are more and larger extreme weather events. The combination of more and larger loss events exacerbated by climate change and more assets that are costlier to repair or replace is leading to some big numbers for Canadian insurers. According to analysis by the Institute for Catastrophic Loss Reduction (ICLR), total disaster losses are increasing by about 9% a year, three times GDP growth rate and about ten times population growth.

From 2008 to 2022, insured disaster losses have cost Canadian insurers a whopping \$26.7 billion.

These trends are impacting insurance brokers in several ways, including on the broker loss ratio and profitability/CPC side of things. Smaller brokers, in particular, like small insurers, are at risk of being disproportionately impacted by these loss events.

Increasingly, brokers will need to keep up on developments with product changes, including overland flood insurance, as the federal government, for example, gets set to launch a solution for those Canadians at high risk that can't purchase coverage on the private market. There will also be more pressure from several fronts for insurers to be more transparent about their knowledge of flood risk to select communities and individual properties.

Additionally, more companies will offer products like Wawanesa's Stronger Home Coverage that will require broker training.

But perhaps one of the biggest changes already afoot is that insurers, through their broker networks, will need to not only provide coverage, but also be expected to be loss control advisors.

While this doesn't mean that brokers will need to become civil engineers, it will require them to be able to direct insureds to advice and information about how weather-related damage can be reduced or prevented altogether.

This will be increasingly necessary as many homeowners are looking at much higher annual premiums and deductibles, and more restrictive policy limits and outright exclusions as carriers attempt to tame excessive cat-related losses.

For Canadian insurers and their brokers, the future of climate change is now.