DFAA Advisory Panel Members, Findings and Recommendations

BUILDING FORWARD TOGETHER towards a more resilient Canada

October 20, 2023
Panel members

- Alain Bourque
- Tracy Anne Cloud
- Becky Denlinger, Chair
- Maryam Golnaraghi
- Stephen Mooney
- Kevin Page
- Robert Phillips
- Veronica Scotti
Panel Recommendations:

DFAA Program

1. Develop a single integrated standard (DRR and climate adaptation) for disaster resilience with PTMI governments
   - Create a national resilience rating system to assess and track progress towards disaster resilience

2. Strategically target funding to disaster resilience and support for vulnerable populations
   - Connect disaster resilience rating system to pre- and post-disaster funding
   - Establish a dedicated funding program designed to reduce future DFAA claims (de-risking highest risks)

3. Integrate risk data into the DFAA and restrict how funds are used to rebuild assets in high-risk areas
   - Restrict reconstruction of unmitigated structures in high-risk areas and increase post-disaster mitigation funding

4. Ensure equitable access and support for Indigenous Peoples
   - Bridge gaps between DFAA and EMAP
   - Consult rights holders on unaddressed needs and priorities for disaster resilience
Panel Recommendations:

DFAA Program

5. Increase the scope and flexibility of DFAA funding
   - More flexibility to enable different approaches in different jurisdictions
   - Enable more local leadership and broader recovery priorities including decarbonization, reconciliation, and long-term resilience
   - Expand funding for actions that support vulnerable populations

6. Provide access to technical assistance and funding to address capacity constraints at the local level
   - Support capacity building, including a deployable team of experts who can work with local communities
   - Build networks and relationships to increase knowledge sharing

7. Streamline and improve efficiency of DFAA processes to improve access to and timeliness of funding
   - Integrate technologies that digitize processes and enable data analytics
   - Supportive and streamlined application process
8. Improve coordination and coherence between programs for DRR and climate change adaptation through the lens of disaster resilience

- Map and harmonize program objectives to identify efficiencies and address gaps, streamline and simplify processes to access funding
- Accelerate work on the National Infrastructure Assessment to guide funding programs

9. Develop capacity in progressive risk assessment and analysis

- Improved methodologies and techniques, with outputs that can be translated into actionable information

10. Increase the availability and accessibility of authoritative risk information to enable responsible action

- Targeted risk communication for the stakeholder and level of decision
- Accessible language and platforms for sharing risk information
Disaster risk reduction (DRR) and climate adaptation are happening in siloes, with insufficient coordination and integration.

Pre- and post-disaster funding should be aligned towards the same actions and long-term goals, ultimately to build disaster resilience.

Clear responsibilities and tracking and measuring progress towards a common goal builds momentum.

So much of this work needs to happen at the local level, where significant constraints may exist.
**Panel Findings**

**Risk-Informed Decision Making**

- To change behaviour, decision making on infrastructure, development, funding, and program delivery needs to be *risk-informed*, which requires:
  - Greater investment in capacities and methodologies
  - Integration of risk data into programs and decision-making processes
  - Targeted risk information that is accessible and actionable by the target audience

- Private sector is *under-utilized* and has significant expertise
Panel Findings
Flexible and Supportive DFAA

- A *flexible* program that enables PTs to prioritize actions and services based on their needs
- Greater *accountability* in how funds are spent to advance DRR and reduce the risk of future disasters
- *Equitable and supportive approach* that helps jurisdictions recover from disasters and advance DRR towards a common standard
- Integrating *technological innovations and digitizing processes* is important to keep the DFAA a relevant and accessible program
Review and Modernization of Canada’s DFAA

Presentation to the Institute for Catastrophic Loss Reduction

October 2023
Changing DFAA Policy Context

The economic, societal, and environmental context has changed since the DFAA was created in 1970 and continues to evolve.
Changing DFAA Policy Context

Major change drivers:
- Population growth
- Increasing urbanization
- Economic development
- Climate change
- Interconnectivity of infrastructure and supply chains
- Aging infrastructure

Increasing:
- Frequency and severity of disasters
- Social and economic disruption
- Public and private sector costs of disasters
- Insurance costs
- Housing costs
DFAA Review (2019-2022)

Review Goal

Promote disaster risk reduction across the entire Emergency Management system and ensure that the DFAA continues to be a relevant, effective and sustainable instrument in the context of rising frequency, impacts, and costs of disasters.

Three streams of research and analysis:

1. Internal research and analysis, including an Audit & Evaluation
2. Engagement with Provinces & Territories
3. Expert DFAA Advisory Panel
DFAA elements **not changing**

- The **Authority** for the DFAA remains the Emergency Management Act, and Provinces and Territories are the only eligible recipients of DFAA funding. PTs design and deliver disaster financial assistance in their jurisdictions, and eligible DFAA expenses can be cost shared.

- **Program intent**: To provide federal financial assistance for disaster costs that exceed what provinces/territories can reasonably bear on their own, based on a per capita formula.

- **Eligible disasters** are those caused by **natural hazards** that meet the initial program financial threshold, which will remain the same and continue to be indexed to inflation.
New Policy Direction (stemming from Review)

- Target federal funding in building resilience, reducing risk, and supporting people

- Enable rebuilds to **climate and disaster resilient** guidelines instead of pre-disaster conditions

- Create **incentives** for risk reduction and mitigation

Underpinning all policy changes is a push to modernize processes and increase efficiencies.
Proposed Policy Changes

1. New program format **based on expense type** (with highest cost sharing for reducing risk and supporting vulnerable people)

2. Some **expanded/modernized definitions and eligibility** (e.g., small businesses, temporary housing, length of some social supports)

3. Reconstruction to **climate and disaster-resilient guidelines** becomes a regular DFAA expense

4. Higher amount and more flexible **mitigation** funding

5. Recognizes pre-disaster DRR investments with a **reduction of PT “pre-threshold” costs**

6. Conditionality in federally identified **high flood-risk areas**
1. Program format based on expense type

Current Program Design

- First $3.61 per capita of eligible PT expenditures
- Next $7.24 per capita of eligible costs = 50% federal share
- Next $7.24 per capita of eligible costs = 75% federal share
- Remaining eligible costs = 90% federal share

Proposed New Program Design

Different cost-share level for each type of expense

- Expense Stream A
- Expense Stream B
- Expense Stream C
- Expense Stream D

Initial per capita threshold to trigger funding

First $3.61 per capita of eligible PT expenditures

Note: The figure for the proposed program is for illustrative purposes only and does not represent actual cost-sharing levels.
2. Modernized definitions/eligibility

- Some definitions for eligible expenses needed to be modernized, i.e., small businesses and non-profits (previous definitions outdated)

- Some types of expenses currently have time limits that do not reflect the reality of how/when these services are accessed (i.e., mental health support and housing supports)

- Looking to add clarity on the kind of natural hazard events covered by the DFAA

- Seeking ways that the DFAA can more actively protect housing stock which is often lost following a disaster due to things like a loss of rental units, etc.
3. Reconstruction with climate/disaster-resilience

Reconstruction in current program
- Rebuild only to pre-disaster conditions/current code
- Does not enable cost-sharing of effective climate-resilient ‘build back better’
- Federal reconstruction cost share currently ranges from 50-90%

Reconstruction as proposed in new program
- Modernized DFAA
- Rebuild to disaster resilient guidelines
- Enables rebuilding, when eligible, to be done with increased climate and disaster resilience
- Cost share would become predictable regardless of disaster scale (exact % TBD)

Note: The figure for the proposed program is for illustrative purposes only and does not represent actual cost-sharing levels.
4. Higher and more flexible mitigation funding

Mitigation in current program

- Funding envelope for mitigation calculated as a maximum of 15% of the estimated cost of damage
- Cost-share level determined at final audit based on size/scope of event
- Funding can only be used to enhance damaged structures

Mitigation as proposed in new program

- Mitigation percentage increasing (exact amount TBD)
- Funding is more flexible to allow PTs to strategically target highest risks in affected area.
- Encourages PTs to consider systems-level approaches, nature-based, green, and hybrid solutions that offer sufficient protection
5. Reduction of PT “pre-threshold” costs

**Current Program Design**

- **Remaining eligible costs = 90% federal share**
- **Next $7.24 per capita of eligible costs = 75% federal share**
- **Next $7.24 per capita of eligible costs = 50% federal share**

**First $3.61 per capita of eligible PT expenditures**

**Proposed New Program Design**

- **Expense Stream A**
- **Expense Stream B**
- **Expense Stream C**
- **Expense Stream D**

**Initial per capita threshold to trigger funding**

- **Some federal contribution based on pre-disaster DRR actions/ investments**
- **First $3.61 per capita of eligible PT expenditures**

**Note:** The figure for the proposed program is for illustrative purposes only and does not represent actual cost-sharing levels.
6. Conditionality in high-risk areas

Public Safety is developing tools to better support the current DFAA condition of not building back the same vulnerabilities in high-risk areas.
Modernizing the DFAA – next steps

- PS continues to work with PTs on the way forward for the new DFAA.
- PS is also seeking input from select academic stakeholders on some elements of the modernized program design.
- PS will be finalizing the new program and publishing new program guidelines in early/mid 2024.
- The new program is expected to launch in April 2025.
Related work

- As the DFAA is limited to post-disaster funding, PS is striving to increase alignment with other federal programs, other sources of mitigation funding, and other actors in the recovery space and DRR spaces, and to incorporate disaster resilience targets, objectives, and outcomes into the DFAA (DFAA Panel recommendation #1 & 8).

- PS is continuing to work closely with PTs and with Indigenous Services Canada and Crown Indigenous Relations and Northern Affairs to ensure there is alignment with EM and recovery programs that directly support First Nations communities (DFAA Panel Recommendation #4).

- As work advances on a national flood insurance solutions (as announced in Budget 2023), the DFAA will need to adapt to reflect the changing context with insurance, to avoid undermining the existing and future insurance markets.

- Work is also ongoing on a flood risk information portal for Canadians as well other ways to help communicate disaster risk to Canadians – essential tools for behaviour change (Panel recommendation #10).

- Work continues across various federal programs on how Canada can reduce disaster risk in the highest risk areas, recognizing the need to adapt to a changing climate (DFAA Panel recommendation #2).
Questions/Comments?
ICLR Forum: Modernizing Canada's Disaster Financial Agreement Arrangement

Reflections from a member of the DFAA Expert Advisory Panel

Veronica Scotti
Chairperson
Swiss Re Public Sector Solutions

October 2023
Reflections from a member of the DFAA Expert Advisory Panel

• What does the DFAA reform mean for the insurance industry?
  – Places resilience at the heart of the Government strategy, which is the key to financial & operational sustainability.
  – Focuses on enhanced availability and affordability of protection against underinsured risks (such as flood)
  – Provides the foundation for PPP insurance-like solutions – such as pools – to work effectively alongside the traditional insurance market.

• How could we ((re)insurers) support resiliency building government efforts in Canada?
  – Share data and analytics insights, as well as experience of other international approaches to closing protection gaps inclusively.
  – Increase risk-bearing capacity and risk redistribution structures via public private partnerships & capital markets access.

• How was the experience as a member of the DFAA Expert Advisory Panel?
  – Teamwork: Multi-sector collaboration (contribute & listen) was key to success.
  – Strategic insight: demonstrating the breadth of insight & holistic thinking that the insurance industry can provide.