

2020 Pre-Budget Submission for the Standing Committee on Finance Consultations



Une place de choix^{MD}

the co-operators[®]

A Better Place For You[®]

July 31, 2019

Standing Committee on Finance
House of Commons
Ottawa, Ontario K1A 0A6
FINA@parl.gc.ca

RECOMMENDATIONS

That the government:

Recommendation 1: Maintain public consultations to strengthen Codes Canada requirements.

Recommendation 2: Mitigate flood risk through land use planning and strategic retreats.

Recommendation 3: Implement a provision in the National Building Code of Canada for the mandatory installation of fire sprinklers in new residential home construction.

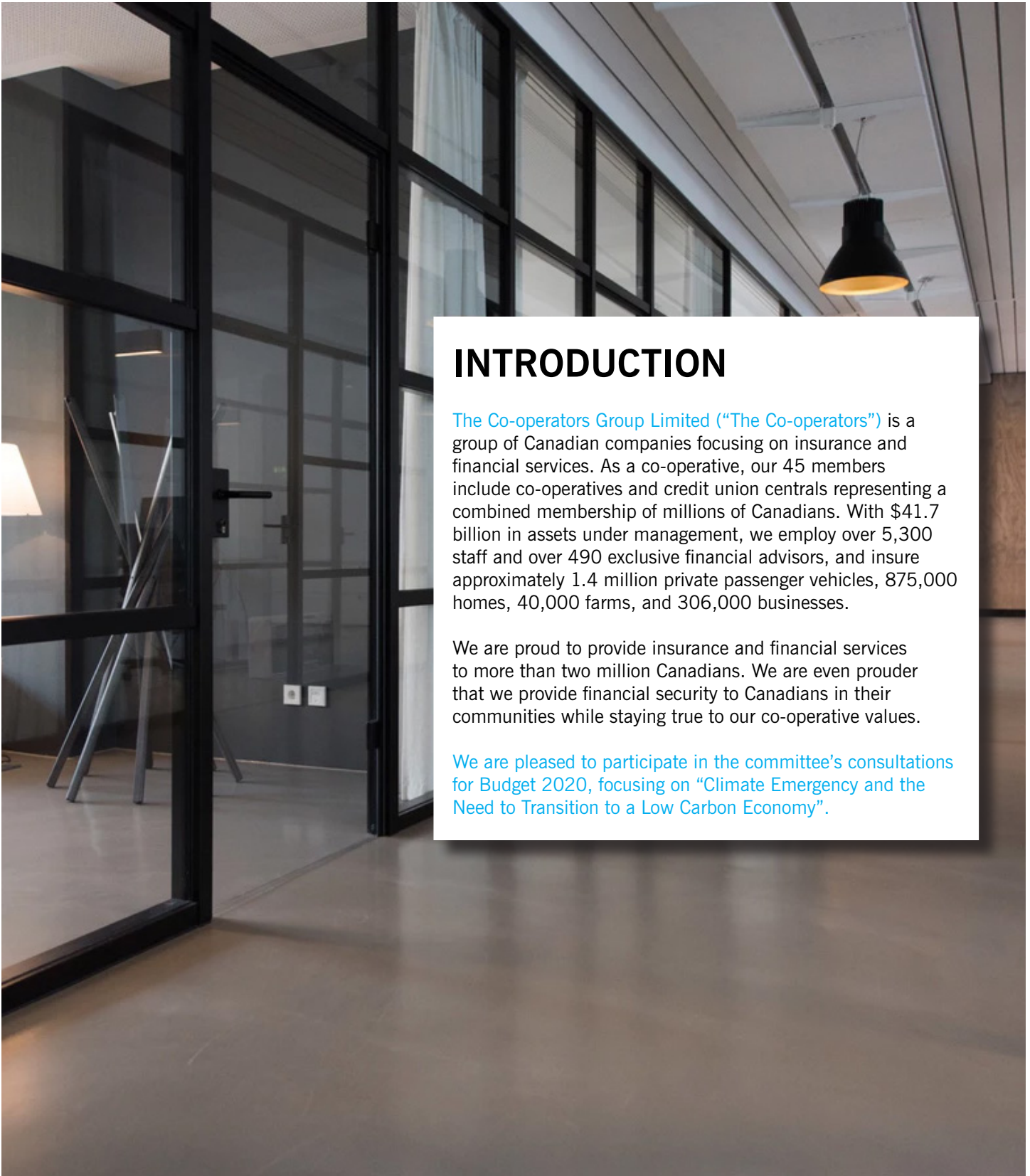
Recommendation 4: Develop and support more public education programs on flood and climate risks to stress the urgency of the risks that Canadians face.

Recommendation 5: Include insurers and asset owners – along with the not-for-profit organizations that we work with – as key partners for future plans.

Recommendation 6: Maintain a price on carbon pollution.

Recommendation 7: Re-examine the current regulations regarding private investment in infrastructure to remove barriers.

Recommendation 8: Undertake the recommendations of the Expert Panel on Sustainable Finance.



INTRODUCTION

The Co-operators Group Limited (“The Co-operators”) is a group of Canadian companies focusing on insurance and financial services. As a co-operative, our 45 members include co-operatives and credit union centrals representing a combined membership of millions of Canadians. With \$41.7 billion in assets under management, we employ over 5,300 staff and over 490 exclusive financial advisors, and insure approximately 1.4 million private passenger vehicles, 875,000 homes, 40,000 farms, and 306,000 businesses.

We are proud to provide insurance and financial services to more than two million Canadians. We are even prouder that we provide financial security to Canadians in their communities while staying true to our co-operative values.

We are pleased to participate in the committee’s consultations for Budget 2020, focusing on “Climate Emergency and the Need to Transition to a Low Carbon Economy”.

BACKGROUND



Insurance claims have rapidly increased as there have been more flash floods, rising rivers, hailstorms and windstorms that have caused significant damage. In the nine years from 2000 to 2008, insured losses in Canada caused by natural catastrophes exceeded \$1 billion only once; in the nine years from 2009 to 2017, they exceeded \$1 billion every year except one. **In 2018, severe weather caused \$1.9 billion in insured damages – one of the highest amounts of losses on record.**

The increased frequency and severity of climate-related events will continue to impact Canadians across the country, which means urgent action is needed to mitigate and adapt to the increasing threat of climate change.



Recommendation 1: Maintain Public Codes Canada Consultations

As a co-operative insurer, we believe we have a responsibility to help build safer and more resilient communities. We support stronger building codes at the federal, provincial and territorial levels. We wish to improve the resiliency of Canadian communities by discouraging building on flood plains or close to fault lines, encouraging stronger building, fire and plumbing standards, highlighting the need for infrastructure upgrades and supporting the transition to a low carbon economy.

We recommend continued public consultation on the federal codes to ensure Canada is well-prepared to address the challenges of flooding, fire and other environmental risks and to maintain our resilient communities.



Recommendation 2: Land Use Planning and Strategic Retreats

Flood [modeling](#) conducted by the Insurance Bureau of Canada (IBC) estimates that 2.2 million of the 10.9 million residential properties in Canada face the risk of overland flooding. Continuing to build in the same high-risk places will lead to greater risk of large flood losses. A coordinated effort between all levels of government is necessary to map areas at risk for flooding and to ensure targeted investments in protective infrastructure will be more effective. While this effort will take time, immediate action is needed to address the financial vulnerability our communities face.

We recommend improvements to land use planning, building codes and materials in the long term, and for mitigation and strategic retreat funding in the short term to decrease the number of residential properties that are exposed to high risks; both will help flood insurance to become more accessible and affordable.

Recommendation 3: Mandatory Fire Sprinklers in New Residential Home Construction

As an insurer, we witness far too often the devastating impact of fires in terms of lives lost, the safety of fire fighters, and the damage to personal property. This is why we are so committed to the installation of residential fire sprinklers in new building construction and greater public education and awareness to help facilitate this process.

When sprinklers are not installed, the cost to repair fire structural damage will most often be more expensive than water damage caused by fire sprinklers. The argument raised by some detractors that the cost of installation is exorbitant is weak, since it is not consistent with the facts when you consider the lives and property that sprinklers will save. Lastly, fire sprinklers are less harmful to the environment. They reduce fire damage by up to 97 per cent, and reduce water damage by up to 90 per cent.

[We recommend the National Building Code of Canada should make fire sprinkler installation mandatory in new residential construction, with a goal to set a precedent for building codes across the country.](#)





Recommendation 4: Education Programs for Flood and Climate Risks

A 2017 [study](#) supported by The Co-operators and conducted by the Partners for Action Network at the University of Waterloo found that only six per cent of those polled were aware they lived in a designated flood risk area. Also, only 30 per cent of Canadians are taking action to protect their property from flooding.

Recognizing these gaps in awareness and action, we provide Canadians with information on water damage prevention measures through our website and social media content. We played an instrumental role in convening industry peers and advocating for the improvement of flood resiliency, adaption and mitigation as part of Public Safety Canada's Advisory Council on Flood. We advocated for better consistency and accuracy in Canadian flood mapping and better, more transparent and effective communication of flood risks to Canadian communities.

Since 2015, we have been a founding partner of Wildfire Community Preparedness Day, along with FireSmart, the National Fire Protection Association (NFPA) and the Institute for Catastrophic Loss Reduction (ICLR). In 2019, the number of communities that received stipends and participated in the FireSmart Wildfire Community Preparedness Day rose to 125, representing a significant increase since the program's launch in 2015.

We recommend that funding shifts from 'post-disaster' bail-outs to proactive loss-prevention efforts. There are many leaders already undertaking this important work, and government support and collaboration could help to widen the reach and impact of these current public education programs.

Recommendation 5: Include Insurers as Key Partners for Future Plans

Driven by our co-operative values, we are committed to providing viable financial solutions to address challenges posed by a changing climate, supporting the transition to a low-carbon economy, and acting as a catalyst and a convener of positive change.

As risk experts, we have valuable insight to provide on code and standard amendments, and experience in assessing risks in the location, design and operation of infrastructure projects. [We recommend including insurers and assets owners – along with the not-for-profit organizations that we work with – as key action plan partners moving forward. Together, we can further our crucial work on sustainable development.](#)

Recommendation 6: Maintaining a Price on Carbon

Pricing carbon drives innovation and encourages both industry and consumers to be more efficient in their use of energy. Since 2010, we have reduced our carbon emissions by 81 per cent and as of 2018, 97 per cent of our Financial Advisor Offices are carbon neutral equivalent. As an organization, we are working to be carbon neutral equivalent by 2020.

[We recommend continuing to put a price on carbon and setting it at a level that will help Canada meet its GHG emission reduction target under the Paris Agreement.](#) This will prepare the economy for a cleaner, less carbon-intensive future. The revenue raised by governments through a price on carbon can be used to fund infrastructure improvements, public transportation systems, renewable energy projects and other measures that improve the resilience of communities and help Canadians transition to a low-carbon economy.





Recommendation 7: Re-examine Current Regulations for Private Investment

We are systematically incorporating climate change considerations in our investment decisions. We are steadily increasing our targeted level of impact investments that, beyond providing financial returns, intentionally and measurably address environmental and societal impacts. This includes seeking climate mitigation and adaptation benefits through investments in renewable energy, green buildings and low-carbon transportation.

Our investment manager, Addenda Capital, became the first Canadian asset manager to disclose the carbon footprint of all its equity funds. In 2018, we invested 13.1 per cent of our \$9.44 billion in invested assets into impact investments, exceeding our goal of six to 10 per cent by the end of 2018. Climate change themed impact investments accounted for 84.8 per cent of all our \$1.2 billion in impact investments in 2018. We now have a new target of investing 20 per cent of our invested assets in impact investments by 2022.

Prior to recent amendments, the Insurance Companies Act (the “ICA”), restricted federally regulated insurers from acquiring or holding a substantial investment in any entity. We are pleased that insurers will have the opportunity to make long-term and predictable investments in infrastructure, but we are still limited by the current regulatory regime and capital treatment of investments. [This continues to be a lost opportunity as insurers provide leadership in understanding the importance of addressing climate change, have a significant pool of capital available to them, and have the potential to take action on this critical issue. Therefore, it is imperative that the current regulations be re-examined.](#)

Recommendation 8: Expert Panel on Sustainable Finance Recommendations

We support many of the [recommendations](#) put forth by the Expert Panel on Sustainable Finance. In particular:

Recommendation 3: we are prepared to join the Canadian Sustainable Finance Action Council and would like to see the government form the secretariat.

Recommendation 5: we are working to disclose ourselves and as an investor would benefit from comprehensive disclosure by other Canadian entities and updates to the Canada Business Corporations Act (CBCA).

Recommendation 6: fiduciary duty needs to be updated regarding the public statement and stewardship code.

Recommendation 8: we recommend integrating climate risk in supervision.

Recommendation 13: we support building labelling.

We support these recommendations and would like to work with the government to implement them.





CONCLUDING REMARKS

We appreciate the opportunity to participate in the committee's consultations for Budget 2020, focusing on "Climate Emergency and the Required Transition to a Low Carbon Economy". We ask that you reach out to The Co-operators directly when discussing public policy matters that impact our industry. As a co-operative financial services provider, we believe we bring a unique perspective to public policy consultations.

For further information, clarification, or discussion, please do not hesitate to contact Maya Milardovic at 519-824-4400 ext. 302244 or maya_milardovic@cooperators.ca.

Sincerely,

Brian Minns

Brian Minns
VP, Sustainable Investing
Addenda Capital Inc.

Barbara J. McIntyre

Barbara Turley-McIntyre
VP, Sustainability & Citizenship
The Co-operators Group Ltd.

Maya Milardovic

Maya Milardovic
AVP, Government Relations
The Co-operators Group Ltd.