

August 4, 2023

# IBC's Submission for the Consultation in Advance of the 2024 Federal Budget



**IBC · BAC**

Insurance Bureau of Canada  
Bureau d'assurance du Canada





### RECOMMENDATION 1:

That the government urgently **prioritize funding to achieve the targets of the National Adaptation Strategy** by allocating \$5.3 billion annually over the next five years to protect people and infrastructure from the threat of increased flooding, wildfire, heat and other extreme weather events now amplified by climate change.

### RECOMMENDATION 2:

That the government accelerate the plan to stand up **a national flood insurance program and governing entity by April 2025** in partnership with Canada's property and casualty (P&C) insurance industry, as promised in Budget 2023, and focus programming on reducing risk to the 2% of homes at highest risk of flooding.

### RECOMMENDATION 3:

That the government engage **with Canada's P&C insurance industry on solutions to earthquake insurance**, as stated in Budget 2023, to better protect Canadians in the aftermath of a catastrophic earthquake and to **address seismic protection gaps via the same governing entity as the high-risk flood program.**

### RECOMMENDATION 4:

That the government urgently **confront the national auto theft crisis** to stem the illegal export of vehicles and proceeds to organized crime via money laundering activities.



## Recommendation 1:

That the government **prioritize the funding to achieve the targets of the National Adaptation Strategy** by allocating \$5.3 billion annually over the next five years.

IBC congratulated the federal government on the official release of the country's first National Adaptation Strategy (NAS). This was a significant step toward improving Canada's climate defences, and we now urge the federal government to make the necessary investments to implement this strategy.

Insured damage related to severe weather in Canada now routinely exceeds \$2 billion annually. At \$3.4 billion, 2022 was the third-worst year on record. By comparison, between 1983 and 2009, Canadian insurers averaged \$400 million a year in losses related to severe weather.

Proactive investments in advancing resilience and improving capacity for economic recovery will prepare Canada for future global competitiveness and economic stability. The choices we make now will determine how prepared Canada will be to cope with the risks we face in the next few years and beyond.

The unprecedented catastrophes over the past year demonstrate the increasing financial vulnerability many Canadians face due to natural disasters and the urgency with which we must move forward in the implementation of the NAS. At the midpoint of the worst wildfire season in history, over 1,000 wildfires were burning in communities across Canada, with a record number of hectares burned (over 13 million). Heat alerts were frequently announced this summer, recalling the heat dome only two years ago in Vancouver, where 619 people died. We must accelerate our efforts to respond to this very real threat to human life. And the devastation across Atlantic Canada from Hurricane Fiona coupled with the July 2023 Nova Scotia floods are a stark reminder that high risk Canadians are unaware that they live in harm's way, with possible fatal consequences.

To effectively fund the NAS, the federal government must allocate much more than the "down payment" of \$1.6 billion that was announced in November 2022 and the \$98.2 million in Budget 2023 to establish a national flood insurance program and to modernize the Disaster Financial Assistance Arrangements program. Finance Canada has allocated over \$100 billion in Federal Budgets dating back to 2018 to emissions reduction needed to avoid the worst impacts Canadians could face by the end of the century. However it is incongruous to allocate a fraction of this funding (less than 10%) to address the impacts Canadians are facing today. Significant further investment is needed to deliver on the NAS, given that Canadians now face insured and uninsured losses that surpass \$5 billion per year.





IBC collaborated with the Federation of Canadian Municipalities on a [report](#) that found that avoiding the worst impacts of climate change at the municipal level will cost an estimated **\$5.3 billion per year. This translates to a budgetary ask of \$26.5 billion over the next five years to programs that will enable rapid tangible progress on the 26 targets in NAS.** Of that, \$10 billion should go to the next iteration of the Disaster Mitigation and Adaptation Fund (DMAF) and be incorporated into the 10-year Infrastructure plan expected this fall. Funding must include community resilience measures that NAS identifies as immediate priorities.

In particular, the federal government should allocate funding to address the following target areas identified in the NAS:

- At least \$10 billion over five years is allocated for the new iteration of the DMAF, to prioritize protection of people and infrastructure at the highest risk of increased flooding, wildfire, heat and other extreme weather events;
- Expand upon the funds allocated in Budget 2023 to a Flood Awareness Portal and allocate a responsible level of funding to deliver a National Climate Risk Awareness Strategy by 2026 that covers flooding, wildfires, extreme heat and other risks Canadians might face;
- Allocate \$50 million over two years to develop a Community Rating System for Climate Resilience – a foundational framework needed to measure how exposed Canadian communities are to climate risks and analogous to the Risk Rating System 2.0 that FEMA uses in the United States;
- A Climate Resilience Corporate Tax Credit is introduced in 2024 for landlords of multi-residential low-income properties to help offset the costs of installing mini-split heat pumps and back-up generators needed to protect the vulnerable during extreme heat events;
- Funding is allocated to accelerate urgent off-cycle incorporation of climate change resiliency considerations into 3 Canadian Codes (National Building Code, Canadian Highway Bridge Design Code, and Canadian Electrical Code) by 2026;
- Modest funding is allocated to launch immediate consultations needed to develop and implement a National Recovery Strategy by 2026.

In addition, Budget 2024 should announce significant funding to create a Canadian Emergency Management Agency immediately with adequate resources and the mandate to coordinate elevated emergency preparedness, mitigation, response and recovery programming across the country.

The federal government must act now to bring a sense of purpose – and meaningful resources – to its efforts to better defend Canada and Canadians from the growing threat posed by climate-influenced disasters.





## Recommendation 2:

That the government accelerate the plan to stand up a **national flood insurance program and governing entity** in partnership with Canada’s property and casualty (P&C) insurance industry, as committed in Budget 2023, and focus programming on reducing risk to the 2% of homes at highest risk of flooding.

Canada’s P&C insurance industry is continuing to closely collaborate with the federal government, provinces and territories to establish the country’s first high-risk [national flood insurance program](#) by April 1, 2025, following the welcome announcement in Budget 2023 of an investment of \$98.2 million. Committing funds to establish a national high-risk flood insurance program in Budget 2023 sent a critical market signal to the global and domestic insurance market that Canada is serious about addressing the flood protection gap.

The primary climate risk affecting Canadians is flooding. Over 1.5 million or 10% of all residences in Canada are in known areas of high risk, such as flood plains, and are essentially uninsurable. These residences account for 89% of all flood losses according to a recent report from the National Task Force on Flood Insurance and Relocation. In fact, 2% of the highest-risk Canadian residences – about 300,000 homes – account for 50% of all flood losses.

By setting a target of reducing the risk to those 2% of homes at highest risk of flooding by 2028, we can realize an enormous return on our resilience investment through a renewed DMAF program and other measures.

Canada needs decisive action to reduce damage and risk by better understanding where and how to build, rebuild or relocate. At the same time, Canadians need **affordable flood insurance** to protect those at highest risk while reducing the financial burden on taxpayers. A coordinated response linking a new insurance program with investments in flood mitigation will help avoid losses in the first place and speed up recovery and rebuilding for displaced families and businesses after a flood event occurs. It will also reduce off-cycle costs facing the federal treasury.





## Recommendation 3:

That the government engage **with Canada's P&C insurance industry on solutions to earthquake insurance**, as stated in Budget 2023, to better protect Canadians in the aftermath of a catastrophic earthquake and **address seismic protection gaps via the same governing entity as the high-risk flood program.**

The government should enter into a partnership with Canada's P&C insurance industry to develop a comprehensive solution to address the aftermath of a catastrophic earthquake. Currently, individuals, businesses, governments and the insurance industry are exposed to financial and physical risk that must be addressed proactively and in partnership.

There is a significant probability of a catastrophic earthquake occurring in Canada in the coming decades. Canada is threatened by a massive earthquake in British Columbia and Eastern Canada, both of which are situated on active fault lines. An earthquake would devastate these regions through loss of life, economic interruption, damage to public infrastructure, and damage to residential and commercial property.

We recommend extending the partnership for a high-risk flood insurance program immediately to address seismic risk as part of a multi-peril solution. Ideally, with a national flood insurance program established by April 2025, a seismic program can be added by 2026. Our industry submitted comprehensive analysis in January 2023 on what a comprehensive earthquake insurance solution could look like. The insurance terms, deductible and premium can all be improved by splitting the financial liability between the government and insurers on the back end.





## Recommendation 4:

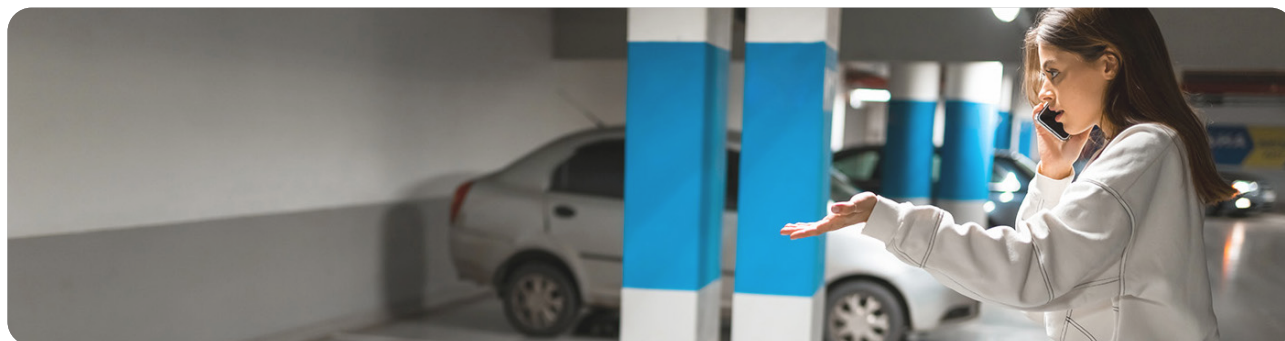
That the government urgently **confront the national auto theft crisis** to stem the illegal export of vehicles and proceeds to organized crime.

Auto thefts have skyrocketed in Canada since the start of the pandemic. In Canada's private auto insurance provinces, namely Ontario, Quebec, Alberta and the Atlantic Region, insurance claims for theft of a motor vehicle increased by 38% from 2021-2022 alone, from 27,560 to 37,934.

The private auto provinces experienced \$1.2 billion in theft claims costs in 2022, tripling from approximately \$400 million since 2018. Much of this activity is driven by international organized crime groups exporting vehicles through the Port of Montreal for export to the Middle East and north Africa where they are used in terrorist activities.

This auto theft crisis was foreseen in 2015 when Finance Canada identified auto theft as a high risk activity for organized crime groups engaged in international money laundering. Immediate measures are needed to elevate a focus on auto theft as part of Canada's anti-money laundering/anti-terrorist financing regime.

The federal government can take immediate steps to address the illegal export of vehicles by increasing dedicated resources available to enforcement agencies, and improving data-sharing by the Canada Border Services Agency with provinces and territories, P&C insurers, law enforcement agencies and anti-fraud organizations. As well, the federal government can work in partnership with the automobile industry to ensure vehicles are harder to steal by mandating new anti-theft standards.



**In conclusion,** IBC recommends full and stable funding for the National Adaptation Strategy over the next five years and beyond. We hope the work to create a high-risk flood program will be accelerated so that Canadians who need this coverage can be protected sooner rather than later. People in need of seismic insurance should also be served by the same governing entity, once the flood program is up and running. And the government should confront the national auto theft crisis to stem the illegal export of vehicles and proceeds to organized crime.



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