

Insurance and Climate Change in Canada

Canadian's financial wealth is often invested in home equity and in their property. As the impacts of climate change become more prevalent in the coming years, it's even more important for people's properties to be safeguarded against extreme weather events.

WHAT IMPACTS ARE WE SEEING IN CANADA TODAY?



The average annual cost of claims due to weather changes has quadrupled over the past decade to \$2 billion.



As a result, insurers are increasing their rates, and customers are paying higher premiums.



Severe weather and climate risks have surpassed house fires as the most costly and important peril for property insurance in Canada.



9 of the 10 most costly years for insured property damage in Canada have occurred since 2005.

WHAT CAN WE EXPECT?

- There will be an increase in the frequency and severity of extreme weather events.
- Unexpected and unprecedented weather events will strike vulnerable properties and communities that do not have the tools and experience to deal with them.
- There will be an increase in the number of people and assets exposed to damages due to a growing number of people located in high-risk areas.
- The Insurance Institute of Canada predicts the average annual severe weather claim paid by Canadian insurers could double over the next 10 years, increasing from \$2.1 billion to \$5 billion a year. This change will be met with growing insurance premiums.



EXTREME WEATHER

Climate scientists predict severe storms, including tornadoes, thunder, hail, and windstorms are likely to become more frequent and intense with climate change.

- The June 2020 hailstorm in Calgary cost \$1 billion for 100,000 insurance claims.
- Two 2021 winter wind storms in southern Alberta amounted to \$62 million in damages, and caused widespread power outages.



FLOODING

Losses and damages due to flooding are expected to mount as more assets are located in flood-prone areas, and more extreme rainfall events occur in areas unequipped to deal with severe flooding.

- Overland flooding events are the most frequent and costly hazards in Canada.
- Overland flooding is **not** generally included in Canadian home insurance policies.
- Sewer backups caused by flooding **are** generally covered under most Canadian home insurance policies.
- Residents impacted by widespread and extreme flooding events, such as the 2013 Calgary floods, may be eligible for government funding or cost-sharing.



WILDFIRES

There will be a greater risk of fire damage to properties as more fires burn out of control and into the urban-wildland interface.

- Due to more hot, dry and windy conditions, researchers predict that fire incidence will increase throughout Alberta and British Columbia.
- The total area burned by fire in Canada has more than doubled over the past 50 years.
- Lytton, B.C.'s wildfire cost \$78 million in insured property damages.
- Most Canadian property insurance policies provide coverage for damages from wildfires.



BUSINESS CONTINUITY

Extreme weather events often cause business interruption losses as power outages, damaged infrastructure, and emergency responses force them to close.

- Small businesses can be severely impacted and may experience significant losses after being out of commission following a natural disaster.
- Businesses should purchase additional insurance to ensure they are covered from lost income during a natural disaster.



CROP INSURANCE

Climate change may contribute to a beneficial longer growing season and increased precipitation, but more extreme and unpredictable weather will challenge farmers and threaten livelihoods. Extreme weather events are already on the rise and could lead to more crop failures for Alberta's agricultural producers.

- 75% of Alberta farmers have crop insurance, which provides coverage for cases of crop failure due to natural causes, such as deep freezes, floods, drought, excess rain, and extreme heat.
- Following western Canada's 2021 heatwave, several Alberta municipalities declared a state of emergency and crop yields diminished by 37%. Crop insurance pay-outs are expected to reach \$1 billion.