

Intelligence MEMOS



From: Paul Kovacs
To: Canadians concerned about flooding
Date: May 15, 2019
Re: **FLOOD INSURANCE FOR ALL**

Flood insurance is relatively new in Canada, but almost half of the 85 per cent or more of homes in Canada at low risk already have it included in their policies.

Many Canadians, however, live in homes with high or moderate risk of flooding. For them, flood insurance is expensive or not available. Disaster relief payments are a growing financial burden for governments. Importantly, disaster assistance paid by governments does not provide homeowners with the financial protection offered by insurance.

A risk pool is a mechanism that could bring flood insurance to all Canadians. Homeowners could buy insurance from a pool when coverage is unaffordable or not available. There are several alternatives, but the price may be set by government. Funds from the pool would be used to pay flood damage claims. Governments would pay the difference when damage exceeds the funds available. The need for a risk pool will be eliminated over time if governments prohibit new construction in zones of higher risk and protects or removes existing homes at risk.

Risk pools have been used successfully in Canada for many years to insure high risk drivers. Flood Re (a reinsurance scheme run by the government and paid for by a levy from insurers) was recently introduced in the United Kingdom to insure those with high risk of flooding. There are many challenges involved in the design and management of a risk pool, but this approach holds considerable promise to better protect Canadian homes at high risk. A successful program will involve a public private partnership involving private insurers and government.

Governments must commit to prohibit new development in zones of high flood risk. This land has great value to society as parkland, recreation use and agriculture, but is a poor location for homes, commercial buildings and critical infrastructure. Planning regulations can prevent the creation of additional risk by requiring development take place in zones of low flood risk.

Many older buildings, however, were allowed or encouraged to locate in areas that have since been found to be at risk of flooding. Engineered flood defence can provide protection. Buyouts are another effective strategy to reduce flood damage by removing vulnerable buildings.

More information about how to design and manage an effective risk pool is being developed by the Advisory Council on Flooding. The Council is co-chaired by Public Safety Canada and the Insurance Bureau of Canada. A risk pool was discussed earlier this year by provincial and territorial Ministers responsible for emergency management.

Overland flooding is a problem in Canada. This risk can be eliminated by preventing new construction in zones of higher risk and protecting or removing homes at risk. Flood insurance is an effective and affordable alternative to disaster assistance. Homeowners at low risk of flooding are turning to insurance for financial protection. A risk pool could bring insurance to those with higher risk.

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