



**Emergency Preparedness  
A Collective Challenge  
for Ontario**

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Good afternoon.

I'm delighted to be here on behalf of Insurance Bureau of Canada, or "IBC," at the Ontario Good Roads Association annual conference.

Today, I'd like to share some thoughts on how and where the insurance industry can help Ontario's communities, and how the federal government can be encouraged to provide greater support for emergency preparedness.

This speech will cover federal, provincial and municipal governments – all very important on this issue – so bear with me as I move back and forth.

Now, while this is an Ontario event, for an Ontario municipal audience, I will open with a pertinent, relevant, and moving Alberta story that Ontarians are lucky not to have experienced on such a breathtaking scale.

I'm talking about the massive wildfire that roared into the City of Fort McMurray in May 2016 causing devastating damage to the tune of \$3.7 billion in insured losses alone and forever changing more than 90,000 lives.

The Alberta government declared a state of emergency and issued a mass evacuation order. Almost 90,000 people fled the city and its surrounding communities, making this the largest wildfire evacuation in Canada's history.

Despite significant and coordinated firefighting efforts, the wildfire entered the community from several directions and decimated three neighbourhoods.

About 2,400 homes were damaged or destroyed as were hundreds of vehicles. And we're not talking about the kind of charred rubble that fire usually leaves behind.

No. This fire was so searingly hot there was nothing but powder where residents' homes used to be and silver puddles where pickup trucks once stood.

A large number of businesses were also destroyed along with people's livelihoods.

It's been almost a year since the wildfires, and the good news is that recovery is well underway. Residents are gearing up for a springtime of rebuilding.

Restoring life in Fort McMurray to a true sense of normalcy will take considerably more time. The

insured losses alone make the Fort McMurray blaze the costliest insured disaster in Canada's history. Furthermore, this is the third occasion on which Alberta has held the distinction of experiencing "Canada's costliest disaster."

As incredibly costly and destructive as the Fort McMurray fire was, first responders were skilled, proactive, and tireless in their commitment to save lives and property. The moment disaster loomed, emergency officials took action.

Today, we use superlatives to the point where we've lost touch with their meaning. So I'd like to emphasize the awe-inspiring dedication of municipal and emergency employees, many of whom toiled 15-hour days for weeks at a time.

First responders worked in an operating environment where the air quality index ranged between 14 and 16 on a scale where 10 means "get out." And some of them were doing this while coping with the reality that their own homes were in ashes.

Something else that helped make the response uniquely successful was that IBC was invited to participate at the very beginning of the fire.

Therefore IBC joined the Regional Emergency Operations Centre, or REOC, from the get-go. Fort McMurray's Firehouse Five served as the REOC.

In the early days and weeks of the response, four daily briefings with representatives from 40 different emergency response services were held with IBC playing an important role in the process.

IBC represented the industry, working closely with the provincial government and the local municipality on a proactive, large-scale effort to provide information to residents through multiple means from Premier Notley's telephone town hall meetings and other community events to brochures, social media and welcome-back kits.

IBC worked to get adjusters on the scene earlier than usual, which not only got the claims process underway more quickly, but also added a measure of clarity for those without anything else to hold on to.

Having IBC at the table early on also enabled us to take a leadership role in what proved to be an industry clean-up and response that was unprecedented in size and scope.

We organized the removal of large numbers of fridges and freezers, for example. When fridges and

freezers are without power for an extended period, the food and the appliances become so unsanitary and contaminated as to be unfit for use.

IBC brought insurers together to agree to a coordinated removal strategy of these “white goods.”

By the time the effort wrapped up in June, we’d hauled away almost 12,000 appliances, using local firms where possible to start money flowing into the local economy.

We are proud to have partnered with the Red Cross and Samaritan’s Purse in this endeavor. The next phase of dealing with debris involved removing ash, metal and concrete, and disposing of it properly. This is a significant technical effort.

What is often overlooked is the emotional toll the cleanup process can take on affected individuals, from first responders, to workers and residents.

From the Slave Lake and Fort McMurray disasters, we learned that recovery isn’t just about fixing broken things, but also about helping people cope with long-term psychological impacts.

Today, safeguarding survivors’ mental health and addressing (PTSD), is recognized as a recovery goal in the wake of natural disasters.

For our part, insurers have learned that giving people access to their homes is important for the coping process.

In Fort McMurray, once the situation was safe, we helped policyholders access their homes and to sort through whatever was left and begin to come to terms with their losses and assist them with planning next steps.

We also took stock of ways to improve the physical clean up.

After the 2011 fire that destroyed one-third of Slave Lake and about 400 homes, insurers removed debris en masse. Backhoes and bulldozers competed simultaneously to access the same roads, properties, and landfill sites. It was clear from the inefficiency of this approach that industry had to “find a better way.”

The lessons learned from that chaotic experience led the industry to develop a coordinated debris removal effort in Fort McMurray.

A local company cleared debris from 1,600 properties in just 3 months. I'm not suggesting this was a perfect solution, but it was a critical piece in rebuilding Fort Mac.

Finally, IBC representatives set up at the various information centres to help evacuees as they returned to their devastated neighbourhoods and began the process of rebuilding lives.

Quite apart from Fort McMurray, in as many disaster situations as possible, where insurance is inextricably linked with recovery, IBC has often deployed what we call the Community Access Mobile Pavilion, or CAMP, to answer questions and help survivors start the claims process.

The folks at various municipalities and the Red Cross have told us they appreciate our presence because it gives them an added resource.

When someone comes up to them with complicated insurance issues, they can now point to IBC's CAMP table and say – "Insurance? Ask them."

It's difficult to know what the future holds for Fort McMurray.

Certainly the road to recovery will be a long one. Most homes are expected to be rebuilt by the end of 2018. However, the regional government's own recovery plan predicts that some mitigation projects could stretch into the next decade.

There are many more lessons to be learned during this long recovery. But we believe the initial response will be written down and remembered as a best-in-class example in post-disaster response.

It is also a shining example of what's possible when insurers are invited to the table early, and what can be accomplished when local governments and insurers work closely together.

Now I'd like to step back from what works post-disaster to something perhaps even more important.

And that is all the work that must be done ahead of time to minimize the impact of extreme weather events.

The long-term trends are very clear. Around the world, severe weather events are happening more frequently and with greater severity.

While the risks vary by community, no municipality is immune. In Ontario, there were 6 extreme weather events causing significant insurance losses last year.

In the past decade, there have been 30, which doubled from 15 in the prior decade.

The evidence tells us that, a warmer atmosphere retains more moisture while slowing the jet stream. This can lead to more frequent and intense flooding. When combined with increased development in flood-prone areas, you have the perfect storm for even higher losses.

Now here's where I want to change it up a bit and talk about money. Money is essential to adequate preparedness but questions need to be asked.

Like --Who pays for what? When? And how?

But first the big picture.

For the 25 years from 1983 to 2008, insured losses as a result of large weather events in Ontario were an average of about \$100 million a year. For the eight years since, the average has been more than \$400 million a year.

Now incredibly, this 400% increase in insured losses does NOT include overland flooding. As insurers are starting to offer overland flood coverage, we expect to see an increase in yearly insured losses.

It's safe to say that rising costs place a strain on insurers, individual consumers, as well as federal, provincial, and municipal governments.

Last July, Canadian Premiers met in Whitehorse for their semi-annual Council of the Federation meeting. The good news: Disaster response was featured on their agenda and Premiers called on the federal government to renew its commitment to natural disaster response.

The Premiers argued that if the federal government were to assume a larger role in disaster response and recovery, the financial strain on provinces would be eased somewhat given the increasing frequency of events such as wildfires and floods.

The Premiers directed those ministers responsible for emergency management to form new disaster response and recovery models... and to work with the federal government to create a modernized Emergency Management Framework for Canada.

The Premiers also urged the federal government to reconsider the recent changes to the Disaster Financial Assistance Arrangements (DFAA), including:

- Reinstating the pre-2015 funding thresholds;
- Promptly reimbursing upfront disaster costs paid by provinces and territories at the time of events;
- Expanding the program coverage for catastrophic events;
- Working with the insurance industry to expand the availability of, and access to, insurance products related to disasters; and
- Improving federal disaster assistance for replacement infrastructure built to a more resilient standard.

This is a move in the right direction.

That said, I have a direct pitch to make today: that we work collaboratively to convince the federal government to make these significant changes.

On the issue of flood, the insurance industry has raised the bar in a couple of ways.

The first step to a flood solution is to know who will be most vulnerable when the storm comes or the river rises.

Towards the goal of better understanding the risks we face, IBC has been working with a global leader in flood mapping to develop a model that uses the best available local climate, land use and geographical terrain data.

The mapping was done for the whole country. Here's what the maps have taught us about the exposures in our province:

There are 3.4 million homes in Ontario. 590,000 of them – that's 17% -- are at high risk of flood.

Of these:

- 370,000 are exposed to river flooding only
- 110,000 are exposed to stormwater flooding only
- 120,000 are exposed to both
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The vast majority of homes in Ontario can be privately insured. But for those at highest risk, we need another solution.

So here's the money part of the talk.

During the past two years, insurance companies in Canada have started to offer flood insurance.

Economists have a concept called moral hazard. In this context it means that people are less likely to take action to protect themselves if they think the Government will take care of the problem.

But the fact is – because of the risk, because of the history, because of changing weather patterns – these policies may not be affordable for many of those who are highly likely to be affected by flood. From an IBC point of view, the solution is to work in partnership with federal and provincial governments to create a broad strategy to address flood.

But the solution is about more than just providing financial support for those affected by floods. We need ongoing mitigation both at the community and individual level so we are better prepared for future risk. This is a precondition for a functioning private sector solution with affordable rates. Hence, governments at all levels must commit to investing in flood mitigation efforts.

Risk-based insurance pricing encourages homeowners in higher-risk areas to take actions to better flood-proof their homes: actions such as disconnecting drain pipes from the sewer system, and installing a backwater valve, or changing the grading around their homes.

A very real benefit of risk-based insurance pricing is that there is a motivation for homeowners to better protect themselves, and as a result, lower their premiums.

The previous government in Ottawa, through its National Disaster Mitigation Program, pledged to establish the conditions for a residential flood insurance market.

It put in place a national roundtable on residential flood insurance – one that brings together the insurance industry, emergency management officials and federal agencies.

These initiatives were full of promise and potential.

What we need now is a demonstration that the political will still exists to drive this process to a productive conclusion.

That is the federal piece of the puzzle.

Implementing these initiatives would take those taxpayers who in some instances would otherwise be on the hook for costs, in the aftermath of a catastrophic flood, off that tax hook.

Next up is the local piece of the puzzle. And that is the need to increase our resilience.

And that means a change in land-use policy.

And THAT means limiting or ending the practice of building in areas deemed high risk of flooding.

And it means an ongoing focus on improving building codes to ensure that residential, commercial and public infrastructure is more resilient to hazards like earthquake, wind, hail, fire and water.

When it comes to floods, we need to make smart investments in sewer and stormwater infrastructure to better defend our communities.

We also need to think outside the box. To give just one example: Environmental organizations such as Ducks Unlimited have proposed measures to restore wetlands and coastal ecosystems that would buffer communities from intense rainfall and storm surges.

Such projects would require less upfront capital and less maintenance than traditional flood defenses – while simultaneously enhancing biodiversity.

The other benefit – the payback in terms of Return on Investment is higher than for built infrastructure. For many, even in at-risk areas, floods are still perceived as generational events. The chances of an occurrence are seen as largely remote or even implausible.

It won't happen here.

It won't happen now.

It won't happen to me.

This kind of thinking pushes the possibility of disaster to the backs of our minds. Fortunately, this perception is changing.

We all need to work together to educate consumers to ensure they understand the risks they face and the ways to protect themselves, including a better understanding of the insurance options available to them.

There are lots of ways to deliver this type of education to consumers, and plenty of organizations – including municipalities – have good programs in place.

IBC does a lot of work in this space, from traditional and social media, to attending community events to

share information, and partnering with key organizations to get information to your residents. As I wrap up, let me take you back to Fort McMurray, a community whose recent trials appear almost biblical in proportion.

The fire, is increasingly proving to be an example of our country's evolving and maturing approach to preparing for, and managing, disasters. A heart breaking but valuable lesson.

But we have a long way to go.

I've done many years of public policy work, and one common and troubling human tendency is to believe that someone else is taking care of things.

The common cause is something for which no one takes responsibility.

The stickier the wicket, the likelier we are to assume someone else is, or ought to be, on the job. When it comes to better preparing a country for natural disasters – individual consumers, the insurance industry, and all three levels of government have roles to play.

But when it comes to protecting individual communities, no one will care like the municipalities themselves. No one will work harder than you do to protect your friends and neighbours. Your friends and neighbours are also our customers, so the industry really does want to work with you to get it right.

Let's continue to apply the spirit of cooperation and planning ahead to preparing for disaster and making communities more resilient. And let's work together to encourage the federal government to implement a national flood strategy to protect all Ontarians.

Thank you.