



**Fires and Floods:  
Disaster Proofing  
Canada**

**CHECK AGAINST DELIVERY**

**Don Forgeron,  
President & CEO, IBC  
Economic Club of Canada -- Ottawa**

**Wednesday, May 18, 2016  
The Fairmont Chateau Laurier  
Laurier Ballroom (Main Level)  
1 Rideau Street  
Ottawa**



Thank you, \_\_\_\_\_, for your kind introduction – and good afternoon everyone.

As we gather today, the wildfires in Fort McMurray and near other communities in Western Canada continue to burn. Thousands remain in shelters, or with friends and family – part of the largest fire-related evacuation we've ever seen in our country, and likely the largest-ever loss of property.

From coast to coast, Canadians are coming together to help those in need – donating money and giving of their time.

The story has reached beyond our borders, and so has the spirit of generosity. Last week, I was in a taxi in Paris – and upon discovering that I am Canadian, the driver asked whether people were still in danger.

The congregation at his church had just recently come together to donate money and supplies to the people of Fort McMurray. He told me: “The world reached out to help us after the terrorist attacks – and we want to return the favor.”

It was a heartening moment in what has been a time of unimaginable difficulty for the men and women who have been fighting this fire, and for those whose lives have been forever changed by it.

When we began planning this event some months ago, we knew that hundreds of fires would be burning across Canada as I spoke. That's simply a fact of life in a country abundant in boreal forest. Most fires are relatively small. Many are actually beneficial in the long run. Almost all are manageable.

But we could never have guessed the magnitude nor the devastation of the Fort McMurray fire.

It will not surprise you to hear that this has been a very busy time for the companies we represent.

In a time of crisis, the priority of our industry is to get customers the support and financial assistance they need, as quickly as possible. Insurers have been on the ground meeting that responsibility – but that's not what I'm here to talk to you about today. I'm here to talk about future challenges.

Yes, at this moment, it is essential that the focus of both government and our industry remain squarely fixed on helping those in need in and around Fort McMurray – and doing what's possible to manage and diminish the fire.

But policy makers also have a responsibility to respond to the fact that we have entered a troubling new era.

There has been plenty of discussion about whether climate change is responsible for this particular wildfire, at this particular time.

There is no way to answer that question definitively – and even if we could, it wouldn't matter.

It wouldn't matter to the families who have lost their homes and have been displaced.

It wouldn't matter to the kids who have been forced to move to new cities and towns, and start up at new schools.

And frankly, it wouldn't – or shouldn't – matter to policy makers.

What matters – what we cannot ignore – are the long-term trends. And those trends are clear.

Around the world, natural disasters are happening more frequently, and with greater severity. The risk varies from country to country – and within Canada, it varies from province to province – but let's not kid ourselves: no one is immune. We all need to adjust to – and better prepare for – this new normal.

Many of us hear the term “climate change” and our thoughts turn to the distant future. We think about what life on our planet may be like 20 or even 50 years from now.

That's understandable. And it's important to be far-sighted in our thinking.

Climate change, however, has moved from future threat to present danger.

We are already feeling its effects:

- Longer periods of drought, leading to more forest fires.
- And more storms, hurricanes and prolonged, multiple-day rainfalls – leading to more frequent and intense flooding.

Here in Ottawa, the Parliamentary Budget Officer issued a report some time before the Fort McMurray fire. It estimated that over the next five years, the financial cost of natural disasters, driven in part by climate change, will be far greater than previously estimated.

It's important to get a handle on the scope of the transformation that's underway.

Let's look back at the period between 1970 and 1994. Back then, the federal government paid out an average of \$54 million each year from its disaster fund. And that's adjusted to 2014 dollars.

The new PBO report estimates that over the coming five years, weather events linked to climate change will cost the government \$900 million annually.

That's a remarkable increase. And it is far in excess of what the government has currently set aside to deal with such events.

Most of the damage is expected to be caused by floods and fire.

And we're not talking only about areas that have traditionally been exposed to risk. Our changing climate and other factors are altering that equation.

For instance, some 20 per cent of Canadian households are now vulnerable to floods and that figure is increasing. And the risk of wildfire continues to grow as a result of climate change. As one meteorologist put it, in the simplest of terms: "Places that are hot and dry are going to keep getting hotter and drier."

The new federal government has been vocal and ambitious in its pursuit of a more progressive approach to climate change – to reducing emissions and better protecting communities from the effects of our changing climate.

We saw evidence of that on Earth Day, when the Prime Minister formally signed the agreement from the Paris climate conference.

Canada is now committed to putting forth a national climate strategy later this year – a strategy that is being formulated by several federal-provincial working groups.

It will include measures aimed at climate adaptation and resilience.

This marks an opportunity to move forward in a way that will make a profound difference in the lives of many. It's an opportunity to meet an immediate test of leadership on climate change, make lives better and keep Canadians safer.

Let's take a look at our current system. Right now, financial assistance for floods and other catastrophes is provided through the Disaster Financial Assistance Arrangements, which is operated by Public Safety Canada.

It's the primary source of financial support for Canadians in times of emergency.

But the Parliamentary Budget Officer is blunt in his assessment: The current fiscal framework understates, in a material way, the likely costs to citizens of severe weather.

And that's a problem. That means damages beyond what the fund can cover will need to be found elsewhere – resulting either in cuts to other programs or an increase in the federal deficit.

We need only reflect on the devastating floods in Alberta in 2013.

In September of that year, the government announced that its deficit for the fiscal year would increase by \$2.8 billion – all because of unexpected expenditures and support related to the flood. That's almost half of the contingency built into the current finance minister's fiscal forecasts.

Severe weather is a fact beyond our immediate control. Floods and fire are going to continue to be a growing problem. Government needs to accept reality as it is.

We need a new framework to guide our collective response – a framework that allows us to build a more resilient country, and better assist those affected by the fallout from our changing climate. The DFAA will still be an important tool, but it shouldn't be the only tool in our toolbox.

The insurance industry is determined to be a part of that solution – a partner working in a spirit of cooperation to establish a better system for protecting Canadians from flood and fire risk.

Frankly, we think we bring a valuable perspective to the table.

Canadians have long depended on us to be there for them when things go wrong.

But they also rely on us to look into the future, examine the data, assess the risks, and help them better prepare for what lies ahead.

Let me tell you a bit about the world I come from: I work with people who worry for a living.

Insurance Bureau of Canada represents more than 90 per cent of all car, home and business insurers in this country.

We've seen lives forever altered in the aftermath of severe weather. Houses and memories gone forever. And we've seen lives lost.

We believe there is an urgent need to respond now, today, to the troubling challenges presented by our changing climate. The longer we delay, the higher the costs and the greater the risk – to property, to the federal treasury and to Canadians.

As the Premier of British Columbia said of the fires raging in her province and across the Prairies: “We can't just cross our fingers and hope it won't be a bad year anymore.”

When it comes to better preparing for disasters, there is no “one size fits all” approach out there in the world. For instance, we've closely examined flood strategies in seven countries, and no two are the same. I'm just back from an OECD conference on the financial management of flood risk and I can tell you: No country has yet found the perfect solution.

Different nations face different challenges. We need to find our own way and create our own partnerships.

But to reduce risk, there are four globally recognized elements – four boxes we need to check – if we are to confront the challenge at hand in a way that best serves Canadians. These four elements come straight from the Sendai declaration on disaster risk reduction – which Canada signed last year.

First, we need to better identify and truly understand the risks we face. When it comes to floods that means investing in accurate, up-to-date hazard mapping.

I'm proud to say the insurance industry has taken the lead on this. IBC has been working with a global leader in flood mapping to develop a Canada-wide model that uses the best local climate and geospatial data available.

We are sharing the results with governments across Canada, many of which have their own flood mapping projects underway. However, these maps need to be kept up to date: They must incorporate provincial and municipal data and account for the lowering of risk once flood defenses are put in place. So there's more work to do.

Second, we must strengthen governance to better manage risk. This means limiting or ending the practice of building in areas deemed high risk by flood mapping – and having a hard discussion about where to build in areas that are close to our boreal forests.

Over the past two years, the companies we represent have started to offer flood insurance. 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.

Better governance means making insurance achievable for these owners, who represent roughly 10 per cent of existing properties in Canada.

Many of these properties are built in river valleys or on flood plains – and are positioned in such a way that flooding claims are all but inevitable.

The solution is to work in partnership with federal and provincial governments to create a residential flood insurance program tailored to these properties.

Yes, we would absolutely need government to work with us to make this happen – and to make the premiums affordable. But if done right, it would cost governments less than they pay out through existing disaster relief programs.

It would also encourage homeowners in high-risk areas to undertake their own flood-mitigation work by holding out the prospect of lower premiums. In fact, a new climate adaptation centre that was launched this year out of the University of Waterloo has created an assessment program that examines 40 points of potential vulnerability in a home – and recommends measures to reduce the risk of flood damage.

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

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

These both hold the potential to be important initiatives.

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

Because doing so would financially benefit the taxpayers who would otherwise be on the hook in the aftermath of a catastrophic flood.

This brings me to the third element of risk reduction: we need to increase our resilience to flood and fire. That means a change in land-use policy.

And it means an ongoing focus on building codes – to ensure greater resilience on the part of residential, commercial and public sector infrastructure.

The Institute for Catastrophic Loss Reduction – an independent research body established by Canada’s property and casualty insurers – has done excellent work in this regard.

As Paul Kovacs, the executive director of the institute has noted: There are communities in northern Alberta that have passed bylaws to ensure that all buildings have a roof that’s fire resistant, and every home has a zone of protection around it. None of this guarantees a community is immune from fire. But it does offer an element of protection and reduce some of the risk.

The same goes for prescribed burns that help create a fire break near populated areas.

When it comes to floods, we need to invest in sewer and storm-water infrastructure – and green infrastructure more broadly – to better defend our communities.

I am happy to say that in this regard, the federal government seems aware of, and willing to respond to, the immediate-term challenges posed by our changing climate.

The recent budget announced support for green infrastructure projects – to help mitigate climate-based risks in communities across our country.

And provinces such as Alberta are also investing in infrastructure to reduce or eliminate some of the potential damage of flooding.

Investments of this sort protect families. They protect property and livelihoods. And they protect the treasury from the costs of damage and rebuilding.

However, even greater ingenuity is required. 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.

Fourth and finally, we need to create a culture of emergency management: to enhance our ability to respond effectively – and to build back better and smarter – in the aftermath of a disaster.

For many, even in at-risk areas, floods are still perceived as generational events. The chances of wildfire continue to be largely seen as remote. This perception is changing, but we need to better explain the reality of risk today – the growing threat, and the need to take clear action to respond.

Governments, communities, insurers and consumers – we all have a role to play in better understanding the modern reality of risk. That is the path to making smarter decisions that actively reduce the potential damage and financial impact that can be caused by severe weather.

Like I say, it's about creating a culture:

- a willingness to pay greater attention to potential risks before planning decisions are made;
- an awareness of the need to invest in infrastructure that reduces the potential for fire and flood;
- And, in terms of flooding in particular, an understanding of the need to change from an antiquated system of compensation that leaves taxpayers vulnerable.

Above all, we must understand that we can't afford to be complacent. We can't afford to put off action.

We need to work in collaboration and partnership – public and private bodies alike – to devise an approach focused on prevention, protection and support.

Our mandate as insurers is clear: we exist to serve Canadians. To provide them with protection against the risks of our world.

We are cautious by nature and meticulous by habit. We are not in the habit of issuing warnings.

But we also see the world as it is – and the world is changing. The risks we face are growing and evolving.

Collectively – industry, governments, consumers – we need to come to grips with this new reality, and take action to adapt to it.

By way of conclusion today, I'll say this:

Like most Canadians, we support efforts by governments at all levels – and by citizens from coast to coast – to reduce carbon emissions.

It is very important that Canada do its part and join in the global effort to fight climate change and reduce its long-term effects.

But we also need to be concerned with the here and now.

I spoke earlier about how ours is an industry of professional worriers.

But we are anxious in a very methodical fashion. Our concern is expressed mathematically. We rely on data and evidence.

And what the evidence is telling us is clear: We need to take up the challenge of dealing with the more immediate effects of a changing climate.

For many communities in Canada, fire and flooding represent the first tangible challenges presented by global warming.

Canada needs to respond with a strategy built on collaboration and a keen awareness of our changing climate.

The time has come for our country to take a more disciplined and sustained approach to how we help people prepare for fire and flood.

By taking action now, we can help minimize costs to taxpayers and better equip homeowners for the risks and challenges that lay ahead.

Thank you.