



Remarks by Don Forgeron

**Greater Kitchener Waterloo
Chamber of Commerce**

Tuesday, September 26, 2017



Good afternoon, everyone. It's a pleasure to be with you today.

At IBC, we put a high priority on getting together with local business communities – not only so we can share our knowledge in a way that's practical and helpful, but also so we can hear your concerns and your priorities.

Today, I'm going to talk for 10 or 15 minutes – and then I'm going to sit down with Ian and take his questions, and any questions of yours as well. I look forward to hearing what's on your mind.

[Pause]

But first to the topic at hand – the one that's been at the top of every website and newscast.

I'm talking about the seemingly endless series of natural disasters that we've been witnessing. Hurricanes. Floods. Forest fires.

We need only to look at the headlines to get a sense of the unusual scale of these disasters – and how they are affecting millions of people.

It's too early for a definitive tally of the costs of Harvey and Irma. But the scope of the destruction is becoming clear.

In Houston, it is estimated that 250,000 homes are damaged or destroyed.

Half a million cars are write-offs – damaged beyond repair by the winds and flood waters.

Total insured losses in Texas are expected to be as high as \$20 billion U.S. – that's over and above what's not covered by insurance.

Losses from Hurricane Irma are expected to be at least that high – and potentially twice as much – though work to determine the extent of the damage is still ongoing.

Meanwhile, the wildfires along the American west coast have become the most expensive in U.S. history.

In British Columbia, officials are currently dealing with more than 750 fires. And we've already seen claims of more than half a million dollars just for cars and trucks that have been lost in the fires.

This follows on the Fort McMurray fires of last year, which now stand as the costliest insured disaster in Canadian history – some \$4 billion in losses.

In the midst of these crises, the priority, of course, is personal safety. Rescue and recovery.

But beyond the immediate danger, there are roles for each of us to play.

Government needs to adapt its policies to reflect a new reality in which natural disasters are increasingly costly – and climate change has moved from future threat to present danger.

The insurance industry needs to do more to inform people about the evolving nature of risk – and encourage them to be sure they're as prepared as possible for any eventuality.

And business owners and leaders need to take action to evaluate their own potential exposure to disasters – and ensure that they are as ready as they can be.

Because the ability of the business community to recover and carry on relates directly to whether the broader economy – local, regional and even national – will remain strong.

IBC members represent 90% of the property and casualty insurance market in Canada. We have a collective responsibility to be there in tough moments and in hard times. That's our business and a responsibility that we embrace.

We all know that disasters affect people – but what often doesn't get talked about is how they impact the economic health of a community.

Let's be clear: The reverberations from natural disasters can extend through every corner of the economy. On average, 40% of businesses affected by disaster never reopen. Another 29% fail within a year.

There was a study done at Columbia University. It found a common thread in the aftermath of natural disasters – the less prepared a business is, the greater the challenge to recover. And so each of us needs to consider the months and years that would follow the moment of devastation.

Both in Texas and in Florida, we are seeing a large number of businesses struggling to get the doors back open. The stories can be heartbreaking.

The dry cleaner in Houston who watched his \$40,000 piece of machinery disappear under rising waters.

The entrepreneur who runs a bakery that's been in his family for 70 years. In the face of damage and lost revenue – the fifth disaster of his lifetime – he's thinking about giving up and shutting down.

In Florida, the biggest challenge has been the lack of power.

Some businesses have opened on a cash-only basis – can't accept credit or debit purchases. Many are struggling with how to pay their employees and how to order inventory – the kind of stuff that would normally just happen automatically.

In some places, business owners haven't been able to open because their employees are focused on their own homes and families – and they just haven't shown up for work.

As one report put it: “Small business owners without the resources of a major chain are struggling to rebuild, re-staff, and get sales going again.”

We have learned from other places in the world the imperative of putting in the advance effort.

We have learned the importance of taking preparedness seriously.

In Japan, it took two full years simply to remove the debris caused by the tsunami. In Christchurch, New Zealand, there are still areas that are uninhabitable six years after the quake.

Or think about Hurricane Katrina and its long-term impact. The U.S. government and its emergency management agency were simply not ready to confront the challenge.

Response and recovery efforts across New Orleans were slow. And there was a long-term cost to that: Ultimately, around a quarter of the population left the city for good. That kind of emigration was a blow to economic health, and to the ongoing prosperity of the region.

We don't know if the same kind of thing will happen in Texas. Certainly there are some who have already decided to move on, rather than wait to rebuild.

More recently, and much closer to home, insurance industry representatives and members of my team spent months on the ground after the wildfire in Fort McMurray.

They witnessed the heroism of the first responders and the resilience of the local residents. They also got a glimpse at the chaos and uncertainty that can take hold in the aftermath of a disaster.

Our changing climate has meant that floods and wildfires are growing in severity.

In the 1970s, the federal government typically paid out about \$40 million a year through its disaster assistance fund. Now, that figure averages about \$600 million a year – and in some years can rise into the billions.

The good news is that we are starting to see a real and tangible response from many communities – better awareness and preparedness, better land use decisions, better emergency response plans. We are seeing governments invest in initiatives to protect at-risk areas.

Governments have been doing a better job of pursuing preparedness in recent years. It's now a higher priority – as it should be.

This is all welcome and it's all important. But it's only one part of fulfilling our shared responsibility.

Together, we must also be better prepared for what comes after. We must think beyond the immediate aftermath. No matter the disaster – flood, fire, earthquake – we must be proactive in planning for how we will protect our economy so that we can rebuild as quickly as possible.

I'm enthusiastic about the way in which business leaders have been stepping up.

Let me give you one example. The Calgary Chamber of Commerce has led the development of an emergency preparedness, response and recovery plan.

It's a practical document to help local businesses walk through the steps required to really gauge their vulnerabilities and plan a response.

As Ian well knows, a Chamber of Commerce has the wherewithal and the influence to bring together business leaders and stakeholders – and to encourage them along in the task of planning for what comes next.

It has the ability to encourage the wider business community to honestly and frankly assess their own risk exposure...

... to analyze the potential resilience of their supply chain...

... to explore the contingencies that would be available in the event of a major disaster.

The decisions that come from this analysis could make a real and meaningful difference down the road.

And by the way: It's not just the scale of disasters that is changing. We're also seeing them in places that are traditionally unaccustomed to being affected.

We saw it not far from here – businesses on the Toronto Islands suffering from a lack of tourist traffic due to severe spring flooding. Or, again, look to Houston – not a city that is typically accustomed to hurricanes of the magnitude of Harvey.

This is an issue that I speak about more and more – and it's something our organization is focusing on with greater urgency.

We believe that everyone has a role to play because there are so many steps we can take to help protect ourselves:

- Educate consumers and businesses
- Improve land use planning
- Make targeted infrastructure investments
- Improve building codes, and more.

And so before I let Ian finally get a word in edgewise, I'll leave you with this:

I would encourage each of you to take the time to better understand the potential disaster threats that could affect your ability to operate your business.

Take the time to think things through and develop a realistic business continuity plan. What if a crucial supplier is affected by a disaster? What if your primary transportation networks are not available?

There are resources available to help you get started at ibc.ca – and on the websites of Public Safety Canada and Business Development Canada.

No one should spend their day hobbled with anxiety over what could happen or what might happen. We shouldn't panic or overreact. What we should do is prepare – smartly, wisely and, above all, realistically.

We all need to adjust to – and better prepare for – this new normal.

The preparations you put in place today could very well end up ensuring the future success and survival of your business.

Thank you.