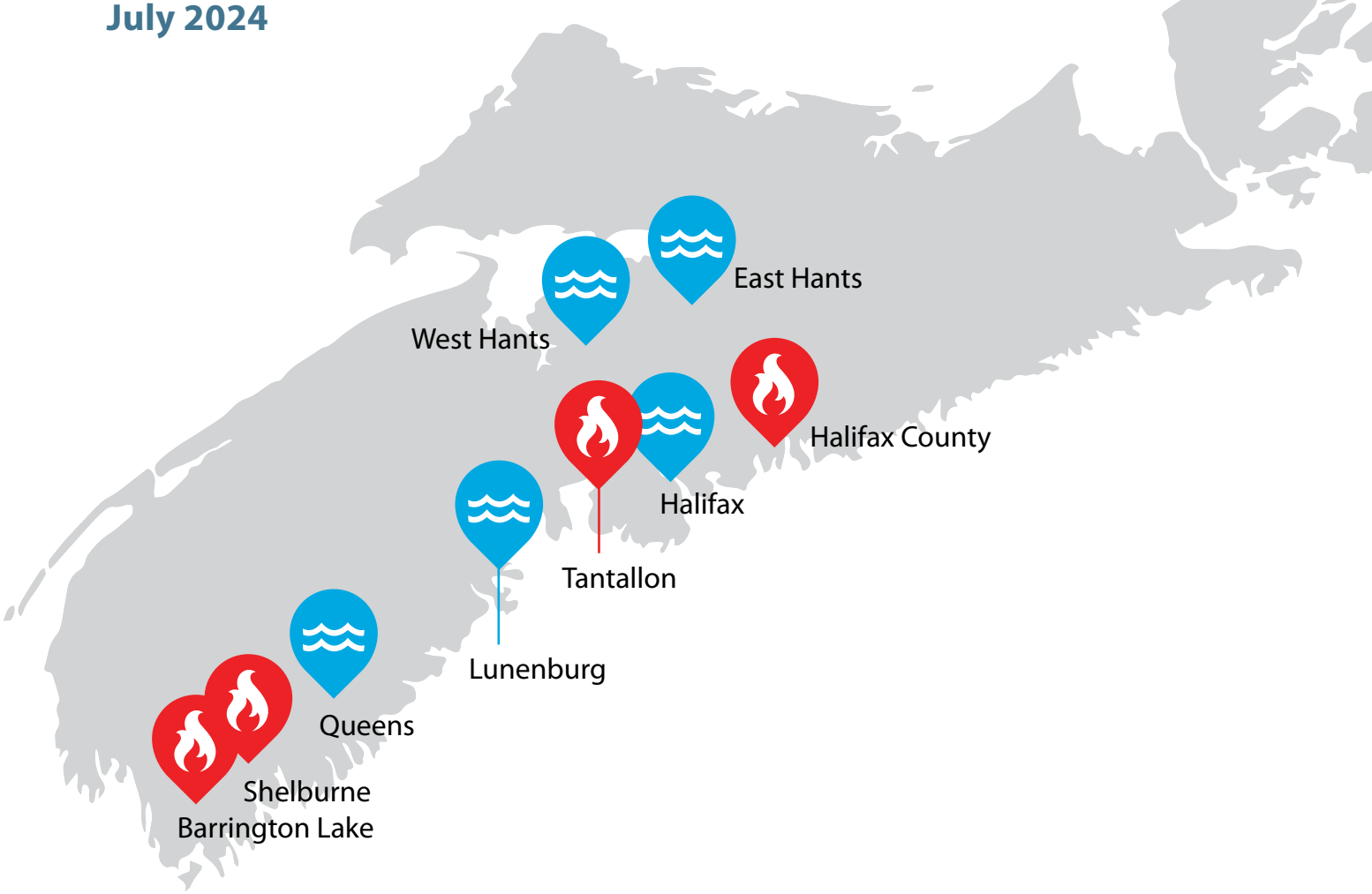
IBC
Insurance Bureau of Canada

One-Year Update Following 2023 Nova Scotia Wildfires and Flooding

Lessons learned will improve recovery from catastrophic events in the future

July 2024



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Executive Summary

Over a two-month period in the spring and summer of 2023, Nova Scotia was impacted by several catastrophic events.

From May 28 to June 4, 2023, an out-of-control wildfire ripped through communities in the Halifax Regional Municipality, with the worst impacts occurring in Tantallon.

Over 16,000 people were forced to evacuate their homes and businesses.

The wildfire destroyed or damaged at least **200** properties, including **151** homes.

This was one of over **220** wildfires that burned across Nova Scotia with the largest burning over **23,000** hectares and claiming a further **60** homes that week near Barrington Lake.

On July 21, an atmospheric river event led to significant flooding in parts of Nova Scotia, including Halifax, East Hants, West Hants, and Lunenburg and Queens.

In the hardest-hit areas, this severe weather event produced more than **20 centimetres** of rain, most of that in fewer than 24 hours, leading to a provincial state of emergency, significant damage to infrastructure, flooding to homes and businesses, and tragic loss of life.

According to final estimates from Catastrophe Indices and Quantification Inc. (CatIQ), the two events caused more than **$490 million** in insured losses.

The volume of claims from these events required a large response from Canada's insurance industry. This report provides quantitative and qualitative data on the industry's response in guiding affected customers through the recovery and rebuilding process.

Importantly, in the year since these events took place, over 88% of all claims related to the Tantallon wildfire and 90% of all claims from the atmospheric river event have been resolved and closed.

Purpose and Scope of Report

Insurance Bureau of Canada (IBC) prepared this report to provide a transparent public review of the property and casualty (P&C) industry's claims response and the factors impacting the claims landscape one year after these events. The purpose of this report is to identify lessons learned, including opportunities for improvement, that can inform the industry's response to future catastrophic loss events – not only in Nova Scotia, but across Canada. The report also offers recommendations on how governments, regulators and the P&C insurance industry can work together to improve the claims process.

The report's core aim is to provide a detailed analysis that merges quantitative and qualitative data. By examining how the insurance sector navigated sequential catastrophic events, the report aims to shed light on the efficacy of current strategies and the adjustments needed to enhance industry preparedness and improve industry response for similar occurrences in the future. Through this report, stakeholders will gain insights into the evolving landscape of risk management and claims handling in the context of increasingly frequent catastrophic loss events.

The 2023 Nova Scotia Wildfires and Flood

The Tantallon wildfire, from May 28 to June 4, 2023, and the Nova Scotia floods in July 2023, followed Hurricane Fiona, which devastated the region in September 2022. These sequential events posed significant challenges, particularly in the availability of resources to handle the large volume of insurance claims and the ongoing emergency response efforts. The Halifax area, having endured a notably dry spring with rainfall amounts significantly below the seasonal average, was particularly vulnerable when the wildfire broke out. The 950-hectare wildfire resulted in over 16,000 residents being evacuated and the destruction of 200 structures, including more than 150 homes. The fire was finally contained, following a week of critical firefighting efforts and changing weather conditions.

In the wake of the wildfire, the region faced another severe event. On July 21 and 22, 2023, an atmospheric river event delivered extraordinary rainfall, exceeding 20 centimetres within less than a day in the hardest-hit areas. This extreme weather event overwhelmed rivers and infrastructure, leading to extensive flooding of homes and businesses, and necessitating the declaration of a provincial state of emergency. Sadly, four people also lost their lives. The flood's timing, closely following the wildfire and Hurricane Fiona, strained the availability of local resources – already depleted from previous and ongoing recovery efforts – to respond to the surge of new claims. These back-to-back disasters illuminated the cascading challenges of managing multiple crises in quick succession and underscored the pressing need for comprehensive disaster preparedness and robust response strategies.

According to final estimates from CatIQ, the two events caused more than $490 million in insured losses.

The Insurance Landscape in Nova Scotia

According to MSA Research, at least 119 P&C insurance companies were operating in Nova Scotia in 2023.

Five company groups represent roughly **50%** of the **$2.1 billion** market of total direct written premiums.

Standard home and business insurance policies cover loss due to wildfire. For flood related damage, this coverage is not automatically included and must be added on to a standard policy with optional sewer back up and overland flood endorsements. Overland flooding is commonly caused by the overflow of lakes, ponds or rivers; surface water from heavy rainfall or melting snow; or ground water or the rising of the water table, entering a home at the ground level or seeping in through windows, doors or walls. According to IBC's most recent flood insurance market survey, there are at least 12 insurers offering this optional overland flood insurance coverage in Nova Scotia. These companies held a collective market share of 88% of the Nova Scotia P&C insurance market.



Quantitative Data

Claims for the Tantallon wildfire

LINE OF BUSINESS	CLAIM COUNT	INCURRED CLAIMS	AVERAGE CLAIM	CLOSED CLAIMS	CLOSED PERCENTAGE
	3,240	$240,670,000	$81,000	2,600	88%
	120	$ 4,530,000	$37,200	115	95%
	150	$ 2,280,000	$15,200	130	86%
TOTAL	3,270	$247,500,000	$76,300	2,845	88%

CatIQ's industry loss estimates are based on surveys of the overwhelming majority of affected insurers. Numbers have been rounded. The claims data above shows personal property, commercial property and auto.



One year after the Tantallon wildfire, the insurance sector had recorded a total of **3,000 claims**, amounting to approximately **$247.5 million**. The average claim cost for personal property stands at $81,000, a substantial figure that indicates the severity of damage to residential areas. Commercial property and auto claims averaged $37,200 and $15,200, respectively. Claims included smoke damage and minor fire damage as well as the complete destruction of homes and vehicles - a range that is typical of this type of event.

The closure rate of claims is notably high, with personal property claims closure at **88%**. Although these are preliminary results and the rebuilding process takes time, the high closure rate suggests that the P&C insurance industry has been actively resolving claims. On average, the reconstruction of a home post-disaster can take a year or more, depending on the extent of the damage and the availability of resources, which was already constrained in this case due to successive natural catastrophes.

Quantitative Data (cont'd)

Claims for the Nova Scotia flood

LINE OF BUSINESS	CLAIM COUNT	INCURRED CLAIMS	AVERAGE CLAIM	CLOSED CLAIMS	CLOSED PERCENTAGE
	5,460	$ 158,540,000	$ 29,000	5,000	92%
	560	$ 72,600,000	$ 130,000	450	80%
	660	$ 12,000,000	$ 18,300	560	86%
TOTAL	6,680	$ 243,225,000	$ 36,400	6,000	90%

CatIQ's industry loss estimates are based on surveys of the overwhelming majority of affected insurers. Numbers have been rounded. The claims data above shows personal property, commercial property and auto.



In the same one-year period after the Nova Scotia flooding, insurers have handled **6,680 claims**, with incurred costs hitting approximately **$243.2 million.** The average claim for personal property damage due to the floods is comparatively lower at $29,375, reflecting the different type of damage and coverage limits compared to wildfires. Commercial properties, however, show a higher average claim, $127,254, indicating more significant losses in this sector. The overall claims closure rate stands at **90%**, with personal property claims having a higher closure rate of 92%.

The rebuilding process in the wake of flooding can be extensive, as water damage requires thorough remediation before reconstruction can begin, often extending the timeline beyond the rebuilding period typical of other catastrophic events. These preliminary figures highlight the ongoing efforts of the insurance industry to address the claims and support the recovery process amid the heightened demand following successive disasters.

Outstanding Claims

There are many reasons why some claims have yet to be resolved.

For example, **personal property** insurance claims for total loss and the rebuilding of homes commonly take more than one year, and claims are generally not considered "closed" until all payments have been processed. Once the home is rebuilt, homeowners may need an additional six to 12 months to replace lost contents and submit receipts for reimbursement.

Commercial property claims include business interruption and can cover reduced revenue for an extended period. Some businesses could suffer reduced revenue from an insurable loss for 12 months or more; therefore, businesses may not be able to calculate their net lost revenue until after the one-year mark. After one year has passed and the gross revenue has been calculated, it could then take several months to determine the net lost revenue.

Auto total loss claims are usually settled quickly with the vehicle owner; however, it could take many months to dispose of the salvage vehicle and settle with the salvage vendor. Therefore, the claim generally remains "open" until all payments have been processed and final salvage proceeds disbursed.

For repairable vehicles, depending on the severity of the damage, some auto body shops could be booking 12 months in advance due to the high volume of claims and limited resources to complete repairs. This, of course, delays the claim settlement. Some vehicles may have additional damages (e.g., electrical or mechanical issues) that are discovered after the initial repairs are completed and the vehicle is returned to the owner, and the claim may remain open to address additional costs and expenses.

Additional factors impacting claims resolution included:



Homeowner decisions: Contractor selection, material finishing selections, contents replacement, temporary accommodations



Regulatory factors: Access, permitting and other administrative processes, inspections



Weather: Construction delays

Qualitative Findings

In an effort to understand insurance challenges after Nova Scotia's 2023 wildfires and flooding, IBC solicited candid feedback from restoration companies, brokers, adjusters and other key stakeholders involved in the claims process. The following responses capture some of the feedback.

Restoration companies identified the scarcity of skilled labour, shortage of building materials and high demand for services as significant hurdles in the claims process.

"Huge delays on specialty items (kitchen cabinetry, windows, doors) with four- to five-month back orders were the norm, and costs increased substantially."

"Sub-trades must be paid ahead of time – and their costs have increased."

"It's to the point now that, due to the number of catastrophic weather events in the last two years, we can't catch up with the demand."

"It's hard to find skilled labourers – applicants have little to no skill set or experience, and there is high turnover."

For **insurers**, the feedback provided centred on the availability of claims adjusters. Restoration companies found themselves overwhelmed, leading to misplaced estimates and claim delays.

"We had a significant shortage of adjusters prior to the pandemic, and we had to pull in resources from other regions. The initial response was not enough hands on deck."

"Some restoration companies had over 400 files. Four-hundred files cannot be managed properly."

Brokers identified the need for better real-time communication to improve the response to future catastrophic events. Brokers felt that the ability to access claims notes would help better assist clients, although privacy concerns in sharing such data would have to be addressed.

"How can insurers keep brokers in the loop with respect to claims status? [We] would love to be able to see claims notes in real time so that brokers can help on the service side of the claims process."

Qualitative Findings (cont'd)

Government officials, including the **Emergency Management Office** (EMO) of Nova Scotia, the **Superintendent of Insurance** and elected officials highlighted the valued presence of IBC in the Emergency Operations Centre, with suggestions to include IBC representation early in future responses and make homeowner tips more accessible. EMO also made positive comments about the collaboration between the industry and emergency management in response to the wildfire, and expressed support for the Nova Scotia government's quick turnaround of licensing out-of-province adjusters.

"Setting up IBC's Community Assistance Mobile Pavilion centres was fabulous – many impacted residents were able to attend in person and speak to IBC staff or their insurer."

"[I was] impressed with how quickly the industry pulled together in response to the wildfire response."

"The Office of the Superintendent of Insurance was quick to respond, and the temporary licensing of out-of-province adjusters was done quickly."

"It would have been helpful to have a list of what companies belong to IBC and which don't, and then some helpful tips to provide to homeowners right off the bat."

In the **aftermath of the wildfire**, some adjusters supported having one adjuster handle all total loss claims within a company to ensure consistency.

"We did a lot of total loss claims in the fires – one insurer wanted one person to handle all of the total losses."

"Flood claims were handled much better than after Hurricane Fiona."

The overarching lesson from these events is the need to improve communication. Stakeholder feedback suggests the need to improve information flow is crucial to successful disaster management and to enhance response efficiency and effectiveness.

A. Factors impacting the claims landscape

External factors beyond the control of the insurance industry complicated response efforts to the large volume of claims that resulted from the wildfire and flood. Demand for building materials was impacted by global supply chain disruptions, leading to increased costs and delays in the rebuilding process. Many skilled trades were already involved in handling repairs and rebuilding from Hurricane Fiona in September 2022, or working in the buoyant construction market. There was also a shortage of trained adjusters available to help assess the extent of damage or loss experienced by a customer and recommend suitable settlements.

The insurance industry's general timelines for total loss claims are typically:



Following the sequential catastrophic events, reconstruction timelines for affected properties had to be extended, with some policyholders facing longer wait times for claims closure. For insurers, the logistical complexities involved in coordinating and moving the appropriate resources to effectively respond to these events also contributed to delays. Additionally, sequential disasters created a backlog of work, placing further strain on insurers' ability to close claims as expediently as they would under normal circumstances. Factors such as these not only delay the claims closing process but also affect the overall claims landscape, underscoring the need for robust planning and the importance of adaptive measures within the industry to improve resilience and response to natural catastrophes.

A "closed claim" generally means all repair/rebuild work has been completed, final inspections are done, new contents purchases have been made, additional living expenses have been calculated, and all invoices have been submitted, reviewed and paid. Many homeowners would be able to move back home after the repair/rebuild work; however, the claim could remain open for many more months while final invoices are collected and replacement items are purchased. To finalize outstanding costs and payments, a claim may remain open for six or more months after the rebuild/repairs are completed and the homeowner has moved back in.

B. The role of governments, regulators and the industry in improving the claims process

Government and regulatory bodies play a crucial role in facilitating recovery efforts after natural catastrophes and improving the efficiency of the insurance claims process. One key area in which regulatory frameworks significantly impact the speed of claims settlement is in the admission of out-of-province adjusters. In the wake of the wildfire and the subsequent flooding, regulatory flexibility allowed for the quick deployment of additional adjusters, which was instrumental in managing the high volume of claims. Such regulatory agility ensures that resources can be rapidly mobilized to meet urgent needs.

Insurance companies are deeply invested in supporting recovery efforts, understanding that their role is pivotal in community resilience. The aim of insurers to settle claims swiftly is a testament to the industry's commitment to helping policyholders rebuild their lives. However, insurers require governments and others in private sector to do their part as well, which is why we are advocating for a whole of society National Recovery Strategy.

Additionally, the implementation of a national adaptation strategy with clear targets for risk reduction and the integration of climate-proof recommendations into government policy are becoming increasingly important. Such measures include the immediate enhancement of building codes to reflect disaster resilience and improved land-use restrictions to curtail development in high-risk areas. All orders of government should offer retrofit programs to improve the resilience of existing homes. Communities at high risk of wildfires should develop FireSmart action plans. Local and provincial/territorial governments need to invest in enhancing the resilience of existing infrastructure in communities that are at highest risk of flooding or wildfire. Adjuster licensing reciprocity across provinces can expedite the claims process by eliminating bureaucratic barriers, enabling adjusters to provide services where they're most needed without delay. Lastly, and most importantly, the implementation of a flood insurance program for Canadians at high-risk of flooding requires the support of provincial and federal agencies in collaboration with the insurance industry.

These collaborative efforts between governments, regulators and the P&C insurance industry are vital to fortify the claims process against the growing frequency and intensity of natural catastrophe events.



Review of Claims and Complaints Handling

While making efforts to support consumers facing the stress and urgency inherent in post-disaster recovery, insurers faced challenges in claims handing. The overwhelming volume of claims tested the resilience and adaptability of insurers, and shined a spotlight on the critical need for efficient and transparent claims processing.

Recognizing these challenges, IBC asked member insurers in Nova Scotia for their perspectives. We heard that the pandemic and post-pandemic period created challenges across Canada and beyond. We heard that insurers are proactively enhancing their service capabilities through various strategic initiatives. They are augmenting their resourcing, deploying additional claims adjusters and leveraging technology to streamline claims processing. Insurers are also transforming their operating models to be more agile and consumer-centric, facilitating faster and more accurate claims resolutions.

Insurers are also implementing improved communication strategies to ensure consumers are well informed throughout the claims process, fostering trust and clarity. It is imperative for all interested parties, including consumers, to remember that dispute resolution mechanisms are in place, offering structured avenues for resolving disagreements or concerns about claims handling. These measures collectively signify the P&C insurance industry's commitment to supporting consumers through difficult times, and efficiently ensuring that customers receive the assistance and compensation they are entitled to.

IBC also reached out to the General Insurance Ombudservice (GIO), which provides free and impartial help – independent from the insurance industry - for consumers of home, automobile and business insurance. To date, GIO has not received any calls for assistance related to claims resulting from the wildfire or flood.



IBC's Consumer Outreach

During the wildfires in Nova Scotia, IBC set up its Community Assistance Mobile Pavilion (CAMP), alongside many insurers, at the Canada Games Centre in Halifax. CAMP was also set up in other locations throughout the province, with CAMP ambassadors answering hundreds of insurance questions from impacted residents. During the flood, IBC operated a virtual CAMP to connect with residents, and share resources and information on social media and through other communication channels.

IBC also operates a Consumer Information Centre that is staffed by experienced insurance professionals who answer general insurance inquiries from across the country.

During the Nova Scotia wildfire and flood events, IBC responded to over 140 inquiries from consumers. Many people reached out to IBC to validate information being provided, discuss the claims process – including the general expected timelines – and obtain a better understanding of coverages that may be available in their policy. IBC also provided general information on the claims dispute resolution process.

On top of these inquiries, during the flood event, the Nova Scotia government-initiated Disaster Financial Assistance (DFA) to help uninsured or under-insured residents. IBC helped over 140 residents and government officials complete the DFA form, as there are some specific insurance questions.

IBC also has a robust website that provides information on home, auto and business insurance; the claims process; dispute resolution options; and how to protect property against wildfires and flooding.



Insured Catastrophic Losses continues to grow

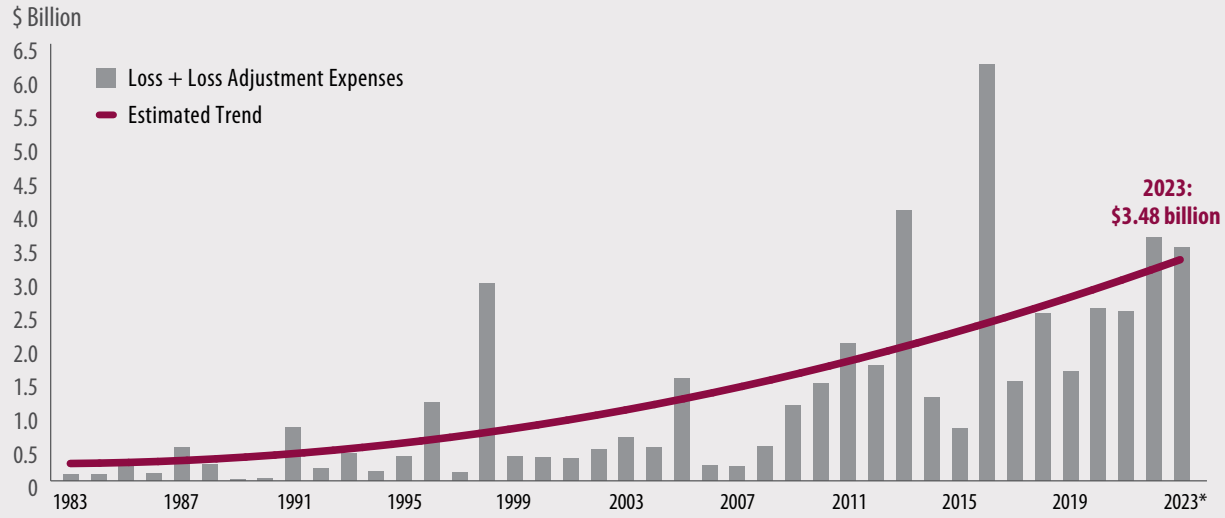
We are now living in a world where large loss insurance events should be expected almost yearly.

Insured damage related to extreme weather events in Canada has a clear upward trend with losses that **exceeded $3 billion annually** in both 2022 and 2023. By comparison, between 1983 and 2009, Canadian insurers averaged **$512 million** a year in losses related to severe weather when including loss adjustment expenses.

In spite of challenges arising in the year since the catastrophic events in Nova Scotia, progress on claims resolution for insured claims from the wildfires stands at **88%** and the flooding, **90%**.

Insured Catastrophic Losses in Canada

*A catastrophic loss = 1 event costing $30 (25 prior to March 2022) million or more in insured damages



Source: IBC Facts Book, PCS, CatIQ, Swiss Re, Munich Re & Deloitte
Values in 2023$ CAN, *2023 preliminary

Conclusion

The 2023 Nova Scotia wildfire and flood presented myriad challenges that tested the resilience and adaptability of insurers, adjusters, restoration companies and emergency services. The impact of the pandemic further complicated these events, with its ripple effects exacerbating existing operational difficulties. There was an overwhelming demand for catastrophe response, outpacing the available resources. This was all further exacerbated by the lingering effects of Hurricane Fiona, which affected the province only a few months before.

The insurance industry has taken actions to improve claims and complaint handling. These actions include:

- Working more closely with vendors and expanding vendor networks
- In some cases, internalizing certain functions (e.g., adjusting)
- Creating specialized teams (and relying on teams outside of the claims department) to deal with large, complex losses
- Increasing the use of technological tools to expedite the claims process
- Providing claims adjusters with increased authority to resolve disputes regarding the quantum of a loss
- Increasing the handling of claims by telephone, when possible. In addition, members are also making an effort to integrate their systems more closely with independent adjusters to ensure that independent adjusters do not face unnecessary obstacles to claims resolution
- Increasing their staff, providing better training, and making better use of internal resources such as non-claims employees and claims employees from other jurisdictions.

The province will recover from catastrophic weather events in the future more quickly and efficiently if the lessons learned in 2023 in Nova Scotia result in meaningful change.



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