



## Findings Report & Position Paper

### **Natural Catastrophes and Personal Property Insurance**

Summer 2017

This Findings Report & Position Paper reflects the work of regulators who are members of CCIR. The views expressed herein do not constitute legal opinions and should not be interpreted as such. This Findings Report & Position Paper reflects the conditions and results of CCIR's analysis as of June 1, 2017.

In addition, this Findings Report & Position Paper does not necessarily represent the official position or views of any particular provincial, territorial or federal government or agency.

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## Introduction

The CCIR committed to a review of natural catastrophes and personal property insurance as the frequency, severity, costs and attention paid to natural catastrophes have risen both across Canada and around the world. The objectives of the CCIR in this area were to assess and better understand the impact of natural catastrophes on insurance and insurance consumers in Canada, with particular attention being paid to the types of coverage and availability of insurance for natural catastrophes, the changes taking place in the insurance marketplace, and the effects the rise in natural catastrophes has had on consumer awareness of risks and coverages.

The CCIR began its work in this area on the heels of 2013 severe weather events in Alberta and Ontario. As the CCIR's *Issue Paper: Natural Catastrophes and Personal Property Insurance* ("Issues Paper") was being drafted, the Fort McMurray Wildfire brought to the forefront the costliest natural catastrophe in Canadian history.<sup>1</sup> While these events stand out in the minds of many Canadians, they are really part of a pattern of increasing frequency, severity and both insured and uninsured costs of natural catastrophes. The severe weather of 2013, the Fort McMurray Wildfire and now the floods across Eastern Canada highlight the timeliness of the CCIR's study. It is only a question of time before these natural catastrophes are displaced in terms of severity and cost.

Natural catastrophes generally garner widespread attention at the time of the event and during the initial stages of recovery. However, there is a continuous cycle of activity before, during and after the event. The key segments of this cycle include risk identification and assessment, raising risk awareness, risk transfer, risk mitigation, preparedness, recovery, reassessment and remediation efforts. Each segment affects and involves a variety of stakeholders, including consumers, academia, the insurance industry, private enterprise, emergency services and all three levels of government. The interests of the CCIR and its members are primarily focused on the role, impact and activities of insurers, insurance consumers and the insurance regulatory framework throughout this cycle.

Following research and a review of property insurance policy wordings, the CCIR published for consultation its *Issue Paper* in July 2016. The *Issues Paper* reflected the CCIR's preliminary understanding of the issues related to natural catastrophes and personal property insurance and was intended to initiate discussions among key stakeholders. The topics the *Issues Paper* addressed directly include:

- Natural catastrophes risk models available to/utilized by the insurance industry;
- Approaches to risk sharing adopted in Canada;

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<sup>1</sup> Total losses are estimated at \$3.7 billion. "Severe weather, natural disasters cause record year for insurable damage in Canada", Insurance Bureau of Canada, Accessed February 1, 2017. <http://www.ibc.ca/on/resources/media-centre/media-releases/severe-weather-natural-disasters-cause-record-year-for-insurable-damage-in-canada>

- Product development;
- Impact of climate change;
- Consumer complaints related to natural catastrophes;
- Regulatory and legislative framework governing insurance in this area;
- Coverages that are currently available in Canada;
- Consumer understanding of natural catastrophe-related risks; and
- Consumer understanding of coverages and policies

However, a number of items that may be considered relevant to these issues were not fully covered in the *Issues Paper*. This includes definitions of “adequate access” / “readily available” and “affordability” of personal property insurance; how exclusions, pricing, deductibles and caps affect the suitability of insurance coverages that are available and affordable; availability and affordability in high-risk areas; potential severity of natural catastrophes in Canada; and the adequacy of preparedness, resiliency or disaster response and recovery outside of the insurance industry.

The CCIR received twelve responses to the *Issues Paper* from insurance companies, insurer and insurance broker associations, and other regulatory and government bodies. The CCIR thanks those who provided comments as the input has been invaluable. Overall, these submissions confirmed the CCIR’s preliminary understanding as documented in the *Issues Paper* and have assisted the CCIR in developing a more fulsome and nuanced interpretation of the issues and current environment regarding natural catastrophes and their impact on the personal property insurance market.

## Purpose of this Paper

The purpose of this paper is to present the results and findings of the consultation on the *Issues Paper* and to outline the positions and expectations of the CCIR as they relate to the issues regarding natural catastrophes and personal property insurance.

Following consultations on an issues paper, the CCIR typically publishes either a findings report (i.e., a detailed analysis or synopsis of the information that has been received and reviewed) or a position paper (i.e., a formal issuance of the expectations of the CCIR and its members and conduct requirements for the insurance industry in a particular area). However, the following will form a hybrid findings report and position paper.

Similar to a findings report, this paper will include further details regarding natural catastrophes in the Canadian context, both in and outside the insurance industry. Given the breadth of the topic, elements of the input and information that was received fall beyond the scope and authority of the CCIR’s members (e.g., building codes, disaster preparedness, and the activities and responsibilities of stakeholders outside of the insurance marketplace). However, this paper will also include recommendations and expectations for the insurance industry, much like a typical position paper. While CCIR

members are responsible for the oversight of the conduct of business related to personal property insurance, they do not regulate product forms, pricing or underwriting rules, the way that mandatory insurance products, such as automobile insurance, might be. The recommendations and positions expressed by the CCIR represent a starting point and the basis for necessary improvements. It is clear, however, that more will need to be done both inside and outside the insurance industry to better Canada's natural catastrophe preparedness and resiliency.

## Summary of Developments since the Issues Paper

There have been a number of relevant developments since the publishing of the *Issues Paper*. First and foremost is the devastation and after effects from the Fort McMurray wildfire. As noted above, this fire became the costliest natural catastrophe in Canadian history. It displaced thousands, destroyed a significant section of Fort McMurray and tested the capacity and capabilities of emergency responders and the insurance industry in dealing with the catastrophe and its aftermath. Fortunately and thanks to the efforts of the emergency services, the tragedy was limited to property and resources as no lives were lost in the fire itself.<sup>2</sup>

The aftermath of the fire has shown Albertans' resilience and provided insight into the insurance industry's ability to respond. Statistics maintained by Alberta's Superintendent of Insurance indicate that as of January 2017, approximately 80% of the 43,000 claims have been closed, with an excess of \$1.5 billion paid so far. Based on the limited number of consumer complaints to the Superintendent's office, insurers are to be commended for the work they are doing to help those who suffered losses as a result of the fire.

In addition, the National Research Council of Canada together with Infrastructure Canada have committed to upgrading building codes, specifications, guidelines and assessment tools in response to climate changes and the increase in extreme weather.<sup>3</sup> The work that will be undertaken includes research, risk analysis and evaluations to develop solutions to increase climate resilience into building and infrastructure. The upgrades will be used to mitigate the impact of natural catastrophes and extreme weather, including floods, high winds, heat waves and drought.

The C.D. Howe Institute also published a report on the risk of earthquakes, the adequacy of insurance protection and the ability of the insurance industry to respond to

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<sup>2</sup> The lives of two individuals were lost in a vehicular accident that occurred during the evacuation. Friscolanti, Michael (May 7, 2016). "People Say there are no Casualties. There Are Two Now." *MacLean's*. Accessed February 28, 2017 <http://www.macleans.ca/news/canada/people-say-there-were-no-casualties-there-are-two-now/>

<sup>3</sup> "In response to the increase of extreme weather events, the National Research Council is developing measures to keep Canadians safe", National Research Council of Canada (February 28, 2017). Accessed March 2, 2017 [https://www.canada.ca/en/national-research-council/news/2017/02/in\\_response\\_to\\_theincreaseofextremeweathereventsthenationalresea.html](https://www.canada.ca/en/national-research-council/news/2017/02/in_response_to_theincreaseofextremeweathereventsthenationalresea.html)

a catastrophic earthquake. The report, *Fault Lines: Earthquakes, Insurance and Systemic Financial Risk*, echoed comments we received in response to the *Issues Paper*, which are detailed below. The report noted that the insurance system in Canada is capable of responding to earthquakes with insured losses of up to \$30 billion. However, earthquakes resulting in losses beyond that threshold present a systemic risk to the insurance industry and the Canadian economy. It recommends strengthening and ensuring the effectiveness of the Property and Casualty Insurance Compensation Corporation (PACICC) in preparation of losses of up to \$30 billion and considering a government-funded backstop for earthquakes with losses in excess of that amount.<sup>4</sup>

In terms of education, the Ontario government announced one such initiative in March 2017 where instruction in financial literacy would be a mandatory part of the career studies course.<sup>5</sup>

Since the publishing of the *Issues Paper* we have witnessed both the effects of natural catastrophes as well as efforts and recommendations to better prepare for future catastrophic events.

## Findings and Results

The following sections detail the results of the consultations and include the recommendations and expectations of the CCIR and members.

### Risk Modelling

The *Issues Paper* discussed the value of risk modelling tools and probabilistic indicators that are available to insurers and reinsurers. It also included an overview and examples of models and data related to water damage and flooding, earthquakes, wildfires and severe weather that are currently utilized in Canada. The *Issues Paper* noted that, in general, these tools and data are becoming increasingly prevalent in insuring against natural catastrophes. They allow insurers and reinsurers to better assess, understand and rate the risks; identify areas that may be at risks; and develop and introduce products to meet the needs of consumers.

The risk modelling tools and probabilistic data insurers use are often developed by independent, third-party organizations in a growing commercially competitive space. This has led to a variety of different models for each type natural catastrophe being available for insurers.

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<sup>4</sup> Le Pan, Nicholas, "Fault Lines: Earthquakes, Insurance, and Systemic Risk", C.D. Howe Institute (2016). Accessed January 16, 2017 [https://www.cdhowe.org/sites/default/files/attachments/research\\_papers/mixed/Commentary%20454\\_0.pdf](https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary%20454_0.pdf)

<sup>5</sup> Ontario Ministry of Education, "Preparing Students to Thrive in Ontario's Innovative Economy" Accessed on March 23, 2017 [https://news.ontario.ca/edu/en/2017/03/preparing-students-to-thrive-in-ontarios-innovative-economy.html?\\_ga=1.74006161.2031501594.1403041203](https://news.ontario.ca/edu/en/2017/03/preparing-students-to-thrive-in-ontarios-innovative-economy.html?_ga=1.74006161.2031501594.1403041203)

The value of risk modelling data and probabilistic indicators extends beyond its use by insurers. As a means for indicating and assessing risk, this type of information is equally critical for preparation and risk mitigation. As a result, all levels of government can use this information to better understand the nature, likelihood and scope of specific risks and adopt measures to reduce the risks, impact and costs. This information and data can also be used to raise awareness among homeowners<sup>6</sup> and insurance consumers, providing direction and insight on how to prepare for and take action to mitigate the risks or even encourage consumers to purchase appropriate insurance.

### **The Issues Paper Asked:**

#### **1. Are there other risk modelling tools or options that insurers commonly use that enhance risk management?**

The responses that we received confirmed the CCIR's understanding of the value and usage of risk modelling tools and probabilistic data. The submissions also indicated that, in addition to the examples provided in the *Issues Paper*, there are a number of other tools available for risk management purposes, including cloud seeding to mitigate damage from hail storms and fire condition forecasts for wildfires.

The responses also noted that accurate data and risk models are essential components for innovation within the insurance industry; enabling insurers to develop and introduce a variety of products for specific risks and areas. Accordingly, some submissions cited these models and data as key to consumers having access to appropriate insurance products.

The submissions also emphasized the importance of accuracy within the risk models. In order to remain relevant and accurate, risk models and the data relied upon by insurers need to be under constant development and continually updated and enhanced. This is particularly important since every change, including climate change, as well as any efforts to improve the infrastructure or steps to mitigate the risks of natural catastrophes, affects the accuracy of the data. The competitive space in which these models and data are being developed may encourage improved accuracy and reliability considering the value and importance to insurers and other potential users.

Given the role of modelling results and data inputs, a number of respondents emphasized the importance of and opportunities for collaboration, research partnerships and information sharing among stakeholders, including governments, private sectors, academia, insurers and homeowners. As noted above, a better understanding of risks can assist with preparation and mitigation. The respondents stated that these types of partnerships and information sharing can assist in updating building codes, identifying infrastructural needs, inform decisions regarding the location of future developments and equip homeowners with information on methods to mitigate their personal risks.

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<sup>6</sup> In this paper, "homeowner" represents all personal property owners regardless of the type of residence, nature of the habitation or ownership interest, insured or not.

However, respondents also noted that there are potential issues with the current risk modelling and probabilistic data landscape. As described above, various risk models and data types are available and used by stakeholders for each type of risk. This variety and diversification creates difficulties for making comparisons or amalgamating data and can be an obstacle for coordinated or national approaches since the parties are relying on different methods and data sets.

In addition, while significant developments have been made in this area, the respondents stated that the potential remains for gaps and inadequacies in some of the data. One submission cited overland flooding as a historic example. It was claimed that, unlike other countries, the governments in Canada had not invested in flood mapping for some time. Third-party organizations have since begun filling in these gaps and updating the data in relation to overland flooding. The Insurance Bureau of Canada also commissioned the development of a Canadian flood model to improve the accuracy and reliability of flood risk assessments.

One submission also advised caution regarding improvements in the accuracy of risks models and probabilistic indicators by stating that the more accurate and granular the data, the greater the opportunity for an “uninsurable” class of consumers to be developed. Particular areas and particular property risks may be identified as being exceptionally high risk resulting in insurers avoiding the risk entirely or providing coverage at prices that would be beyond the means of the prospective insureds.

**CCIR Position and Recommendations:**

- CCIR supports the continued development and improvement of risk modelling tools and probabilistic data to help insurers: a) better understand and rate risk and b) offer a diverse and appropriate selection of products and coverages.
- CCIR supports the use of risk modelling tools and probabilistic data by all stakeholders in better understanding, preparing for and mitigating the impact of natural catastrophes.
- CCIR encourages stakeholders to better collaborate so that aggregated risk data is made more readily available to support the conditions necessary to enhance preparedness, as well as the affordability and availability of natural catastrophe insurance.

**Risk Sharing**

Risk sharing is the method through which the exposures to risks are reduced by spreading or sharing the potential for loss among several organizations/stakeholders. The *Issues Paper* noted that a number of risk sharing methods have been adopted in the Canadian natural catastrophe insurance market, with reinsurance being the most predominant.

Through reinsurance, Canadian insurers effectively purchase insurance on a risk they are covering, thereby transferring a portion of that risk to the reinsurer and reducing the exposure and capital required of the insurer in the event of a natural catastrophe. Reinsurance in the Canadian market is generally provided by large, international organizations and supplies the bulk of the funds for major natural catastrophes.<sup>7</sup>

The *Issues Paper* identified other methods of risk sharing utilized in Canada including geographic and product diversification, as well as others that are included in the insurance offering and contract. Included among this latter type of approach are limitations, exclusions and flexibility in premiums through which insurers offer different premiums and coverage options, as well as discounts for preventative or mitigation measures. Insurers also utilize flexibility in deductibles where a portion of the risk and costs following a loss is retained by the policyholder.

The *Issues Paper* also highlighted practices where risks are pooled and premiums and claims are shared by insurers as well as government support programs, such as the Disaster Financial Assistance Arrangements (DFAAs).

Risk sharing and risk transfers are used to minimize insurer exposures and losses. As a result, they can be leveraged by insurers to provide coverages and insure risks that would otherwise be beyond their capacity. Risk sharing therefore plays a significant role in terms of access and availability to insurance.

### **The Issues Paper Asked:**

#### **2. What are current natural catastrophe risk-sharing practices? How are catastrophe risks currently being grouped/classified/segmented?**

The responses that were received confirmed the information included in the *Issues Paper* regarding the types of risk sharing practices adopted in Canada as well as the prevalence of reinsurance. The submissions also emphasized the importance of risk sharing for natural catastrophe insurance—particularly in high-risk areas—stating that without risk sharing, insurance coverage would not be possible. Flood and earthquake insurance in particular were provided as examples of coverages that would not be available in high-risk areas in the absence of risk sharing.

The submissions also cited examples of approaches to risk sharing that have been adopted in other countries and sectors. It was stated that while Canada has yet to do so, other countries have established institutional risk-sharing frameworks to address potential gaps related to catastrophic or extreme risks. These include government-backed or government-run insurance and/or reinsurance as well as risk-sharing pools and residual market mechanisms.

### **The Issues Paper Asked:**

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<sup>7</sup> Grant Kelly and Peter Stodolak, “Why Insurers Fail, Natural Disasters and Catastrophes”, Property and Casualty Insurance Compensation Corporation (2013), p. 8-13.

### **3. What are the potential implications not addressed by the paper with respect to risk sharing/pooling for natural catastrophe coverage across Canada?**

It was claimed in a number of submissions that the methods for risk sharing present in Canada may be insufficient relative to the potential of some natural catastrophes. In terms of flooding, it was noted that Canada is alone among G7 nations without a formal, clear risk-sharing mechanism. This ultimately results in access and affordability issues in the insurance market, particularly for high-risk areas, as insurers are unable or unwilling to assume the risk on their own. The submissions estimated that due to the lack of a formal flood risk-sharing mechanism, over one million residential properties are unable to find affordable flood insurance coverage.

In terms of earthquake, the respondents noted that the absence of formal, institutional risk-sharing mechanism in this area creates concerns regarding insurer solvency and contagion. While the industry is considered adequately capitalized for large earthquakes, the submissions stated a catastrophic earthquake resulting in damage claims in excess of \$30 billion could prove to be overwhelming for the insurance industry and could trigger a series of insurer insolvencies that would leave policyholders without compensation for losses. One submission claimed that an effort similar to the protection against failure accorded to financial institutions following the financial crisis of 2007-2008 should be adopted to protect the solvency of insurers following such major catastrophic events.

Industry association respondents noted that the insurance industry is currently working with governments to develop solutions to address the access and affordability issues related to flood insurance and the potential solvency issues following a catastrophic earthquake.

#### CCIR Position and Recommendations:

- CCIR encourages the creation of innovative risk-sharing practices that ensure new product development and the availability and affordability of coverage for natural catastrophes in Canada.
- CCIR supports risk-sharing practices that allow for adequate and suitable coverages for consumers in high-risk areas.

#### Climate Change

The *Issues Paper* noted that the frequency and severity of natural catastrophes are on the rise. Severe weather has already cost billions of dollars in damage to homes, business and infrastructure across Canada.<sup>8</sup> The risks presented by weather-related

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<sup>8</sup> The Institute for Catastrophic Loss Reduction for the Insurance Bureau of Canada, "Telling the Weather Story", 2012

natural catastrophes and the potential costs to homeowners highlight the importance of property insurance and efforts to mitigate these risks. The *Issues Paper* also noted that insurance alone was likely insufficient and that action from all stakeholders, including all three levels of government and policyholders, would be required.

The *Issues Paper* also discussed the impact the increased frequency and severity of weather has had on the insurance industry. With severe weather on the rise, insurers have experienced a sharp increase in claims costs and total losses.<sup>9</sup> When claims costs continue to rise, insurance premiums can be expected to rise as well.

For insurance consumers, policyholders and homeowners have experienced more frequent and costly damage and have combined for larger total claims as a result of the increase in severe weather. The increase in frequency and severity has increased costs for all parties involved. The *Issues Paper* also attempted to address whether the number of complaints insurers received from policyholders was also on the rise.

### **The Issues Paper Asked:**

#### **4. In general, to what extent has the insurance industry experienced an increase in inquiries / complaints from policyholders related to natural catastrophes (coverage, products, costs, etc.)?**

The submissions we received confirmed that the frequency, severity and costs/losses from natural catastrophes are increasing. One submission noted that between 1983 and 2008, the average catastrophic insurance losses per year were under \$400 million. However, since 2009, the average amount has increased to over one billion dollars per year—the Alberta wildfire in 2016 alone resulted in \$3.58 billion in losses.<sup>10</sup> The submission stated that this trend can only be expected to continue as the risk of flooding, droughts, forest fires and other natural catastrophes continue to increase.<sup>11</sup>

In fact, the response from the Environmental Commissioner of Ontario cautioned that the *Issues Paper* may have underestimated climate risk. Further, she stated that the lack of coordination among stakeholders in addressing the risks could further exacerbate the problem.

In terms of policyholder inquiries and complaints, respondents stated that considering the number of policies and the total amount of coverage, complaints were relatively low. It was explained that immediately following a natural catastrophe, the number of complaints would increase at a rate that was consistent with the number of claims, rather than what would be expected if there was an issue with the product. The

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<sup>9</sup> Ibid.

<sup>10</sup> “Northern Alberta Wildfire Costliest Insured Natural Disaster in Canadian History - Estimate of insured losses: \$3.58 billion”, Insurance Bureau of Canada, Accessed on February 3, 2017. <http://www.ibc.ca/on/resources/media-centre/media-releases/northern-alberta-wildfire-costliest-insured-natural-disaster-in-canadian-history>

<sup>11</sup> Warren, F.J. and D.S. Lemmen, “Synthesis,” *Canada in a Changing Climate: Sector Perspectives on Impacts and Adaptation*, Government of Canada, 2014.

submissions noted that inquiries spiked following natural catastrophes as policyholders, whether impacted or not, are generally more interested in their coverage details following these events.

One respondent stated that in order to limit potential complaints and help manage consumer expectations, the insurance industry has engaged media and consumers to raise awareness of coverages or provide greater clarity. The results of these actions have yet to be independently assessed.

### **The Issues Paper Asked:**

#### **5. What role do the insurance industry, consumers, policyholders and different levels of government have in providing prevention, mitigation and relief solutions related to natural catastrophes?**

The respondents provided much insight and opinion in terms of what needs to be done to improve prevention, mitigation and relief for natural catastrophes. A consistent theme can be found in all the submissions we received: all stakeholders need to be more active and involved. The recommended roles for each are summarized below, many of which are discussed in more detail in other sections of this paper:

#### *Government:*

- Ensure a healthy and competitive insurance marketplace, one that is conducive to insurance coverage being available and affordable;
- Raise awareness among consumers regarding the government-sponsored disaster relief programs, including limitation and conditions for relief;
- Ensure infrastructure, planning and development promote risk mitigation and resilience. This would include adapting and approving building codes, establishing strict controls regarding development on or usage of high-risk areas;
- Develop, fund and raise awareness of incentive programs for mitigating risk; and
- Improve financial literacy and insurance literacy in particular.

#### *Insurance Industry:*

- Continue to innovate and introduce products to meet the needs and demands of consumers;
- Communicate the risks to consumers and increase risk awareness;
- Provide plain language and clear messaging to consumers;
- Develop and introduce tools to increase consumer access to information on risks and mitigation;
- Partner with the government so that research findings can be utilized to improve building codes, zoning and incentive programs; and
- Incentivize consumers with premium pricing for risk mitigation.

*Consumers:*

- Make the effort to understand the risks and the steps that can be taken to mitigate them;
- Make the effort to become familiar with insurance coverage and conditions as well as insurance options; and
- Take action to mitigate risks.

What is made clear from the submissions we received is that information and raising awareness are crucial for prevention, mitigation and relief solutions. The commenters advocated for partnerships and information sharing that would form the basis for change. The insurance industry can communicate its research findings to all three levels of government to assist them in understanding the scope of their risks and inform policies, regulation and incentive programs. In order to effectively convey its messaging to consumers, the insurance industry needs to ensure its communications are timely, clear and easily understandable. The submissions also noted that the different levels of government had a role to play in raising consumer awareness in important areas such as financial literacy, mitigation incentive programs and how disaster relief programs operate.

Once the loss has occurred, insurers are expected to begin assisting in relief and recovery as soon as possible. The period following a catastrophic event, when insurers are expected to begin processing claims, often includes challenging circumstances. The submissions noted that the Insurance Bureau of Canada (IBC) has established a mobile pavilion to assist in timely responses to catastrophes, along with those of individual insurers. IBC's Community Assistance Mobile Pavilion (CAMP) is deployed into disaster sites to provide access to insurance-related information onsite to consumers. CCIR members recognize that natural catastrophes create difficulties for insurers, who may need to develop innovative ways to address clients' claims and needs. We also recognize that these circumstances may also call upon regulatory authorities to adopt innovative approaches to oversight and supervision. However, regulators cannot overlook the obligation for insurer safety and soundness and must ensure that consumers are protected and all market participants conduct themselves in accordance with the law.

CCIR Position and Recommendations:

- CCIR recommends that insurers have policies and procedures in place to ensure timely and efficient handling of consumer inquiries before, during and after a natural catastrophe.
- CCIR recommends that insurers have policies and procedures in place to ensure timely and efficient handling of claims, particularly those related to natural catastrophe events, including contingencies for the potential of multiple events across more than one jurisdiction.

- CCIR recognizes that innovative solutions from regulatory authorities may be necessary to support timely and efficient handling of claims following a natural catastrophe. In the past, this has included allowing immediate access and entry to industry participants from other jurisdictions to assist with the insurance claims and recovery process.
- CCIR supports government initiatives for the prevention and mitigation of the impacts of natural catastrophes and/or relief funding programs.
- CCIR members should work with other government organizations and other stakeholders to increase consumer awareness and understanding of insurance, with a focus on protecting property from natural catastrophes.
- CCIR members need to convey these positions and recommendations to their respective ministries to ensure governments are aware of our general concerns and the role both governments and regulators have to play.
- CCIR members expect insurers to provide timely reporting to the appropriate regulatory authority following a natural catastrophe (i.e., especially the regulatory authority for the area in which the natural catastrophe occurred). Where appropriate that regulatory authority will share the information with the other CCIR members.

### [Coverages for Natural Catastrophe in the Personal Property Insurance Market](#)

The *Issues Paper* stated that there has been much in terms of product development and product offerings since natural catastrophe insurance's origins in fire coverages. The *Issues Paper* noted that the evolution of property insurance coverages and innovations in product development have been the result of a number of factors including:

- Incidents of natural catastrophes and climate change;
- Consumer insurance needs in markets where coverage was unavailable;
- Reputational risk resulting from differences in coverages and settlement amounts among consumers with similar products; and
- Competitive market forces and innovation-driven organizations.

As indicated above, greater access to and accuracy in risk modeling and risk assessments, like CRESTA zones, windstorm loss models and flood maps, have also enabled insurers to introduce new coverages and offerings.

As part of the research prior to publishing the *Issues Paper*, the CCIR reviewed the policy wordings, endorsements and exclusions of comprehensive policies offered by insurers representing 74% of the total Canadian market share of direct written premium for personal property insurance. The review was intended to assess the coverages that are currently available, as well as develop a better understanding of how insurance policies and coverages have been impacted by natural catastrophes.

The findings of this review included the following:

- Coverages for damage caused by sewer backup, fire, hail, wind, ice and earthquake are generally available whether included as an aspect of comprehensive coverage or as an endorsement.
- The availability of flood/overland water coverage is more limited compared to these other perils;
- Additional endorsements, which include conditions and exclusions, are generally made available to cover potential gaps in comprehensive coverages;
- Definitions of perils or natural catastrophes and product features vary among insurers, resulting in a) differences in coverages and b) potential confusion among consumers.

### **The Issues Paper Asked:**

#### **6. How is product development initiated in response to natural catastrophes?**

Commenters noted that the Canadian property insurance industry has had a long history of product innovation. A number of the submissions pointed to overland flood insurance as an example of insurance product development and new coverages being introduced in Canada. It was claimed that until recently, coverage options related to flooding were few and far between. However, with the events in summer 2013, in Toronto and Calgary in particular, the risks of and lack of coverage for overland flood gained prominence. The consumer need and public pressure coupled with improvements in flood mapping and risk models appears to have contributed to a number of insurers introducing the coverage in Canada. Now only a few years later, respondents noted that many personal property insurers have introduced coverages for overland flooding, and others are still in the launch or development stage. Few of the respondents made reference to insurer actions' in water peril de-risking and re-pricing that also took place within the homeowner policies in that period as well.

The submissions also provided a number of examples of factors that influence product development that were not included in the *Issues Paper*. These include:

- Catering to differences in consumer preferences;
- Differences in the nature of the risks associated with each natural catastrophe;
- Ensuring financial sustainability of the insurer;
- Consumer research and feedback;
- Changes in public policy; and
- Interest in the betterment of Canadians and Canadian communities.

Many of the submissions agreed that insurers typically engage in analysis or access professional research following a natural catastrophe or that natural catastrophes have made them more active in this area. This activity has led to a number of new, innovative products being introduced with many, including overland flood coverage, multiplying and impacting the options and availability for consumers. This research has also lead to

reviews and refinements of existing products and coverages to ensure they perform as intended or are re-priced and/or de-risked.

It is important to note that in Canada there is no price, form or underwriting regulation of personal property insurance. While insurance regulators oversee the conduct of the insurance business, this gives insurers the latitude to be innovative in design and development of products for natural catastrophe coverage.

Included in a number of the responses was the notion that product innovation is tied directly to consumer education and awareness. It was cautioned that a lack of consumer awareness may stifle product innovation. In order for newly developed or refined insurance offerings to be financially viable or have uptake in the market, consumers need to understand the natural catastrophe risks, their own particular risk and exposure, as well as their insurance coverage and options that are available. One way this is evident is the low take-up rate of earthquake insurance by residents in the Ottawa Valley – St. Lawrence River corridor compared to British Columbia’s lower mainland, both of which have material earthquake risks.<sup>12</sup>

As a result, insurers have self-interest-driven incentives to not only engage consumers on natural catastrophes to raise awareness, but also to ensure that consumers are aware of the contents of their insurance policies and the options that are available.

#### CCIR Position and Recommendations:

- CCIR recommends that insurers incorporate the following principles into the development of natural catastrophe products
  - Ensure products provide adequate coverage for the identified risk.
  - Develop products and services that are complimentary to the risk transfer function of insurance and incent the prevention and mitigation of the risks consumers face from natural catastrophes.
  - Ensure consumers are better able to understand their insurance contract.
- CCIR supports the continued development and innovation of products for natural catastrophes to ensure consumers across Canada have access to affordable coverage.

#### Consumer Awareness and Communications

The CCIR’s research prior to publishing its *Issues Paper* included a review of materials insurers had used to communicate the risks of natural catastrophes, preventative steps and measures to mitigate these risks, as well as the information that is provided regarding coverages and insurance contracts. The review found that there is

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<sup>12</sup> “Major quake could pose systemic risk to Canada's financial sector, report says” CBC News Posted: Aug 03, 2016 10:48 AM ET, Accessed on May 30, 2017, <http://www.cbc.ca/news/business/earthquake-insurance-report-1.3705332>.

tremendous variation in the content and quality of information being provided to consumers and that all stakeholders have a role to play in increasing awareness.

In particular, the review found that there is significant room for improvement in terms of communications regarding policies and coverages. The *Issues Paper* concluded that there is a value and need for direct and clear communications with consumers and intermediaries<sup>13</sup> regarding coverages. Complexity and confusion regarding policies, coverages, limitations and deductibles can limit a consumer's ability to make informed decisions and limit the uptake of needed or suitable products that may be available and affordable. The *Issues Paper* also noted that improvements in modelling and the identification and assessments of risks have not translated to improved understandings on the consumer's part.

### **The Issues Paper Asked:**

#### **7. Is communication with policyholders about preventative behaviours, incentives to implement mitigation measures, or other information and outreach initiatives sufficient and effective? Are there plans for future outreach initiatives?**

The responses the CCIR received stated that consumers are generally not well aware of the risks of natural catastrophes. However a number of submissions held that the insurance industry has done a lot to raise awareness in this area. Combined, these points indicate that current efforts are not sufficient in raising awareness of these risks.

Given that homeowners are likely unwilling to purchase coverage in the absence of a perceived risk, the insurance industry has a natural and competitive interest in raising risk awareness. Generally, the submissions recognized that insurers and intermediaries have an important role to play in raising awareness of risks and in terms of the steps to prevent or mitigate the damage and costs that could result from those risks.

Respondents from the insurance industry stated that the information communicated to policyholders about risks and preventative behaviors is provided by individual insurance companies and as part of larger, collective campaigns managed by industry associations. A number of insurers provide their consumers with details on how to take loss-mitigation actions, such as installing sewer backup valves or monitoring fire alarms. In addition, some insurers have developed tools for consumers that provide information on "disaster-proofing" homes and what to do during a catastrophic event.

However, it was also noted that this type of information alone is not enough to ensure homeowners are adopting the preventative measures that are being recommended. A number of commentators suggested that the communication on risk and mitigation

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<sup>13</sup> Refers to both insurance agents and brokers.

needs to be supplemented with incentives and/or deterrents to increase the voluntary uptake of preventative and adaptation programs.

It was stated that a number of insurers incentivize risk mitigation and preventative behavior through discounts in premium. However, a consumer survey conducted by one commenter cautioned that consumers are unlikely to invest more than \$5,000 in measures to prevent damage. With the cost of some measures exceeding the potential savings in premium discounts, it was also stated that incentives and deterrents coming from insurers alone would likely not be sufficient; they would need to also be provided by governments. A number of respondents stated that it was important for governments to develop and fund programs that would incentivize and assist consumers in proactively mitigating risks, or that governments' needed to take action to prevent occupancy in some high risk areas, like flood plains. Given the rising cost of uninsured losses being absorbed by DFAAs, governments too have an incentive.

Commentators also stated that this type of communication and information needs to come from a variety of sources. In addition to information from governments and insurers about risks and incentives, it was noted that more could be done by conservation authorities, builders, lenders and realtors to educate consumers on the potential risks and consequences of natural catastrophes in certain areas or specific homes.

**The Issues Paper Asked:**

**8. Do policyholders understand the differences between standard policy terms and those that are designed for natural catastrophe coverage endorsements? Do they understand their implications (i.e. larger deductible or specific exclusions, monetary limits)?**

We heard from respondents that the public and consumers possess a limited understanding of insurance in general. Its abstract nature and the complexity of contracts and coverages create difficulties in terms of the consumer's ability to understand insurance. This lack of knowledge naturally extends into property insurance coverages, policies, terms, endorsements, deductibles, limitations and exemptions related to natural catastrophes insurance.

In addition, it was noted that consumers also tend not to understand how government disaster relief programs operate (e.g., DFAA). Respondents held that the public often believes that these government programs will indemnify them for any losses that result from a natural catastrophe or that the government will provide for their full recovery following the disaster. Consumers are largely unaware of how these programs operate and what limitations to accessing such relief may apply. For example, some government-provided disaster relief is not available if the homeowner had access to private insurance coverage that would cover the loss. The provinces and territories may

differ in terms of how their programs operate, adding to the potential for confusion among homeowners (see *Appendix B*).

Respondents stated that the confusion regarding policies and coverages can strain and embitter the relationship between insurers and their clients during the claims process. Of more concern was that they also noted that this lack of understanding of personal property insurance and the relief provided by government can lead to consumers making uninformed or ill-informed decisions about insurance, resulting in significant gaps in the coverages and protection consumers could have against the impact of natural catastrophes.

**The Issues Paper Asked:**

**9. What steps should the insurance industry take to address consumers' understanding of the impact that losses have on the availability and accessibility of natural catastrophe coverage?**

The bulk of the respondents discussed the value of improved consumer understanding and awareness in general, rather than the impact losses may have on availability specifically. Generally, the submissions pointed to the need for consistent messaging from multiple stakeholders to improve the consumer's understanding of natural catastrophe risks and insurance.

Many insurance industry respondents were quick to point to the government's responsibilities in ensuring consumers adequately understand their coverages and the impact of natural catastrophe. It was claimed that the government needs to do more in the area of financial literacy and insurance literacy in particular. Beginning with the school curriculum, respondents stated that more time and effort must be spent on financial services and insurance in particular. It is argued that this approach would ensure consumers have at a minimum the base knowledge required to better understand insurance products and coverages.

It was also stated that the government could do more to raise awareness of their own policies and programs. This includes municipalities ensuring consumers are aware of incentives, such as reimbursements for installing sewer backup valves. It was stated that awareness of the provincial and federal governments' disaster relief programs could be improved with more, clear communications to the public.

The respondents also saw the benefits of utilizing the relationships and communications insurers and intermediaries have with clients and prospective clients to improve consumer understanding and awareness. It was argued that the insurance industry needs to provide more information and clearer communications to improve consumer understanding. It was recommended that disclosures for product purchases need to include simplified materials to improve consumer awareness of their coverages and options as well as examples of how the policy will respond to natural catastrophes, including the deductible to be paid and the limitations and restrictions.

Respondents also stated that consumers need to educate themselves. Regardless of the efforts of the other stakeholders in attempting to raise awareness, consumers will need to read the materials and information they are provided and take the time to familiarize themselves with their coverages and risks.

**CCIR Position and Recommendations:**

- CCIR expects that insurers continue to incorporate the CCIR Principles for Managing Conflicts of interest into the distribution of their natural catastrophe products:
  - 1) Priority of Client's Interest
  - 2) Disclosure of Conflicts or Potential Conflicts of Interest, and
  - 3) Product Suitability
- CCIR recommends the use of plain language in insurance policies and information / materials on natural catastrophe coverages.
- CCIR supports enhanced transparency and disclosure requirements at the point of sale to increase consumer understanding and awareness of coverage related to natural catastrophes.
- CCIR members need to convey these observations to their respective ministries to ensure governments are aware of our general concerns and the role both governments and regulators have to play.

**The Issues Paper Asked:**

**10. How can comparison shopping for natural catastrophe products be made easier for consumers?**

As noted above, the CCIR found that there is significant variation in the coverages and the messaging consumers receive regarding insurance for natural catastrophes. While insurance for natural catastrophes may generally be available, the variation in information consumers receive and the variety in coverages and options may lead to confusion and an inability to engage in effective comparative shopping. The submissions we received stated that financial literacy, simplified disclosures as well as more tools and more access to information will assist consumers in better understanding their own coverage and allow for easier comparisons with other coverages.

It is also important to note that while disclosure is viewed as a means to ensure consumers are capable of making informed decisions, it is dependent on consumers being able to understand that disclosure, and to take into account conflicts of interest that exist. Behavioural economics research has indicated that in some cases, more

disclosure may not be better, and indeed might have the opposite effect: creating confusion for the consumer.<sup>14</sup>

Again, a number of respondents pointed to the government, stating that the ability to make comparisons with insurance products was a question of financial literacy. These commenters suggested that government programs to improve knowledge of insurance would be of assistance in this area. However, other submissions noted that the complexity of the policies and differences found from contract to contract make comparisons difficult. It was suggested in these submissions that there was a significant role for insurers and intermediaries in advancing the consumer's ability to make product comparisons. It was held that insurers could develop new materials and tools for consumers that could help breakdown the differences. Other submissions pointed to the knowledge and expertise of insurance intermediaries who could assist consumers in making comparisons between products.

#### CCIR Position and Recommendations:

- CCIR expects that insurers and intermediaries promote products and services in a manner that is clear, fair and not misleading. CCIR supports industry outreach and the development of incentives and mitigation measures for consumers.
  - Outreach and communications to consumers should include various formats (i.e., online, mailers...) and align with principles of plain language so that the information is clear and easily understandable.
  - Outreach measures should equip consumers with sufficient information to enable informed decisions and make product choices that suit the consumer's needs.
- CCIR expects that industry efforts on education and awareness will include the provision of ongoing information to policyholders, including details on the product, limitations, exclusions and deductibles, to ensure consumers can make informed decisions and choices that best suit their needs.
- CCIR has a strong interest in ensuring that the timing, delivery, and content of information provided to customers at the point of sale and that policy service are appropriate through to the point at which all obligations under the policy have been satisfied (i.e., throughout the life cycle of the product).
- CCIR encourages the industry to consider educational efforts and campaigns that seek to increase the consumer's understanding of insurance in general.

#### Other

The remaining section of the *Issues Paper* sought feedback on the preparedness of the insurance industry for natural catastrophes and for commenters to provide input on

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<sup>14</sup> CCIR, Segregated Funds Working Group, "Position Paper", 2017

topics or issues that were not covered by the *Issues Paper* of that the CCIR should be aware of.

**The Issues Paper Asked:**

**11. Are insurers well prepared for claims handling in a worst-case natural catastrophe scenario, including dealing with products that are relatively new to the market?**

The responses we received held that insurers are prepared for natural catastrophes. It was stated that the experience insurers have gained through the increasingly frequent and severe weather has helped them become better prepared in managing their responsibilities at the scene and in adapting or developing products for the next catastrophe.

Some commenters recommended that insurers develop training programs and natural catastrophe scenarios to ensure that staff are adequately prepared for claims or dealing with new products. Other commentators recommended the government consider adopting methods that would allow the legislative and regulatory frameworks to be more flexible and responsive following natural catastrophes.

Other responses distinguished between the type of natural catastrophes the insurance industry in Canada has experienced to date and those that could result in \$30 billion or more in losses. Examples of this later type of catastrophe included major earthquakes or cyclonic windstorms in urban centres. The submissions claimed that catastrophes resulting in losses of \$30 billion or more could be overwhelming for the Canadian insurance industry, triggering a number of insolvencies and leaving policyholders without coverage. As mentioned earlier, the insurance industry is presently working with government to explore risk-sharing options and approaches for such risks.

**CCIR Position and Recommendations:**

- The CCIR expects insurers to have sufficient human capital to handle natural catastrophe claims in a timely and efficient manner.
- The CCIR supports risk-sharing and risk management practices so that insurers are financially prepared for a major natural catastrophe.
- The CCIR supports continued adaptation as a result of lessons learned from previous events.

**The Issues Paper Asked:**

**12. Are there other issues or requirements that have not been considered in this Issues Paper that would help to better achieve the fair treatment of personal property insurance customers?**

A number of submissions called attention to a variety of items that were not directly addressed in the Issue Paper. For the most part, the comments included in the responses to this question were focused on consumer outcomes. For example, it was noted that, in addition to their research on natural catastrophes, insurers also engage in consumer focused research. Insurers will measure consumer satisfaction to assist in assessing their products and services. The submissions also mentioned that many members of IBC adhere to their *Standards of Sound Marketplace Practices*, which are high-level principles regarding insurer conduct and the treatment of consumers.

It was also noted that changes in lifestyle are also affecting insurance losses and the impact of natural catastrophes. In addition to the increasing frequency and severity of natural catastrophes, it is increasingly common for homeowners to have finished and furnished basements, increasing the risk of flood and water related damage. Also, policyholders traveling and leaving homes unattended more frequently or for longer periods was said to increase some risks.

In addition, one submission recommended that steps should be taken to curb or prevent development in high-risk zones. It stated that senior levels of government should provide incentives to prevent municipalities from building or allowing development in these areas.

**The Issues Paper Asked:**

**13. Please provide any other information that you believe regulators should consider regarding natural catastrophes and personal property insurance.**

Many of the commenters utilized this question to reiterate the main points, concerns or recommendations expressed throughout their submissions. They emphasized the need for action from all stakeholders involved as well as cooperation among stakeholders in addressing natural catastrophes in Canada. For the insurance industry, this included developing products and improving the availability of coverages as well as improving consumer understanding of their policies. It was stated that insurers' efforts in the area of financial literacy would need to be increased and that policy wordings need to become clearer and more concise. In terms of the three levels of government, the submissions emphasized the potential value for improved financial literacy and the efforts that can be made by government and regulators in this area. The commenters also stated that governments need to be proactive and take action to limit the potential impact and losses of natural catastrophes. And for consumers, the submissions pointed to their responsibilities in adopting steps to mitigate the risks for their properties.

### CCIR Position and Recommendations:

- The CCIR expects that all insurers and intermediaries adopt policies that support the fair treatment of customers.
- The CCIR will continue to monitor the effects of climate change and any potential implications for the insurance industry in Canada.
- The CCIR supports industry and government efforts to improve financial literacy.

### Conclusion

Through the research the CCIR has done in developing its *Issues Paper* and based on the input it received through the subsequent consultations, it has become clear that natural catastrophes and insuring against their risks represent a growing area of concern in Canada. It has also become clear that the issues stretch beyond the insurance market and that there are a variety of stakeholders involved, each with their own responsibilities and potential for ensuring that Canadians are well informed and adequately protected against the risks of natural catastrophes.

The consultations revealed that a number of stakeholders share concerns regarding natural catastrophes and insurance in Canada. Common concerns that were emphasized in the submissions include:

- *Financial literacy.* Respondents noted that there is a lack of understanding among consumers regarding insurance, the coverages included in policies consumers have purchased, the coverages that are available to them. The submissions also stated that there is confusion among consumers regarding the provincial and territorial disaster relief programs and what they can expect from them following a natural catastrophe. This lack of awareness and confusion may cause consumers to be inadequately protected for natural catastrophes.
- *Scope of issue.* Respondents pointed to the number of stakeholders involved in or who have a role to play in natural catastrophe preparedness and/or response. It was also noted that these stakeholders need to work more closely together, share information and collaborate in order to better prepare for natural catastrophes. From consumers to insurers and government to private enterprise, all have responsibilities and activities to undertake to improve the current system and protect against natural catastrophes.

For the responsibilities and activities in the insurance market, the CCIR expects them to be carried out in a manner that ensures customers are treated fairly. Included in this paper are a number of requirements and expectations for insurance market participants. The CCIR believes that fulfilling these expectations will improve access to and uptake of

suitable and affordable insurance coverages and result in consumers being better protected to the risks of natural catastrophes through insurance. These are to be fulfilled in a manner that prioritizes the fair treatment of consumers. This includes consideration of the consumer's interest in developing products, providing clear and practical information to assist with raising awareness and the consumer's ability to make decisions, providing quality advice, dealing with complaints fairly and protecting privacy of information.

CCIR understands that it must play a role in monitoring the effects of climate change and other natural catastrophe risks and any potential implications for the insurance industry in Canada. To that end, insurance and natural catastrophe risks figure prominently in CCIR 2017 - 2020 Strategic Plan. CCIR members also recognize that it can play an influential role with governments and consumers in issues related to natural catastrophe preparedness and resilience.

## Appendix A: Summary of CCIR Position and Recommendations

- CCIR supports the continued development and improvement of risk modelling tools and probabilistic data to help insurers: a) better understand and rate risk and b) offer a diverse and appropriate selection of products and coverages.
- CCIR supports the use of risk modelling tools and probabilistic data by all stakeholders in better understanding, preparing for and mitigating the impact of natural catastrophes.
- CCIR encourages stakeholders to better collaborate so that aggregated risk data is made more readily available to support the conditions necessary to enhance preparedness, as well as the affordability and availability of natural catastrophe insurance.
- CCIR encourages the creation of innovative risk-sharing practices that ensure new product development and the availability and affordability of coverage for natural catastrophes in Canada.
- CCIR supports risk-sharing practices that allow for adequate and suitable coverages for consumers in high-risk areas.
- CCIR recommends that insurers have policies and procedures in place to ensure timely and efficient handling of consumer inquiries before, during and after a natural catastrophe.
- CCIR recommends that insurers have policies and procedures in place to ensure timely and efficient handling of claims, particularly those related to natural catastrophe events, including contingencies for the potential of multiple events across more than one jurisdiction.
- CCIR recognizes that innovative solutions from regulatory authorities may be necessary to support timely and efficient handling of claims following a natural catastrophe. In the past, this has included allowing immediate access and entry to industry participants from other jurisdictions to assist with the insurance claims and recovery process.
- CCIR supports government initiatives for the prevention and mitigation of the impacts of natural catastrophes and/or relief funding programs.
- CCIR members should work with other government organizations and other stakeholders to increase consumer awareness and understanding of insurance, with a focus on protecting property from natural catastrophes.
- CCIR members need to convey these positions and recommendations to their respective ministries to ensure governments are aware of our general concerns and the role both governments and regulators have to play.
- CCIR members expect insurers to provide timely reporting to the appropriate regulatory authority following a natural catastrophe (i.e., the regulatory authority from the area in which the natural catastrophe occurred). Where appropriate that regulatory authority will share the information with the other CCIR members.

- CCIR recommends that insurers incorporate the following principles into the development of natural catastrophe products
  - Ensure products provide adequate coverage for the identified risk.
  - Develop products and services that are complimentary to the risk transfer function of insurance and incent the prevention and mitigation of the risks consumers face from natural catastrophes.
  - Ensure consumers are better able to understand their insurance contract.
- CCIR supports the continued development and innovation of products for natural catastrophes to ensure consumers across Canada have access to affordable coverage.
- CCIR expects that insurers continue to incorporate the CCIR Principles for Managing Conflicts of interest into the distribution of their natural catastrophe products:
  - 1) Priority of Client's Interest
  - 2) Disclosure of Conflicts or Potential Conflicts of Interest, and
  - 3) Product Suitability
- CCIR recommends the use of plain language in insurance policies and information / materials on natural catastrophe coverages.
- CCIR supports enhanced transparency and disclosure requirements at the point of sale to increase consumer understanding and awareness of coverage related to natural catastrophes.
- CCIR members need to convey these observations to their respective ministries to ensure governments are aware of our general concerns and the role both governments and regulators have to play.
- CCIR expects that insurers and intermediaries promote products and services in a manner that is clear, fair and not misleading. CCIR supports industry outreach and the development of incentives and mitigation measures for consumers.
  - Outreach and communications to consumers should include various formats (i.e., online, mailers...) and align with principles of plain language so that the information is clear and easily understandable.
  - Outreach measures should equip consumers with sufficient information to enable informed decisions and make product choices that suit the consumer's needs.
- CCIR expects that industry efforts on education and awareness will include the provision of ongoing information to policyholders, including details on the product, limitations, exemptions and deductibles, to ensure consumers can make informed decisions and choices that best suit their needs.
- CCIR has a strong interest in ensuring that the timing, delivery, and content of information provided to customers at the point of sale and that policy service is appropriate through to the point at which all obligations under the policy have been satisfied (i.e., throughout the life cycle of the product).
- CCIR encourages the industry to consider educational efforts and campaigns that seek to increase the consumer's understanding of insurance in general.

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- The CCIR expects insurers to have sufficient human capital to handle natural catastrophe claims in a timely and efficient manner.
- The CCIR supports risk-sharing and risk management practices so that insurers are financially prepared for a major natural catastrophe.
- The CCIR supports continued adaptation as a result of lessons learned from previous events.
- The CCIR expects that all insurers and intermediaries adopt policies that support the fair treatment of customers.
- The CCIR will continue to monitor the effects of climate change and any potential implications for the insurance industry in Canada.
- The CCIR supports industry and government efforts to improve financial literacy.

## Appendix B: Disaster Relief Programs in Canada

	Info	Description	Noteworthy Restrictions
<b>British Columbia</b>	<a href="#">link</a>	Disaster Financial Assistance <ul style="list-style-type: none"> <li>– Financial relief for essential uninsurable losses</li> <li>– Helps to replace or restore essential items and property that have been destroyed or damaged to pre-disaster condition</li> <li>– Assistance to home owners, residential tenants, small business owners, farm owners, and charitable organizations (Small business owners and farm owners must demonstrate it is their primary source of income)</li> </ul>	<ul style="list-style-type: none"> <li>– Only available for events the provincial government has declared eligible</li> <li>– Limited to events that are uninsurable, such as overland flooding</li> <li>– Damages from certain landslides may be eligible, if it can be shown that the landslide is the direct result of heavy rainfall or other sudden catastrophic event, and not caused by pre-existing slope instability</li> <li>– Limited to principal residences</li> <li>– Applications must be made within 90 days of the date the DFA was authorized</li> </ul>
<b>Alberta</b>	<a href="#">link</a>	Disaster Recovery Program <ul style="list-style-type: none"> <li>– Provides financial assistance for uninsurable property damage, loss and other expenses</li> <li>– Available for individuals, small businesses (including farming operations), not-for-profit organizations (including not-for-profit cooperatives), municipalities and government departments</li> <li>– A state of local emergency does not have to be declared in order to receive financial assistance under a disaster recovery program.</li> </ul>	<ul style="list-style-type: none"> <li>– Losses for events where insurance coverage was available in the affected area at a reasonable cost prior to the event are not eligible (Where insurance is not considered to be readily and reasonably available, but an applicant has obtained coverage and it can be clearly demonstrated that the applicant is worse off as a result of that decision, the applicant may be reimbursed for the difference of what the insurer paid as opposed to the greater eligible amount that would have been paid under the DRP)</li> <li>– The event must be considered extraordinary</li> <li>– The following are not eligible under DRPs:               <ul style="list-style-type: none"> <li>a) Loss of income, wages, profits and/or revenue, loss of production or productivity, loss of opportunity, inconvenience, loss of asset or market value or market</li> </ul> </li> </ul>

	Info	Description	Noteworthy Restrictions
			share and/or reduction of yield (e.g., crops, livestock or wood) b) Losses or damages that are an ordinary or normal risk of a trade, calling or enterprise c) Legal and other costs associated with the settlements of estates of people killed in the course of a disaster d) Punitive damage awards by courts or out-of-court settlements e) Assistance to businesses (other than the small businesses the program is intended to apply to) f) Financial assistance given to individuals, households, small businesses (including farming operations) and public infrastructure, physically located outside of the affected area g) Interest on loans obtained for bridge financing or on late payments <ul style="list-style-type: none"> <li>– There must be evidence that the event is wide spread</li> <li>– Contributions from other sources are deducted from the financial assistance the applicant would otherwise receive</li> </ul>
Saskatchewan	<a href="#">link</a>	Provincial Disaster Assistance Program <ul style="list-style-type: none"> <li>– Assist residents, small businesses, agricultural operations, communal organizations, non-profit organizations, parks and communities recover from the effects of natural disasters</li> <li>– Covers damage or loss to uninsurable, essential property (may also help cover the cost of clean-up, repairs and temporary relocation)</li> </ul>	<ul style="list-style-type: none"> <li>– Local authority (city, town, village, resort village, provincial park, rural municipality, or First Nation) must apply to be approved</li> <li>– Limited to primary residence</li> <li>– For a business to qualify for assistance, it must make more than \$4000 and less than \$2 million in gross income, employ not more than the equivalent of 20 full-time employees</li> <li>– Limited to losses where insurance is unavailable at a reasonable rate</li> </ul>

	Info	Description	Noteworthy Restrictions
			<ul style="list-style-type: none"> <li>– Does not provide financial assistance for drought, fire-related losses, loss of production or loss of revenue (all of which are insurable)</li> </ul>
<b>Manitoba</b>	<a href="#">link</a>	Disaster Financial Assistance <ul style="list-style-type: none"> <li>– Assistance for individuals, farms, small businesses, non-profit organizations and municipal governments</li> <li>– Provides financial support for uninsurable losses to basic and essential property</li> </ul>	<ul style="list-style-type: none"> <li>– Limited to primary place of residence</li> <li>– Damaged property or items that could have been insured at a reasonable and available rate are not eligible</li> <li>– Excludes costs recoverable from any other government program; losses that are recoverable at law; non-essential items; loss of income and opportunity; inconveniences; normal operating costs; upgrading existing facilities; damage that is a normal risk of trade, occupation or enterprise</li> </ul>
<b>Ontario</b>	<a href="#">link</a>	Disaster Recovery Assistance for Ontarians <ul style="list-style-type: none"> <li>– Financial assistance to help cover emergency expenses and costs to repair or replace essential property</li> <li>– Available to individuals, small owner-operated businesses and farms, and not-for-profit organizations within the activation area</li> <li>– Activated in a community when a sudden and unexpected natural disaster causes costly and widespread damage</li> </ul>	<ul style="list-style-type: none"> <li>– Limited to the primary residence where an applicant lives on a day-to-day basis</li> <li>– Limited to reimbursements for essential items that require repair or replacement</li> <li>– Damage caused by sewer back-up is not eligible except for low-income applicants</li> <li>– Does not apply to non-natural disasters such as human-caused events, or to events that occur over an extended period of time, such as droughts</li> <li>– Does not apply to First Nation reserves</li> <li>– Does not apply to costs that can or will be paid for from other sources (e.g., from an insurer, or an emergency aid organization)</li> </ul>
<b>Quebec</b>	<a href="#">link</a>	General Financial Assistance Program regarding Actual or Imminent Disasters	<ul style="list-style-type: none"> <li>– Available to tenant or owner of a “principal residence” (i.e., the place where daily activities are performed on an annual basis. Includes</li> </ul>

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	Info	Description	Noteworthy Restrictions
		<ul style="list-style-type: none"> <li>– Financial assistance to guard against a danger or repair damage caused to belongings during a disaster</li> <li>– In the case of an evacuation, individuals are eligible for financial assistance on the fourth day of evacuation</li> </ul>	<ul style="list-style-type: none"> <li>– dwellings, single family homes, row houses and condominiums).</li> <li>– Not available for damage caused by disasters for which insurance coverage is available in Quebec</li> </ul>
<b>New Brunswick</b>	<a href="#">link</a>	Disaster Financial Assistance <ul style="list-style-type: none"> <li>– Provides funding assistance for major disaster events</li> <li>– Helps covers the costs of basic need items</li> </ul>	<ul style="list-style-type: none"> <li>– Does not include insurable losses</li> </ul>
<b>Nova Scotia</b>	<a href="#">link</a>	Disaster Financial Assistance <ul style="list-style-type: none"> <li>– Financial assistance for uninsurable damage to items like basic household goods, appliances (washers, dryers, furnaces), and structural damage to the home.</li> </ul>	<ul style="list-style-type: none"> <li>– Limited to primary dwellings</li> <li>– Limited to uninsurable damages</li> <li>– Does not apply to funding/relief provided for the same expense</li> </ul>
<b>PEI</b>	<a href="#">link</a>	Disaster Financial Assistance Arrangements <ul style="list-style-type: none"> <li>– Financial assistance for personal and small business</li> <li>– Province may apply for assistance through the Disaster Financial Assistance Arrangement program with the Federal Government</li> </ul>	
<b>Newfoundland &amp; Labrador</b>	<a href="#">link</a>	Newfoundland and Labrador Disaster Financial Assistance Program (NL-DFAP) <ul style="list-style-type: none"> <li>– Financial assistance to help individuals, small business, charitable/non-profit/cooperative organizations, municipalities, and farm operations meet the cost of disasters which exceed what they might reasonably be expected to bear on their own</li> <li>– Financial assistance for items that are deemed essential</li> </ul>	<ul style="list-style-type: none"> <li>– Not available for loss/damage which is reasonably insurable</li> <li>– Limited to principal residences</li> <li>– Does not apply to: a) Disasters where effects are limited to a single economic production sector; b) Chronic or pandemic health emergencies, including recurring or new health threats; c) Public order, civil disorder, criminal and terrorist acts, or international armed conflict; and d) The fighting of forest, grass or</li> </ul>

	Info	Description	Noteworthy Restrictions
			<p>wild fires except where they pose a threat to built up areas and then primarily for pre-emptive actions, evacuation and damaged infrastructure restoration.</p> <ul style="list-style-type: none"> <li>– Does not apply to damage/loss which occurs in a designated flood zone</li> </ul>
<b>Yukon</b>	<a href="#">link</a>	<ul style="list-style-type: none"> <li>– Financial assistance for personal and small business</li> <li>– Territory may apply for assistance through the Disaster Financial Assistance Arrangement program with the Federal Government</li> </ul>	
<b>Northwest Territories</b>	<a href="#">link</a>	<p>Disaster Financial Assistance</p> <ul style="list-style-type: none"> <li>– Financial assistance for individuals, small businesses and community governments recovering from a disaster and restoring damaged property to its pre-disaster condition</li> <li>– Can be extended to individuals who are not “residents in a community”.</li> </ul>	<ul style="list-style-type: none"> <li>– Limited to essential items, the loss of which was neither preventable nor insurable (i.e., insurance was not readily available at a reasonable cost)</li> <li>– Provides reasonable levels of assistance, but does not compensate for loss</li> <li>– Following criteria must be demonstrated: a) the event was an emergency; b) damage was so widespread that a significant number of people or properties were affected; c) the health, safety, and welfare of the affected residents were at risk; d) the community conducted appropriate emergency operations and advised the Deputy Minister; e) the community, small businesses and community residents made serious effort to protect property and minimize risk.</li> </ul>
<b>Nunavut</b>	<a href="#">link</a>	<ul style="list-style-type: none"> <li>– Territory may apply for assistance through the Disaster Financial Assistance</li> </ul>	

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	Info	Description	Noteworthy Restrictions
		Arrangement program with the Federal Government	
<b>Federal</b>	<a href="#">link</a>	<ul style="list-style-type: none"> <li>– Financial assistance to provincial and territorial governments</li> <li>– Provides financial assistance when response and recovery costs exceed what individual provinces or territories could reasonably be expected to bear on their own</li> </ul>	<ul style="list-style-type: none"> <li>– Assistance is paid to the province or territory – not directly to affected individuals, small businesses or communities</li> <li>– Limited to primary dwelling</li> <li>– Does not include repairs that are eligible for reimbursement through insurance</li> <li>– Does not include costs that are covered in whole or in part by another government program (e.g. production/crop insurance)</li> </ul>