

# Experts address gaps in Canada's proposed flood insurance program

May 13 2024

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Credit: Waterloo Climate Institute/University of Waterloo

A pair of University of Waterloo flood disaster experts have published an analysis on the federal government's national flood insurance program that finds the proposed plan can do more to make insurance abundant

and affordable for Canadian taxpayers.

Canadians are facing more uncertain insurance options as the impacts from [extreme weather events](#) due to [climate change](#) such as floods or wildfires continue to rise. Meanwhile, Quebec-based Desjardin Group announced last month it will no longer offer new mortgages or [flood insurance](#) in high-risk zones across the province.

The [federal government](#) aimed to address these challenges in its Budget 2024 last month with \$15 million pledged to the Canada Mortgage and Housing Corporation to implement a national flood insurance program (FIP) by 2025. Waterloo professors Jason Thistlethwaite and Daniel Henstra analyzed the FIP and provided several [policy recommendations](#) to address the gaps in insurance provision to Canadian homeowners living in high-risk zones while protecting the interests of taxpayers.

"In recent years, Canada and the world has seen extreme weather, specifically flooding, increase in frequency and severity and is causing a crisis in the insurance industry," Thistlethwaite said.

"Canadians are losing property value due to these insurance cancelations, and few have focused on potential solutions that government and industry can provide to these stranded households."

The Canadian government's new property insurance market aims to improve the availability and affordability of coverage for households in high-risk flood areas. The proposed program will insure properties deemed too risky for private coverage and will subsidize premiums for low-income households.

"Despite these benefits, the federal government is facing considerable political pressure to cut public spending. The imperative to contain costs, coupled with climate change and other factors that are driving up

insurance costs, presents a significant challenge for the design of the FIP," said Thistlethwaite.

"If taxpayers are going to shoulder the burden for the insurance industry, I want to get a good deal that includes increased investment in risk reduction, banning development in high-risk areas, and innovation that leads to cheap and abundant insurance."

Some recommendations from the brief include:

- Using risk-adjusted premiums with a sunset clause on subsidization such as a defined time when the subsidy ends;
- Reducing wasteful redundancy and fragmentation across Canada's portfolio of disaster risk reduction policies;
- Experimenting with new insurance contracts and coverages to increase market options for Canadian consumers in low- and moderate-risk communities.

"Flood risk disclosure as a whole needs to be more transparent and accessible to homeowners and potential buyers," said Henstra. "The recommendations and key findings indicate that the new FIP falls short of providing adequate protection for Canadians in high-risk zones."

The [policy brief](#), "Maximizing the public value of Canada's new flood insurance program (FIP)," was released by the Waterloo Climate Institute on May 13, 2024.

**More information:** Maximizing the public value of Canada's new flood insurance program: [uwaterloo.ca/climate-institute ... lethwaitehenstra.pdf](https://uwaterloo.ca/climate-institute/files/2024/05/lethwaitehenstra.pdf)

Provided by University of Waterloo

Citation: Experts address gaps in Canada's proposed flood insurance program (2024, May 13)  
retrieved 23 June 2024 from <https://phys.org/news/2024-05-experts-gaps-canada.html>

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