

FEDERAL GOVERNMENT ANNOUNCES FUNDING FOR A LOW-COST NATIONAL FLOOD INSURANCE PROGRAM

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In the 2023 Budget, the Federal Government announced their intention to partner with provinces and territories in order to launch a low cost flood insurance program in Canada. This announcement follows the release of Canada's Task Force on Flood Insurance and Relocation's report, *Adapting to Rising Flood Risk*, which provided insights and recommendations to the government for the development of a national flood insurance program (as discussed further [here](#)). Flooding has been Canada's most common and costliest disaster in the 21st Century, with total flooding losses in Canada estimated at \$16.4 billion from 2013 and 2017. In recent years, more than fifty percent of losses from flooding have been uninsured, with the majority of the risk concentrated in a small number of properties. As part of the 2023 Budget, the government also announced two further flood related initiatives: the creation of an online portal where Canadians can access information on their flood risk and the modernization of the Disaster Financial Assistance Arrangements program to incentivize mitigation efforts.

The budget proposes to provide \$31.7 million over the next three years to Public Safety Canada and the Canada Mortgage and Housing Corporation. Both would collaborate with the Department of Finance to create a low cost flood insurance program, aimed at Canadian households most vulnerable to flooding and those who do not have access to adequate insurance. As part of this program, a new Crown Corporation would be established to provide reinsurance and high-risk areas would have access to a separate insurance subsidy program.

In conjunction with this initiative, the Federal Government proposes to provide \$15.3 million over three years to Public Safety Canada to create a publicly accessible online portal that would allow Canadians to learn more regarding their exposure to flooding. Without access to such information, Canadians are unable to properly protect themselves and mitigate the growing effects of flooding. Mitigating the effects of flooding may lead the market to correcting itself towards lower premiums for flood insurance in the future.

Finally, the budget proposes to modernize the Disaster Financial Assistance Arrangements, which assists the Federal Government in providing relief following natural disasters. Budget 2023 proposes \$48.1 million over the next five years to modernize the program to increase its focus on prevention and resilience and incentivize

mitigation efforts. Details on how this will be done, however, are yet to be released.

The impact of flooding can be devastating for Canadians living in vulnerable areas, where many find themselves critically underinsured or uninsured completely. This lack of coverage also disproportionately affects traditionally disadvantaged groups. Insurers have been working with the federal and provincial governments for several years now on flooding initiatives in order to reduce disaster costs and speed up the recovery and rebuilding process.

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A Cautionary Note

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