



New housing supply-chain report recommends transparent, plain-language risk disclosure via a climate score, to combat natural disaster losses in Canada

October 25, 2022 (TORONTO) – New research by Insurance Bureau of Canada (IBC) finds that the disclosure of natural hazard and climate risk is urgently needed in the Canadian housing market because of the increasing frequency and severity of natural disasters.

A key recommendation from the research is the creation of a “climate score” for houses, called the Real Estate Climate Risk Index. The Index would act like a credit or walk score for climate risks, to indicate a property’s susceptibility to catastrophic loss based on known risk factors. The Index would form the basis for managing and reducing household, community and municipal climate risk.

In the fall of 2021, leaders from across the housing supply chain were invited to develop a framework to communicate natural hazards and climate risk to homeowners and tools to use across the housing finance and insurance sectors. The findings are published in the report [“Designing the Path to Climate Compatibility: Climate Risk Disclosure and Action in the Canadian Housing Context.”](#)

“Canada must develop a universal climate risk disclosure system by 2025,” said Craig Stewart, Vice-President, Climate Change and Federal Issues, IBC. “We simply can’t wait until 2050 to be climate compatible in the housing sector. Immediate action must be taken to protect homeowners and communities, or catastrophic loss to homes and communities will continue to increase in severity and cost, year after year.”

In addition to the Climate Risk Index, the report recommends developing an Action Matrix. It would allow all housing market stakeholders to have a universal view of a location’s risk and to understand how to invest in that community to reduce the risk. The Action Matrix would recognize that every context is unique and requires different resilience measures. Critical to the operation of the Action Matrix is the responsibility of lenders, insurers and governments to ensure that homeowners understand their property’s risk assessment.

The research was developed in partnership with Canada Mortgage and Housing Corporation (CMHC). “Our collaboration with IBC on this effort is motivated by our need to respond to the accelerated frequency and severity of catastrophic loss events in the housing finance system, as well as the need to create an aligned view of climate risk for homeowners,” said Steve Mennill, Chief Climate Officer, CMHC.

Report recommendations

The report recommends the following immediate action items.

- Create a Real Estate Climate Risk Index and Action Matrix for communities, municipalities and homeowners.



- Update flood maps and create maps for all hazards and climate risks.
- Create a Risk Action Matrix for lenders and insurers.
- Create single-source disclosure data that is transparent, reliable and accessible.
- Create a publicly accessible property-level database that stores information about individual property risk and mitigation.
- Ensure local and regional governments are at the forefront of risk disclosure.

“Access to reliable climate-related data will help homeowners, builders, the financial sector and governments to invest in property resilience and prioritize community adaptation projects,” said Stewart. “We need to make information publicly accessible as fast as possible.”

About the report

The “Designing the Path to Climate Compatibility: Climate Risk Disclosure and Action in the Canadian Housing Context” research study is a Strategy Foresight Practice approach that incorporates marketplace scanning research related to natural hazards in the Canadian housing context. Forecasts and alternative futures exploration and analysis are central to the research.

About the Canada Mortgage and Housing Corporation (CMHC)

As Canada’s authority on housing, CMHC contributes to the stability of the housing market and financial system, provides support for Canadians in housing need, and offers objective housing research and information to Canadian governments, consumers and the housing industry. For more information, follow CMHC on [Twitter](#), [Instagram](#), [YouTube](#), [LinkedIn](#) and [Facebook](#).

About Insurance Bureau of Canada (IBC)

IBC is the national industry association representing Canada’s private home, auto and business insurers. Its member companies make up the vast majority of the property and casualty (P&C) insurance market in Canada. For more than 50 years, IBC has worked with governments across the country to help make affordable home, auto and business insurance available for all Canadians. IBC supports the vision of consumers and governments trusting, valuing and supporting the private P&C insurance industry. It champions key issues and helps educate consumers on how best to protect their homes, cars, businesses and properties.

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