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STATE OF THE HOME INSURANCE MARKET:

Healthy but Pressure Is Building

A Report for Canadian Policymakers on Protecting Consumers in Volatile Times

IBC
Insurance Bureau of Canada

Contents

Executive Summary

In 2024, insured losses for severe weather nearly tripled in one year, reaching a new high of over $9 billion. Despite this shock, the Canadian home (or personal property) insurance market remains healthy overall. However, signs of stress are showing in high-risk regions of the country (e.g., Alberta's "hailstorm alley"; areas of British Columbia hit by a multi-year drought and wildfires) and placing the personal property insurance market under severe pressure, with some consumers having experienced rising costs and reduced coverage availability.

Canada must act before the situation reaches a crisis, as it has in other jurisdictions. For example, California, after a series of wildfires, is now deep into an insurance crisis. In that state alone, between 2020 and 2023, approximately 3.6 million home insurance policies were not renewed.[1]

Federal, provincial and municipal policymakers recognize there's a problem and are grappling with how to reduce their constituents' exposure as severe weather events increase. They must also plan to protect the homes of future constituents as the federal government fast-tracks the largest housing initiative since the Second World War in the face of tariff threats and economic uncertainty. This new housing initiative will require modernizing the country's regulatory framework to reflect current needs for resilience and adaptation.

The most effective means of ensuring a sustainable personal property insurance market is to mitigate the impacts of severe weather on Canadian homes. To do so, Canada requires a coordinated and ambitious resilience policy agenda.

The following report, prepared by Insurance Bureau of Canada (IBC), explains the pressures that are impacting the personal property insurance market in Canada and lays out solutions.

A three-point plan for policymakers to make Canada a world leader in resilience outlines the many policy solutions – some new, many already in the works – that will help ensure a healthy personal property insurance market for Canadians into the future.

The three points are:

1. **Improve how and where we build**
2. **Invest in resilience and help communities mitigate their risks**
3. **Address market gaps while avoiding interventions that reduce market capacity.**

Now is the time for concerted action by insurers and Canadian policymakers at all levels to protect consumers from the growing risks they face in an increasingly volatile world.

[1] IBC. April 2025. "IBC InBrief: Lessons for Canadian policymakers from the California insurance crisis."

Introduction

Personal property insurance for homeowners, tenants and condominium (condo) owners is a keystone of individuals' financial security and, therefore, Canada's economic health.

A core offering of the property and casualty (P&C) insurance industry, personal property insurance protects individuals' residential properties and personal belongings against a variety of risks such as fire, theft and weather-related events.

The personal property insurance industry – with $21 billion in premiums yearly and 33,500 staff across 101 companies– has a long history of stability underpinned by healthy competition in all regions across the country.

However, last year's shocking $9 billion in insured losses due to severe weather events, coupled with higher rebuilding costs, labour shortages, reciprocal tariffs and other factors, are putting severe pressure on the personal property insurance industry. Consumers in some high-risk regions of the country have experienced much higher premium costs and even in some cases a reduction in coverage.

(See the appendix for an overview of the Canadian P&C insurance market, of which personal property insurance is a part, as well as the range of personal property insurance products offered to Canadians.)

What's Working Well in the Personal Property Market in Canada

Despite current pressures, the Canadian personal property insurance market remains stable and competitive. Out of the 175 insurers operating in the country,[2] 101 provide personal property insurance including basic home insurance policies.[3]

This competition fosters a healthy market, offering consumers choice and access to coverage that suits their needs. The Herfindahl-Hirschman Index (HHI) is a commonly used index that measures the level of competition for products and services in a market on a scale of 0 to 10,000. A market with an HHI of less than 1,500 is considered a competitive marketplace, while an HHI of 1,500 to 2,500 is moderately concentrated, and an HHI of 2,500 or greater is highly concentrated. Research shows that the competitiveness of the Canadian P&C insurance market is strong, with an HHI of 614 for all lines of business in 2024 and an HHI of 895 for personal property.

Figure 1: HHI for Personal Property Insurance in Canada, 2022–2024

	Personal Property	All Lines
2024	895.1	614.0
2023	898.0	614.2
2022	924.5	619.6

In Canada, policymakers continue to encourage and support risk-based pricing, which underpins healthy market dynamics, encourages competition and fosters innovation. Risk-based pricing also serves as an essential tool for signalling risk and encouraging mitigation.

Trends That Are Impacting Canada's Personal Property Market

Increasingly, the personal property market is subject to significant pressures that are leading to cost increases. These pressures include an uptick in the severity and frequency of natural catastrophes, rising construction costs, labour shortages in the skilled trades, the impacts of reciprocal tariffs between Canada and the United States, and rising reinsurance costs.

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2 Based on the number of insurance companies that report to MSA Research, Inc.

3 Of note, approximately 10% of Canadian households are unable to secure overland flood insurance, representing a significant protection gap in Canada's insurance landscape. See page 17 for the Three-Point Plan for Policymakers To Make Canada a World Leader in Resilience.

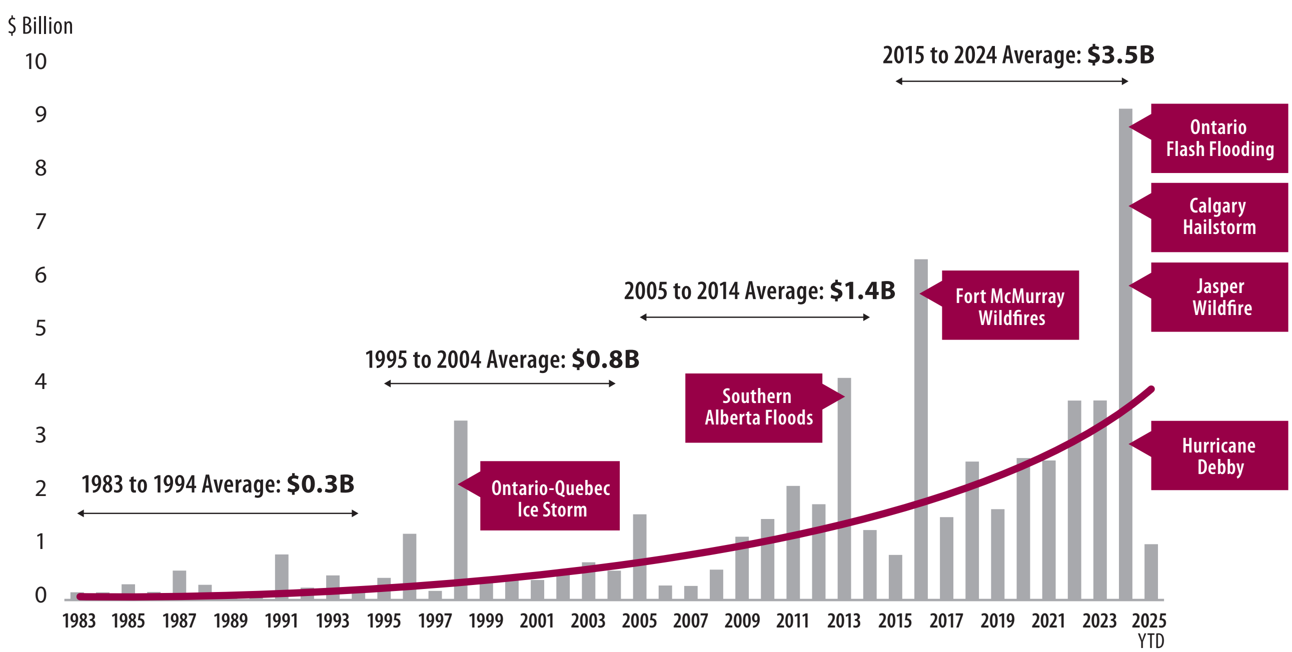
These trends are leading to higher personal property claims costs, most acutely in those parts of the country that are subject to a greater frequency and severity of natural catastrophes. For example, last year in Alberta, which has suffered five of the 10 costliest severe weather events in Canada's history, insurers paid out $1.18 in claims and operating costs for every $1 they earned in personal property premiums. These increasing claims costs contributed to a -11% return on equity for Alberta personal property insurance.

Increasing pressures on personal property costs have, in turn, applied pressure on personal property premiums, which lead in some cases to changes in coverage and concentration designed to ensure that coverage remains widely available.

Increased frequency and severity of natural catastrophes

In 2024, for the first time in Canadian history, insured losses from severe weather events surpassed $9 billion. The tally shattered the previous record of over $6 billion set in 2016 following the Fort McMurray, Alberta, wildfires. The 2024 total is nearly triple the total insured losses recorded in 2023 and 12 times the annual average of $746 million in the decade between 1995 and 2004.[4]

Figure 2: Insured Natural Catastrophic Losses in Canada



Source: IBC Facts Book, PCS, CatIQ, Swiss Re, Munich Re & Deloitte.
Since 2008, only events that cost $30 million or more in insured losses ($25 million prior to March 2022) are included.
Values include loss adjustment expenses and are in 2024 Canadian dollars.

[4] Values are in 2024 Canadian dollars.

Adjusted for inflation, the largest insured loss years stemming from natural catastrophes have all occurred within the last 12 years:[5]

2024	**$9.2 billion**
2016	**$6.3 billion**
2013	**$4.1 billion**
2023	**$3.7 billion**
2022	**$3.7 billion**

Canada is not alone in experiencing significant growth in insured losses from severe weather events. Globally, severe weather has driven insured losses to over US$100 billion every year since 2020, with expectations that they will surpass US$200 billion this year.[6]

Catastrophic events in Canada are having a disproportionate impact on personal property insurance relative to other lines of business. Approximately 60% of natural catastrophe insured losses stem from personal property claims. From 2019 to 2024, Canada witnessed a 119% increase in the number of natural catastrophe claims for personal property damage and a staggering 580% increase in the insured losses associated with repairing and replacing damaged property.

Cost input increases outpace inflation

Although overall inflation has eased in Canada, factors that increase the cost of personal property insurance remain elevated.

From 2019 to April 2025, Statistics Canada reported a 19% general inflation rate in its consumer price index. However, residential building construction costs (a contractor's price that reflects the value of all of the materials, labour, equipment, overhead and profit to construct a new building) soared by 68% over that same period.

Since 2019, Canada has experienced a 24% increase in home replacement costs (the cost to rebuild an entire house from the ground up, excluding some contractor markups). The cost of lumber and other wood products has increased 30%, the cost of fabricated metal products and construction materials has increased 42%, the cost of machinery and equipment has increased 23%, and the cost of cement, glass and other non-metallic mineral products has increased 41%.

[5] CatIQ. January 13, 2025. "Canadian Insured Losses from Catastrophic Events Total CAN $8.5 Billion in 2024."
[6] Geneva Association. May 7, 2025. "Safeguarding Home Insurance: Reducing exposure and vulnerability to extreme weather."

Labour shortages in key trades

Labour shortages, particularly in the construction and repair sectors, are impacting the personal property insurance market by contributing to longer timelines for repairs and more expensive costs for materials. Although insurers work to settle claims efficiently, delays increase the overall cost of claims settlements, driving up expenses for insurers.

Vacancies for construction trade help and labour jobs in the third quarter of 2023 were up 153% compared to the third quarter of 2015.[7] There were thousands of job vacancies in the electrical trades, masonry and plastering, and plumbing as of 2023.[8]

The situation could worsen. According to a March 2024 report by BuildForce Canada,[9] between 25,000 and 28,000 workers in the construction industry are expected to retire every year until 2033. Yet construction demands over the same period will require the labour force to expand by 88,400 workers. Without rapid growth in this labour sector, the supply of skilled workers will fall short of construction demands.

Reinsurance increases

As the number of severe weather-related claims rises, reinsurance plays a critical role in helping insurers manage their risk exposure. Reinsurance is essentially insurance for insurance companies, enabling them to protect themselves from large-scale losses caused by catastrophic events.

In response to rising losses globally and domestically, reinsurers have raised premiums, limited capacity and tightened contract terms. This was especially evident during the 2023 renewal cycle, when catastrophe reinsurance premiums for property in Canada rose by an estimated 25–30% for loss-free portfolios and up to 50–70% for portfolios that had experienced recent loss events such as a wildfire or flooding.

As reinsurers reassess their exposure to catastrophic risks, they are becoming more selective in how they distribute risk, leading to higher reinsurance costs. These increased costs are then passed on to primary insurers, which, in turn, impact the price of policies for consumers. The rising cost of reinsurance is creating a ripple effect that is influencing the affordability and availability of coverage, particularly in areas at high risk for natural disasters. This challenge highlights the need for a robust reinsurance strategy and may also push insurers to explore alternative risk management solutions.

Tariffs could create additional pressures

The imposition of higher tariffs on Canadian and U.S. exports has disrupted trade between the two countries. Given the deep integration of the Canadian and U.S. economies, both are highly vulnerable to the rising costs imposed by tariffs. These rising costs are impacting key industries that support or intersect with the P&C insurance sector, particularly in the construction and transportation equipment manufacturing sectors. This will inevitably lead to increased cost pressures on P&C insurance markets.

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7 Statistics Canada. February 20, 2024. "More Workers Are Building Housing in Canada, but Labour Shortages Remain."
8 Ibid.
9 BuildForce Canada.

In early 2025, IBC commissioned a report by Deloitte that outlines the impacts of the tariffs on the P&C insurance industry. Regarding personal property insurance, the report estimates that in a scenario with 25% reciprocal tariffs on steel, aluminum and auto parts, many input costs would rise considerably. Construction material costs are already forecasted to rise, as evidenced by reporting from the Canadian Home Builders' Association that in Q1 of 2025, 71% of builders reported receiving notice of increased prices from suppliers.[10] Specifically, residential building construction would see increased price levels, leading to higher claims costs.

Ultimately, tariffs will impact all lines of P&C insurance. Insurers are working to mitigate these effects by, for example, seeking alternatives to American goods in their supply chains.

Canada's Complex Regulatory Regime

Canada's P&C insurers operate within a well-established but complex regulatory framework that includes federal and provincial oversight. This dual structure reflects Canada's constitutional division of powers, resulting in a multi-faceted system for regulating solvency, market conduct, pricing, taxation and licensing.

In the first half of 2025, Canada's P&C insurance industry faced 47 ongoing consultations and new initiatives from regulators across the country.[11] This level of activity stretches capacity, making it more difficult for companies to put capital into consumer-facing areas. The increasing number and overlapping – sometimes duplicative – nature of these efforts has resulted in an unprecedented compliance burden and cost to the industry.

Canada's capital regime has historically played a stabilizing role, protecting policyholders and supporting confidence in the insurance sector. But the current landscape has become increasingly rigid and out of step with today's fast-moving economic and risk environments. Both regulators and the industry have raised concerns that the existing landscape limits insurers' ability to respond to financial shocks or invest in strategic priorities. Its static design may unintentionally constrain the sector during periods of volatility or change. The Office of the Superintendent of Financial Institutions' (OSFI's) Annual Risk Outlook (2023–2024) acknowledges the need to modernize frameworks in light of evolving risks, with evolving financial and non-financial risks challenging the regulator's ability to apply flexible and proportional regulations.[12]

Recent public and industry commentary has highlighted the lack of flexibility to address unforeseen pressures – such as a pandemic, tariffs, inflation spikes, and the uptick in severity and frequency of natural catastrophes – when timely responses are critical but hard to achieve under current rules.

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[10] Canadian Home Builders' Association. April 15, 2025. "Dim Outlook for New Home Construction in Ontario and BC as sentiment of Canada's New Home Construction Industry Stays in Near Record-Low Territory."
[11] Based on IBC analysis.
[12] OSFI. April 2023. Annual Risk Outlook.

Prudential regulation, the oversight of insurers' financial health, is primarily the responsibility of OSFI at the federal level. OSFI regulates all federally incorporated insurers and monitors their capital adequacy through instruments such as the Minimum Capital Test.

Under Canada's Minimum Capital Test requirements, insurers must hold a minimum amount of capital to ensure financial stability. However, this minimum amount does not adjust during periods of volatility, such as an economic recession or financial shock. In these situations, insurers may experience heightened financial strain, particularly when they need capital to absorb losses or maintain coverage. The rigidity of these requirements also discourages insurers from taking measures that contradict economic trends, such as investing or converting assets to cash during downturns.

Compared to its international peers such as the European Union and United Kingdom, Canada imposes relatively high capital charges on equities and unrated private assets (which are private assets that have not been rated by a credit agency). This creates a capital cost differential that reduces competitiveness, especially for insurers operating globally or seeking to attract foreign capital into Canadian ventures. Other jurisdictions have adopted more proportionate, risk-based frameworks that allow insurers to participate more effectively in economic development without compromising policyholder protection.

The current regulatory environment, including rigid capital requirements and growing compliance demands, means that insurers must be increasingly disciplined in their underwriting and reserving practices. This is especially true in the personal property market, where volatility and cost pressures are rising.

Public policy decisions can exacerbate market conditions

In some cases, government decisions have contributed to pressures in the personal property insurance market. Specifically, land use planning decisions that prioritize growth over risk have generated increased claims pressures in areas at high risk for natural catastrophes.

There is no clearer example of this than in the urban development in northern Calgary.

Figure 3: Calgary's Urban Development Since 1984

Figure 3 is a satellite image of Calgary over the past 40 years.[13] This picture was recently included in an Aon Global report that profiled Calgary as an example of the growth of exposed assets. As is evident in the figure, over the last 40 years, Calgary has experienced significant development in its northern outskirts, primarily with newly built residential neighbourhoods.

The August 2024 hailstorm in Calgary primarily affected northern parts of the city. It resulted in approximately 130,000 claims and insured losses of nearly $3.3 billion. According to Aon, an overlay of that hailstorm's footprint shows that if the event had occurred 40 years ago, it would have affected mostly agricultural land.

Alberta accounts for nearly half of Canada's severe weather insured losses, with Calgary repeatedly experiencing billion-dollar-plus hailstorms.

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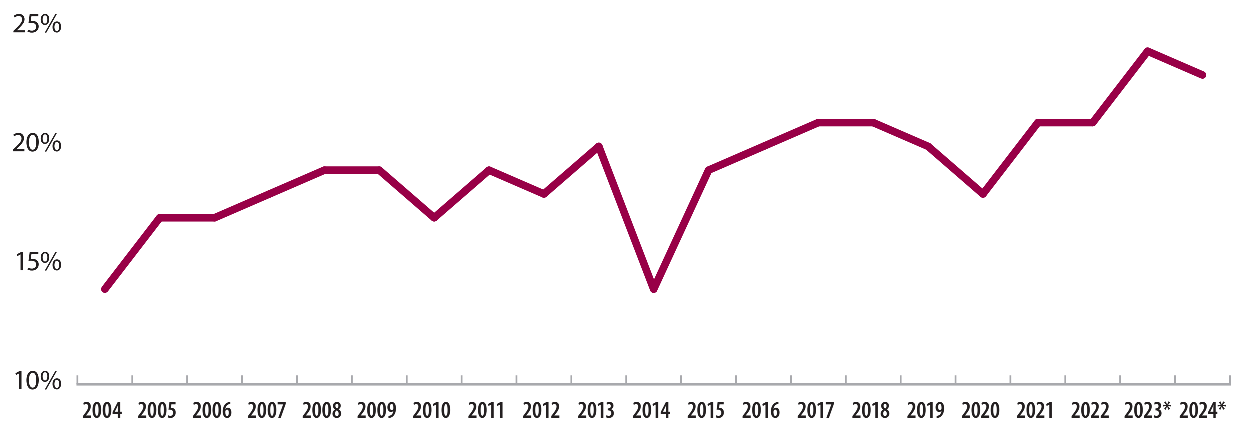
[13] AON. 2025. "Climate and Catastrophe Insight."

Where Are These Trends Leading Us?

The personal property insurance landscape is increasingly dynamic, driven by a combination of factors that influence everything from claims and premiums to overall profitability. These elements are creating a more complex environment for insurers, requiring them to continually adjust their business models and strategies in the face of evolving challenges.

As the severity of weather-related damage continues to increase, it places additional financial strain on the personal property insurance market, which may translate to higher premiums, changes in policy terms and reductions in concentration of risk exposure by insurers. It is also leading to greater volatility in insurers' financial results for personal property insurance.

Figure 4: Personal Property Claims Over Time



Source: IBC Facts Book, IBC analysis with data from MSA Research, Inc.
*Due to the implementation of International Financial Reporting Standard (IFRS) 17, claims include other costs required to fulfill insurance contracts.

Increasing number and share of personal property claims

As a percentage of total claims, personal property insurance claims have risen significantly over the past 20 years, from just 14% in 2004 to 23% in 2024.

In 2024, the industry received over 175,000 personal property claims caused by natural catastrophic events – almost 2.5 times more than the annual average.

Cost of insurance

To ensure the continued viability of their home insurance offerings in areas at high risk of a natural catastrophe, many insurers have implemented greater-than-inflationary rate increases. In areas of extreme risk, including hail-exposed parts of Alberta and wildfire-prone regions of Western Canada, these rate increases have in some cases exceeded 50%.

Looking back at the last 20 years and using Statistics Canada's homeowners' home and mortgage insurance cost index as a proxy for personal property data, personal property insurance premiums have increased an average of 5.3% a year.[14] The most significant annual increases nationally are found in 2015 (8.8%) and 2024 (7.7%). In recent years, some regions of the country have seen double-digit increases.

Of note, the industry is not uniform – premium changes vary significantly by region and by insurer.

As insurers develop greater precision in their ability to assess risk, they are better able to accurately price products by location without spreading costs across all policies. This helps create a price incentive to motivate policyholders to take steps that reduce their risk while also limiting cross-subsidization from other policyholders.

Coverage changes

Insurers have implemented a range of changes to help manage the rising cost of premiums and ensure the long-term sustainability of personal property insurance products. Most of these changes have taken place in high-risk parts of Canada, particularly in regions with strong wildfire or hail exposure. These coverage changes have included:

- **Higher deductibles on the basic home insurance policy**
- **The introduction of peril-specific deductibles**, such as a hail deductible in high-risk parts of Alberta (e.g., "hailstorm alley")
- **The introduction of depreciation endorsements (amendments to an insurance policy)**, which apply reduced payouts on roofs over 10 years old (these have been present in Alberta for years)
- **In some cases, transition of once-standard coverages to endorsements**, especially for hail coverage in high-risk areas.

Many insurers have offered incentives to encourage homeowners to invest in protective retrofits. These include premium reductions for installing backflow preventer valves or sump pumps with backup power for flood protection, or implementing FireSmart measures for wildfire protection. Many insurers offer endorsements that contribute to the costs of an upgrade to more resilient material (e.g., Class 4–rated impact-resistant shingles or a cement, stucco or brick veneer). Take-up rates for these types of endorsements, however, have been low.

Insurers are also exploring new endorsements for resilient or eco-friendly building materials and offering discounts for homes with updated or more durable roofing systems. These evolving strategies reflect the industry's broader efforts to adapt to the increasing risks and costs associated with climate-related perils.

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[14] The homeowners' home and mortgage insurance cost index includes mortgage insurance costs, which only accounts for 7% of the total direct written premiums for personal property and mortgage insurance lines combined. Therefore, this index can be used as a reasonable proxy of the personal property premium index.

Concentration management

In response to these trends and development in areas of high risk, insurers may adjust capacity to ensure coverage remains widely available.

This practice allows insurers to remain viable in the face of growing costs. Rather than exiting high-risk areas entirely, such as areas at high risk of hail, wildfires or earthquakes, insurers are managing their concentration in these places to ensure coverage remains available for consumers.

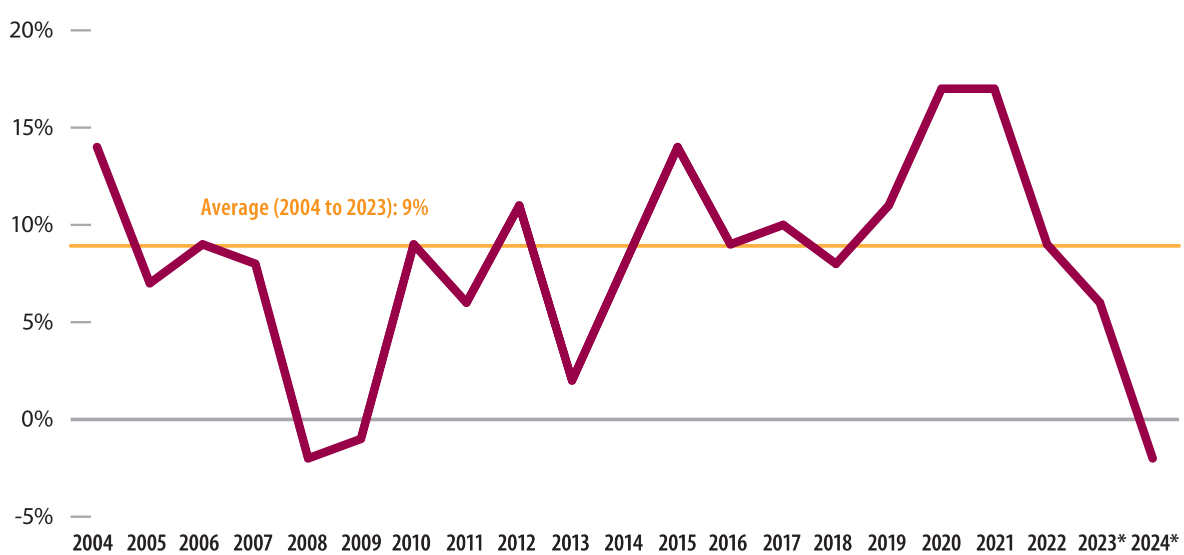
Market performance

The personal property insurance sector's overall financial performance has deteriorated significantly in the last two years. The overall profitability for personal property, measured by return on equity (ROE), peaked during the pandemic and has since declined. In 2024, it dropped to only 5%, far below the historical average of 9%. See Figure 5.

Similarly, the personal property insurance market's combined loss ratio was 101% for both 2024 and 2023, meaning insurers paid out $1.01 in claims and operating costs for every $1 they earned in premiums. See Figure 6.

While higher interest rates may provide some relief through improved investment returns, the combination of rising claims costs and lower investment income from market fluctuations continues to challenge insurers' profitability. Insurers will need to navigate this delicate balance to maintain long-term sustainability in the face of worsening natural catastrophes.[15]

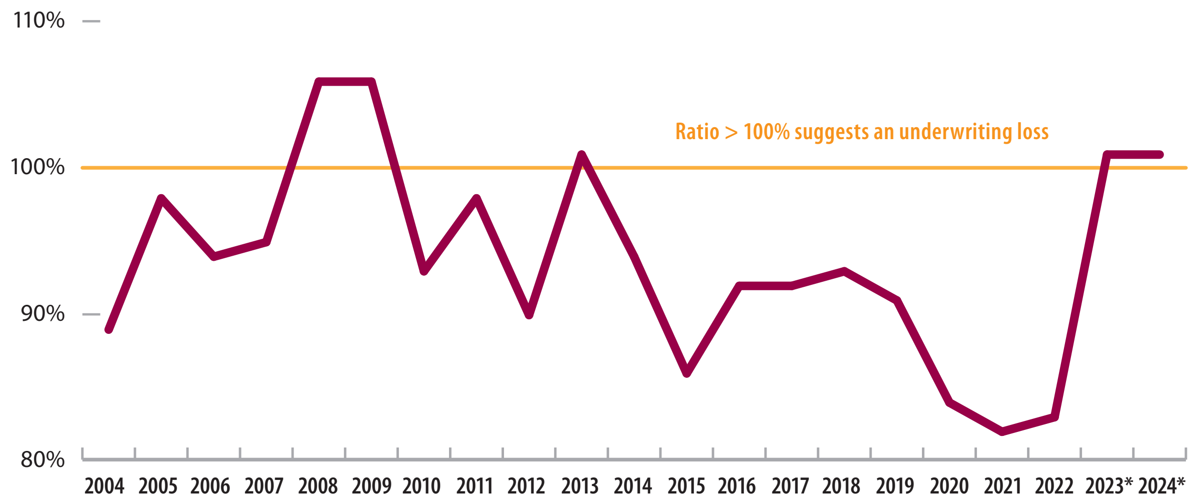
Figure 5: Personal Property ROE: A Recent Downward Trend



Source: IBC Facts Book, IBC analysis with data from MSA Research, Inc. All lines values are from the Facts book (excluding Lloyd's).
*From 2023, estimation methodology has changed due to IFRS 17.

[15] For a comprehensive examination of profitability in the Canadian personal property market, refer to Statistics Canada's study "Insights Into The Impact Of Extreme Weather Trends In Canada On Homeowners Insurance Profitability And Consumers"

Figure 6: Personal Property Combined Ratio Estimate



Source: IBC Facts Book, IBC analysis with data from MSA Research, Inc. All lines expense ratio is used for personal property combined ratio.
*From 2023, combined ratio calculation has changed due to IFRS 17; therefore, comprehensive combined ratio will be used going forward as a proxy

The experience is felt unevenly across Canada. Alberta's personal property market has been hit the hardest, experiencing a combined ratio of 117.9% in 2024. **That means that for every dollar earned in insurance revenue, Alberta insurers paid out $1.18 in claims and expenses.**

What Solutions Will Turn This Situation Around?

A Three-Point Plan for Policymakers To Make Canada a World Leader in Resilience

Severe weather is the most significant driver of change to the personal property market. Thus, in order to ensure a sustainable home insurance market, Canada needs to prepare for and reduce the impacts of extreme weather events. The most effective means of ensuring a sustainable home insurance market is to mitigate the impacts of severe weather on Canadian homes. To do so, Canada requires a coordinated and ambitious resilience policy agenda.

Much has been written on resilience in Canada – including on the country's growing catastrophe exposure, discrepant approaches to resilience policy across Canada and governments' failure to invest in adaptation solutions.[16]

This report does not strive to offer novel solutions. Rather, it provides an overview of expert perspectives on how Canadian governments can build resilience and, in doing so, ensure the continued sustainability of Canada's personal property insurance markets.[17]

The objective of IBC's *Three-Point Resilience Plan – Making Canada a World Leader in Severe Weather Resilience* is to make Canada one of the most resilient countries to natural catastrophes. This plan will help keep people out of harm's way, avoiding the turmoil and trauma of coping with the aftermath of a fire, flood or other severe weather event. Where relevant, it clearly identifies the roles of the federal, provincial and municipal governments.

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[16] Office of the Auditor General of Canada. 2025. "Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada. National Adaptation Strategy."

[17] Geneva Association's May 2025 report, "Safeguarding Home Insurance," offers a comprehensive roadmap for systemic resilience.

Three-Point Resilience Plan:
Making Canada a World Leader in Severe Weather Resilience

1. Improve how and where we build

a. Create a more adaptable building code framework and more stringent building code standards that account for the heightened risk of severe weather.

The most effective means of ensuring Canadian homes are built in a manner that is resilient to the impacts of extreme weather lies in improvements to Canada's building code framework. This multi-jurisdictional framework sees provinces and territories adapting to and adopting the model National Building Code into their provincial and territorial codes, sometimes adding stricter requirements. In rare cases, municipalities will need to mandate their own building codes.[18]

Canada's building code framework has been far too slow to adapt to the significant increase in severe weather events. As it stands, the accelerating risks of wildfire, floods, hail and wind are inadequately addressed through the framework.

There are indications that the 2025 National Building Code, set to be introduced later this year, will incorporate climate resilience into building design and account for future-oriented climate data. This is encouraging; however, for the codes to become law, they must be adopted by a province, territory or municipality.

To ensure a National Building Code that accounts for the rapidly changing landscape of severe weather, the federal government should update it, along with other relevant codes (e.g., Highway Bridge Design Code and Canadian Electrical Code) more frequently than every five years.

Additionally, the federal government should engage provinces and territories at the earliest stage possible when making revisions to the National Building Code to provide them with a head start for the implementation of code changes.

For their part, provincial and territorial governments should:

- **Adopt and enforce updated national model codes promptly with minimal delays** (as it stands, some provinces take years to update their codes following the introduction of the national model).
- **Incorporate resilient design criteria into building standards and give building owners incentives to build beyond minimum standards.**[19] Similarly, all provincial codes should mandate backwater valves, sump pumps and other devices that reduce the risk of flooding for homes in high-risk flood areas.

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[18] City of Vancouver. "Vancouver Building By-law (CBO)."
[19] Pembina Institute. March 2025. "Preparing Alberta's Buildings for Severe Weather: Understanding barriers and supports needed to scale resilient retrofits in Alberta."

- **Revise their building codes** outside of the five-year cycle to be more responsive to evolving risks.
- **Allow municipalities to exceed the provincial building code to account for local risks.** Some provinces bar municipalities from exceeding the provincial building code standards. In absence of sufficiently stringent provincial codes, municipalities should consider the appropriateness of municipal building codes (where the municipality is able to exceed the provincial standard).

Further, building codes are enforceable at the municipal level, with municipalities being responsible for permits, inspections and compliance. These responsibilities will take on additional importance as Canada looks to fast-track new home construction in the coming years.

b. Modernize land use rules to ensure the anticipated surge in new housing developments does not worsen Canada's risk profile.

To meet housing targets, the Canada Mortgage and Housing Corporation (CMHC) estimates that 5.8 million homes need to be built by 2030, representing a 35% increase in housing stock. A recent analysis by the Canadian Climate Institute (CCI) found that under existing land use policies, 540,000 of those homes could be built in flood-prone areas and more than 220,000 in communities at risk of wildfire.[20]

The same report points to permissive land use policies in Canada as a key facilitator of the continued construction of "risky" housing.

While provincial and territorial governments are primarily responsible for land use policies, there is a role for all levels of government in ensuring that homes are not built in high-risk areas.

The federal government should make funding for housing programs and infrastructure conditional to ensure development occurs only in low-hazard areas. The P&C insurance industry is encouraged by the federal government's commitment to ensure federally supported housing is not built in areas that are at high risk for floods or wildfires.[21]

Provinces need to play a strong role in establishing planning frameworks that ensure development occurs outside of high-risk areas. To that end, provincial governments should implement or enhance land use regulations that discourage development in high-risk areas. Some provinces have more stringent land use planning rules than others, and some provinces delegate land use planning powers to municipalities. For example, Alberta, British Columbia, the Northwest Territories, Prince Edward Island and Yukon do not have the regulatory authority to limit development in high-risk flood zones. Rather, they delegate that power to municipalities.[22] Nova Scotia, meanwhile, has a coastal land use framework, which is an encouraging development.

[20] Canadian Climate Institute. February 2025. "Close to Home: How to build more housing in a changing climate."
[21] Liberal Party of Canada. 2025. "Canada Strong – Unite. Secure. Protect. Build."
[22] Canadian Climate Institute. February 2025. "Close to Home: How to build more housing in a changing climate."

Municipalities that, for a variety of reasons, sometimes approve development in high-risk areas should rely on hazard screening maps. The maps can ensure that development occurs in safe locations and will discourage sprawl into high-risk areas.

The CCI estimates that redirecting just 3% of the homes targeted for construction by 2030 – about 150,000 units – away from high flood hazard areas and toward safer ground could reduce Canada's flood risk to new housing by nearly 80%.

c. Reinforce Canada's existing housing stock.

Incentivize property owners to retrofit their homes to better withstand severe weather.

According to the CCI, approximately 70% to 80% of the homes that will be standing in 2050 have already been built.[23] This means that any meaningful resilience policy agenda must prioritize Canada's current housing stock, particularly hazard-prone homes.

IBC and other stakeholders have long pointed to the role of retrofits in adapting buildings to increasingly extreme weather.[24] Unfortunately, governments have not prioritized resilience in their retrofit programs; in some cases, they have abandoned their successful retrofit programs.

For example, the City of Calgary's Resilient Roofing Rebate Program offered grants to help homeowners cover the cost of upgrading to hail-resistant roofing. Unfortunately, this popular program was discontinued.

Governments across Canada should consider rebate incentive programs that encourage property owners to retrofit buildings to better withstand severe weather. As a start, the federal government should expand the scope of the Canada Greener Homes Affordability Program to offer incentives for adaptation and resilience measures.

Provincial, territorial and municipal governments have a critical role to play in ensuring residents are aware of and can access retrofit programs. Municipalities with significant risk exposure should also develop programs that address their specific risks.

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[23] Canadian Climate Institute. May 20, 2025. "The Future Passes Through Old Buildings."
[24] Pembina Institute. April 6, 2023. "Buildings Need To Be Part Of Canada's Climate Adaptation Strategy."

2. Invest in resilience and help communities mitigate their risks

a. Make Canada a world leader in natural catastrophe mapping and early detection. ***Develop, update and share detailed climate-risk maps at local and national levels, and invest in early detection processes and technologies that would provide better warning of severe convective storms.***

HAZARD MAPPING

Hazard mapping can play a critical role in safeguarding communities against climate-related disasters when it is integrated into development planning.

While hazard mapping has improved significantly in recent years, flood risk data, in particular, is inconsistent across Canada and, in some cases, outdated.

In keeping with the recommendations of the Housing and Climate Task Force, the federal government should implement a nationwide hazard mapping initiative. Working with relevant provincial agencies, the federal government should ensure the production of detailed hazard maps, focusing on areas prone to natural disasters, environmental risks and urban congestion. These maps should be made publicly available and be updated annually to aid in informed policymaking. As noted earlier, municipal and provincial planning authorities should incorporate up-to-date hazard maps into their development plans. Several provinces (e.g., Newfoundland, New Brunswick and British Columbia) already have hazard maps, which may form a basis for more detailed maps.

PUBLIC USE

In addition to making the hazard maps publicly accessible, provinces, territories and the federal government should invest in education and outreach to accompany hazard mapping. Outreach activities should aim to help consumers and businesses better understand the risks they face. For example, the federal government is developing new flood hazard maps for Canada. The new maps will be made accessible to businesses and the public through an online flood portal. Public Safety Canada is planning to conduct outreach in conjunction with the launch of the flood portal to educate Canadians about their flood risk. As other entities develop improved hazard mapping, it is imperative to ensure that these maps are shared with municipalities, businesses, non-profits and individuals who can use the data to make informed decisions about their risks of experiencing damage from future extreme weather events.

EARLY DETECTION

Severe convective storms (SCSs) are one of the most damaging forms of natural catastrophe. These storms produce one or more of the following: high winds or wind gusts, tornadoes and hail.[25] Population growth and urban sprawl have unfortunately led to a greater risk of insured losses from SCSs.

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[25] Munich RE. February 22, 2024. "Severe Convective Storms (SCS) infographic."

Our ability to predict convective storms is improving, thanks in part to artificial intelligence-based weather models that produce medium-range forecasts in seconds.[26] It is unclear, however, to what extent Canadian government agencies are deploying these technologies in SCS-exposed parts of the country, including Alberta's "hailstorm alley." While Alberta uses a hybrid of national alerts, provincial capabilities, meteorological insights and P&C insurance industry-funded cloud seeding, other jurisdictions, such as Colorado, rely on both technology and local spotter systems, with widespread public participation.

Provincial governments, in partnership with the P&C insurance industry, should examine early detection systems in other jurisdictions and import best practices. Improved hail alerting in Canada's "hailstorm alley," for instance, could have significant positive effects, helping locals park their cars safely and stay indoors when a hailstorm is approaching.

b. Ensure that Canada's public infrastructure fosters resilience – and is built resiliently.
Governments should invest in measures that enhance community resilience, while ensuring public assets are made more resilient.

Canada's infrastructure deficit – the gap between the current state of infrastructure and the investment required to maintain, repair, upgrade or expand it to meet current and future demands – is estimated at $270 billion.[27]

Municipalities own and maintain most of the country's infrastructure and are increasingly challenged to keep up with rapid growth and urbanization, with limited funding tools at their disposal.

In a context of resilience, many municipalities are in need of upgrades to their stormwater, waste water and drainage infrastructure, which play a crucial role in mitigating flood risk in particular.

The federal government has committed to funding resilient retrofits for existing buildings. However, the funding is tied to the revenue of provincial carbon markets. Setting up this new program may take time and lead to delays in investments in much-needed resilient retrofits.

The federal government can also support communities in building resilience against climate-related disasters through greater investment in the Disaster Mitigation and Adaptation Fund (DMAF), a federal program designed to support communities in building resilience against climate-related disasters. The P&C insurance industry is encouraged that the newly elected federal government has committed to increase DMAF funding to $5.3 billion annually over five years.

Provincial governments should provide funding and support for municipalities to enhance their resilience by tying some provincial funding to improving resilience and adopting adaptation measures. These should be peril-specific by region and include measures such as improved stormwater and sewage infrastructure to prevent floods, buffer zone requirements and controlled burns to prevent wildfires, and hail suppression.

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[26] AGU. November 21, 2024. "Lightning-Fast Convective Outlooks: Predicting Severe Convective Environments With Global AI-Based Weather Models."
[27] Canadian Urban Institute. January 1, 2025. "Canada's Infrastructure Deficit Threatens Economic Competitiveness And Quality Of Life."

Provincial governments should also take advantage of the new federal funding available through the modernized Disaster Financial Assistance Arrangements, which offers additional funds on each claim through a Disaster Risk Reduction Incentive for defined high-impact measures implemented pre-disaster. The amount is based on a percentage of each province's or territory's threshold for the program.

Additionally, federal and provincial governments should mandate resilient retrofits in public buildings (e.g., schools, hospitals, government offices) to ensure the continued resilience of public infrastructure.

Finally, all governments should employ nature-based solutions to build climate resilience. Nature-based solutions can include wetlands, retention ponds, green roofs, permeable surfaces and other mechanisms that use natural processes and ecosystems to foster greater resilience to severe weather.

c. Increase municipal capacity to plan for resilience.

Municipalities often face capacity and resource challenges that limit their ability to plan for resilience ahead of extreme weather events. The federal and provincial governments should support municipalities in developing community resilience plans that are risk-specific. For example, communities at high risk of wildfires should develop and implement FireSmart Wildfire Community Protection Plans. The federal government and provincial and territorial governments should partner with the Federation of Canadian Municipalities (FCM) to increase funding capacity for the development of these plans and increase capacity for training in disaster preparedness and recovery. While the FCM Local Leadership for Climate Adaptation initiative is a step in the right direction, municipalities need more support to better understand the risks they face and how they can prepare for those risks. Notably, some insurers provide financial support for these plans in certain communities.

d. Increase investment in disaster recovery.

Canada continues to face critical gaps in its ability to quickly recover following natural catastrophes. The slow pace of the Jasper, Alberta, and Lytton, British Columbia, rebuilds highlight the need for a more coordinated and efficient recovery process. Delays have left these communities in limbo for years, compounding the emotional and economic tolls.

Governments should streamline their post-disaster recovery protocols and provide dedicated funding to support timely and resilient rebuilding efforts. The federal government has set a target in its National Adaptation Strategy to develop a national recovery strategy by 2028, which will support the return of displaced individuals to their homes within two years of a natural catastrophe. A national recovery strategy should also include preparations for recovery, especially for high-risk areas. The Canadian Red Cross recommends developing coordinated preparation plans prior to the occurrence of extreme weather events, enabling a more efficient and effective recovery process post-disaster. These preparations should include expedited permitting and protocols for response. Establishing these protocols in advance will support provinces, territories and municipalities as they navigate the complexities of responding to disasters.

To facilitate this coordination, Canada also needs a federal agency to guide emergency preparedness and recovery so that communities across the country don't have to create unique playbooks after each catastrophic event. Every other G7 country has an agency operating in this capacity and Canada should follow suit and take a proactive approach to emergency management.

3. Address market gaps while avoiding interventions that reduce market capacity

a. Address protection gaps.

Leverage public-private partnerships to close clearly identified market gaps.

Canada has a widening protection gap relative to natural catastrophe risks and insurance coverage. Protection gaps are defined as the difference between available insurance coverage and the level of protection that would be economically beneficial.[28]

That gap is most acute with floods. Over 1.5 million households in Canada, or 10% of all residences, are in known areas of high flood risk, leading to insurability challenges. These residences account for 78% of all flood losses, according to the National Task Force on Flood Insurance and Relocation.[29] The top 2% of high-risk Canadian residences – 300,000 homes – account for 50% of all flood losses.

The federal government should fully fund the core operations of the CMHC reinsurance subsidiary, which is needed to govern and implement a low-cost, high-risk national flood insurance program for those at the highest risk of flooding. This program should be scoped appropriately to complement – rather than compete with – the regular market.

Additionally, there is a significant protection gap for earthquakes. Quebec and British Columbia are Canada's riskiest areas for potential earthquakes. A recent study modelled the effects of a 9.0-magnitude earthquake 75 kilometres off the coast of Vancouver, demonstrating a resulting $95.6 billion in total economic losses, including $26.1 billion in insured losses. The federal government and provincial governments of British Columbia and Quebec should collaborate with the insurance industry to develop a public-private partnership solution that would enable Canada to enhance disaster and economic resilience to seismic risks and catastrophic earthquakes.

b. Maintain regulatory frameworks that encourage risk-based pricing.

Avoid the kinds of harmful pricing restrictions that have devastated other property markets.

The January 2025 wildfires in the Los Angeles area have worsened California's ongoing insurance crisis, which had already affected millions of residents. Between 2020 and 2023, approximately 3.6 million home insurance policies in California were not renewed.[30] Meanwhile, from 2018 to 2024, the state's

[28] Geneva Association. May 7, 2025. "Safeguarding Home Insurance: Reducing exposure and vulnerability to extreme weather."
[29] Public Safety Canada. "Task Force on Flood Insurance and Relocation."
[30] IBC. April 2025. "IBC InBrief: Lessons for Canadian policymakers from the California insurance crisis."

insurer of last resort (the FAIR Plan) experienced a 276% surge in the number of policies it underwrote. This oversubscription has challenged the FAIR Plan's solvency and ability to manage claims, and the plan has since levied US$1 billion on insurers.

California's insurance crisis did not happen overnight. It resulted from decades of significant growth in wildfire risk, paired with inadequate government investment in resilience and the imposition of restrictions that prevented insurers from accurately pricing risk. Among those restrictions: a prohibition on capturing reinsurance costs in the rate making process, and rules that mandated that insurance catastrophe premium loadings be based on a minimum of 20 years of past claims history irrespective of the rapid recent growth of wildfire losses.

Unlike California, Canada benefits from a highly competitive and stable personal property insurance market, in part because it lacks the kinds of pricing restrictions that resulted in a decade of financial losses in California's home insurance market.

To preserve the long-term sustainability of Canada's home insurance market, it is essential that Canadian policymakers avoid implementing pricing restrictions that interfere with risk-based pricing. As demonstrated by the experience in California, such interventions may temporarily suppress premium increases, but, ultimately, destabilize the personal property market. A regulatory framework that supports a competitive, innovative market is best positioned to help support property owners to manage the financial risks facing their properties.

Canadian policymakers should continue to encourage risk-based pricing, which supports healthy market dynamics, encourages competition and fosters innovation. Risk-based pricing also serves as an essential tool for signalling risk and encouraging mitigation.

Appendix

Canada's Property & Casualty (P&C) Insurance Industry at a Glance

The P&C insurance industry, of which the personal property insurance market is a large part, protects homes, vehicles and businesses against a wide range of risks, including fire, theft, natural disasters and liability. The sector provides financial security and stability, allowing the people of Canada to recover from unexpected events.

Personal property insurance, which includes homeowner's, condo and tenant's insurance, is a significant segment of the industry, accounting for approximately 21% of total written premiums – $21 billion out of the $97 billion in premiums recorded in 2024.

For individuals, P&C insurance is essential in safeguarding their most significant investments. For businesses, it ensures continuity of operations in the face of unexpected disruptions, such as property damage or legal claims. The P&C insurance industry, as a whole, also plays a broader economic role by absorbing and distributing risk, encouraging responsible behaviour through risk-based pricing, and facilitating access to credit by providing necessary insurance coverage for loans and mortgages. The P&C insurance industry continues to play an increasingly important role as severe weather events, cyber threats and evolving liability risks reshape the risk landscape for Canadian households and businesses.

Beyond its core function of risk transfer and mitigation, the P&C insurance industry is a major contributor to economic activity, employment and community resilience. Nearly 200 insurers operate in the Canadian P&C market and generate billions of dollars in annual premiums. The industry supports approximately 157,000 jobs across brokers, agents and insurers, with about 33,500 of those positions dedicated specifically to personal property insurance. The P&C insurance industry contributes over $15 billion in federal and provincial tax revenues, with about $3.7 billion directly attributable to personal property insurance. Additionally, the P&C insurance sector makes a substantial contribution to Canada's gross domestic product (GDP), contributing $38 billion to Canada's nominal GDP in 2022.[31]

The P&C insurance industry invests heavily in government bonds that support Canada's economy. In 2024, the P&C insurance industry held almost $63 billion in federal, provincial, municipal, public authority and school bonds.

Personal Property Insurance Products at a Glance

Personal property insurance in Canada protects individuals' residential properties and personal belongings against a variety of risks including fire, theft and weather-related events. Personal property insurance products include coverage for homeowners, tenants and condo unit owners, as well as specialized policies for seasonal or vacation homes. Although the type of dwelling influences how insurance is structured, the fundamental principle remains the same: to safeguard property owners and occupants from financial loss.

[31] Statistics Canada's Input-Output Model Simulations.

Home insurance, often referred to as "homeowner's insurance," provides coverage for the main structure (the house), personal belongings and personal liability. Depending on the policy, it can be comprehensive, covering a broad range of potential hazards, or limited to specifically named perils. A standard home policy also includes additional living expenses to cover costs if the residence becomes uninhabitable due to a covered loss. Furthermore, modern home insurance packages may offer optional enhancements, such as flood or earthquake coverage, and even cyber protection – an emerging feature that shields policyholders from specific digital threats, such as identity theft.

Tenant's insurance focuses on protecting the personal belongings of renters, while also providing liability coverage. Unlike homeowners' policies, tenants' insurance does not extend to the physical structure of the property, as that remains the landlord's responsibility. Similarly, condo insurance caters to condo unit owners who share ownership of common areas. A condo policy may include coverage for unit-specific improvements, personal liability and occasionally loss assessment if the condo corporation's master policy does not fully cover repairs to common areas following a major event.

Whether for a homeowner, tenant or condo unit owner, personal property insurance typically encompasses coverage for contents (such as furniture, clothing and electronics), outbuildings (such as sheds or detached garages), and liability in the event of an accident on the insured premises. Additional living expenses are commonly included to assist policyholders with temporary relocation expenses if their primary residence becomes uninhabitable. As construction costs and climate risks evolve, many insurers also provide the option to add specialized endorsements, covering perils such as overland flooding, sewer backup, hail or earthquake coverage, to further safeguard homeowners. By understanding these distinctions and the scope of coverage available, Canadians can tailor personal property insurance policies to best suit their individual needs and ensure they are adequately protected.

The shape of our industry in Canada

The P&C insurance industry employed approximately **157,000** people across Canada in 2023.

In 2023, P&C insurers supported **$53 BILLION** in policyholder claims and direct expenses.*

$15 BILLION – the amount the P&C insurance industry contributed in taxes and levies to federal and provincial governments in 2022.

In 2023, Canadian insurers wrote **$89 BILLION** in direct written premiums for insurance on consumers' homes, cars and businesses.

Source: IBC analysis with data from MSA Research, Inc., Statistics Canada
* IFRS 17 methodology

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