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For immediate release

**Report outlines partnership solution to bring homeowners'
flood insurance to Canadian market**

The Institute for Catastrophic Loss Reduction (ICLR) today announced the release of the French version of a discussion paper titled "Making Flood Insurable for Canadian Homeowners." The study outlines the steps and solutions to resolve the problem of Canadian homeowners being unable to purchase insurance for overland flood damages.

At present, homeowners in Canada cannot purchase overland flood insurance and instead are left to rely on government-provided financial assistance programs and/or on their own savings after flood events. The report demonstrates flood insurance has many advantages over government relief programs. Insurance companies already have well-established methods for assessing and pricing risk, and for paying claims which can result in a faster recovery. Risk based premiums and deductibles can also provide incentives to encourage actions to reduce flood risk.

"Canada is the only G8 country where flood insurance is not available to homeowners. With other forms of water-damage being covered, such as sewer backup and burst pipes, and with commercial entities being able to purchase flood insurance, the coverage void tends to confuse – even anger – homeowners when they discover that they are not covered after a flood event," said Paul Kovacs, executive director of the Institute for Catastrophic Loss Reduction. Kovacs added: "The provision of flood insurance for Canadian homeowners will put Canada in line with most other industrialized countries, and end any confusion that exists with regard to water-damage claims."

With the melting of a heavy snow pack in the U.S. midwest and Canadian Prairies, the question of Canadian flood insurance is currently top of mind for many residents of Manitoba and Saskatchewan as forecasters are calling for spring floods on the Red and Assiniboine Rivers that could rival those experienced in spring 1997. In recent months, residents of New Brunswick have also experienced major flooding after heavy rains in December 2010, and many Newfoundlanders experienced heavy flood damage after Hurricane Igor hit the island in September 2010.

The paper supports a partnership between the insurance industry, government and private homeowners. Additionally, it explores historical flood damages in Canada, current flood management practices at the national level in Canada and flood management practices for four case study provinces: Ontario, Quebec, British Columbia and Alberta.

One of the biggest barriers to implementing flood insurance in the Canadian market so far has been adverse-selection. What the report demonstrates is how to overcome this barrier by bundling flood insurance into homeowner insurance policies that cover other perils such as fire or theft. The bundling approach has been in place in the U.K. for the past fifty years and, as the findings of this report show, is the best suited model for Canada.

For a viable flood insurance program in Canada, governments will need to work to increase flood risk assessment and reduce flood risk. A viable insurance program will also require that public relief programs do not conflict with flood insurance.

Under the strategies proposed in the report, homeowners, meanwhile, would need to be aware of their own flood risk and implement appropriate flood damage mitigation measures on their own property. Risk based premiums and deductibles would help ensure the higher risk properties retain a greater proportion of the costs. To avoid ambiguity when claims and payouts are made, the report also states that flood insurance in Canada should cover all causes of flooding, including storm surge.

The report concludes that the next step in establishing a successful flood insurance program involves an insurance industry-wide discussion of this important issue.

To learn more about the report, "Making Flood Insurable for Canadian Homeowners," please visit www.iclr.org

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Established in 1998 by Canada's property and casualty insurers, ICLR is an independent, not-for-profit research institute based in Toronto and at the University of Western Ontario in London, Canada. ICLR is a centre of excellence for disaster loss prevention research and education. ICLR's research staff is internationally recognized for pioneering work in a number of fields including wind and seismic engineering, atmospheric sciences, water resources engineering and economics. Multi-disciplined research is a foundation for ICLR's work to build communities more resilient to disasters.

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For further information, please contact: Glenn McGillivray, Managing Director, ICLR, tel. 416/364-8677, ext. 3216, cell 416/277-5827, fax 416/364-5889, gmcgillivray@iclr.org

Institute for Catastrophic Loss Reduction
20 Richmond Street East, Suite 210, Toronto, Canada M5C 2W7
Tel: (416) 364-8677 Email: info@iclr.org Fax: (416) 364-5889