



Insurance Bureau of Canada submission to the
Environmental Registry of Ontario
Proposals to Modernize Conservation
Authorities | May 20, 2019

About IBC

Insurance Bureau of Canada (IBC) is the national industry association representing Canada's private home, car and business insurers. Its member companies make up 90% 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, car 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.

P&C insurance touches the lives of nearly every Canadian and plays a critical role in keeping businesses safe and the Canadian economy strong. Employing more than 128,300 Canadians, the industry paid \$9.4 billion in taxes and levies in 2017, and wrote \$59.6 billion in direct written premiums in 2018.

Proposals to Modernize Conservation Authorities

In this submission, IBC will be commenting on [ERO #013-4992 – Focusing conservation authority development permits on the protection of people and property](#) and [ERO #013-5018 – Modernizing conservation authority operations](#). [Bill 108, More Homes, More Choice Act, 2019](#) was introduced for first reading on May 2, 2019. Schedule 2 of Bill 108 contains amendments to the Conservation Authorities Act that are consistent with the two proposals published on the Environmental Registry.

Currently, prohibited activities set out in Section 28 of the Conservation Authorities Act include:

- Development in areas related to natural hazards such as flood plains, shorelines, wetlands and hazardous lands (i.e., lands that could be unsafe for development because of naturally occurring processes associated with flooding, erosion, dynamic beaches, or unstable soil or bedrock); and
- Interference with or alterations to a watercourse or wetland.

In general, Section 28 and the current legislative framework align with the P&C insurance industry's goal of mitigating the severity of flood events by preventing development in flood plains and preserving natural infrastructure, such as wetlands.

Notwithstanding IBC's support for the current legislative framework, IBC is cognizant of housing supply constraints and the regulatory burden that is preventing the supply of housing being built in a timely fashion. To improve housing affordability, it is not unreasonable for Government to consider efforts to eliminate overly burdensome regulations that unnecessarily delay construction in areas that are free from flood hazard and environmentally sensitive lands.

[ERO #013-4992](#) states that, “The Ministry of Natural Resources and Forestry is proposing to create a regulation further defining the ability of a conservation authority to regulate prohibited development and other activities for impacts to the control of flooding and other natural hazards.”

It further states that, “The Ministry is also proposing to:

- Update definitions for key regulatory terms to better align with other provincial policy, including: “wetland,” “watercourse” and “pollution”;
- Defining undefined terms including “interference” and “conservation of land” as consistent with the natural hazard management intent of the regulation;
- Reduce regulatory restrictions between 30m and 120m of a wetland and where a hydrological connection has been severed;
- Exempt low-risk development activities from requiring a permit including certain alterations and repairs to existing municipal drains subject to the Drainage Act provided they are undertaken in accordance with the Drainage Act and Conservation Authorities Act Protocol;
- Allow conservation authorities to further exempt low-risk development activities from requiring a permit provided in accordance with conservation authority policies;
- Require conservation authorities to develop, consult on, make publicly available and periodically review internal policies that guide permitting decisions;
- Require conservation authorities to notify the public of changes to mapped regulated areas such as flood plains or wetland boundaries; and
- Require conservation authorities to establish, monitor and report on service delivery standards, including requirements and timelines, for determination of complete applications and timelines for permit decisions.”

It is unclear from the language in the [ERO #013-5018](#) posting regarding focusing conservation authorities’ mandates, if the suggested governance or regulatory changes will weaken, strengthen or maintain the power of conservation authorities to prevent development in areas at risk of flooding. Similarly, it is unclear whether conservation authorities will have similar, weaker or improved powers to protect natural infrastructure, such as wetlands, from development or destruction. Wetlands and other natural features are important natural flood defences.

The Financial Impacts of Climate Change and Flood Damage

A growing number of homeowners and communities across Canada are feeling the financial impacts of extreme weather events and climate change. The increase in P&C insurance claims is indicative of the growing costs associated with these events. These losses averaged \$405 million per year between 1983 and 2008, and \$1.8 billion per year between 2009 and 2017 (in today's dollars). Water damage is the key driver behind these growing costs. In Ontario, insured losses from severe weather accounted for \$1.3 billion of the \$2 billion in insured damage incurred across Canada in 2018.¹

Canada's private insurers are helping people reduce their exposure to the increasing financial costs of climate change – specifically those associated with higher rates of residential flooding – by offering innovative insurance products that transfer risk from governments to the private sector. Overland flood insurance for homeowners has been available as an option in Canada since 2015, and market take-up is increasing.

Flood risk, including overland flooding, has been increasing across Canada. In the spring of 2017, flooding losses highlighted the issue for governments, consumers and insurers. Two months later, in August 2017, the Windsor area saw its second 1-in-100-year storm within a year. That storm brought 29 centimetres of rain to some areas. Over 1,000 basements were reported flooded. Not coincidentally, over 90% of wetlands have been lost in the Windsor area (Essex County) while 72% of original pre-settlement wetlands in southern Ontario have been lost or converted to other uses.²

As this submission is being written, Ontario is suffering severe flooding in its central and Ottawa regions. In Ottawa's case, many of the affected communities are still recovering from the severe flooding that occurred in 2017, which was considered a 1-in-100-year event.

Fortunately, flood risk can be limited through the conservation and restoration of natural infrastructure features, such as ponds, wetlands and vegetated areas. A report co-authored by IBC demonstrates how to quantify the benefits and costs of these natural features for flood mitigation. Natural infrastructure can be a strong complement or viable alternative to grey infrastructure, such as storm sewers.³ Generally, the most cost-effective way to mitigate flood losses utilizing natural systems in order of preference is (1) retain what you have, (2) restore what you've lost and (3) build what you must.

This same report presents ample evidence to suggest that government efforts to limit flood risk may be consistent with – and reinforce – their fiduciary responsibility to administer good governance. Flood risk is mounting across Canada from fluvial sources, such as rivers and lakes, and from pluvial sources, such as intense rainfall inundating urban environments. This responsibility is likely to grow in response to climate change and its associated extreme weather events. All levels of government and jurisdictions should consider natural infrastructure alongside grey infrastructure solutions to limit flood risk. In the

¹ [Canada's Changing Climate Report: Extreme Rainfall To Increase](#), April 4, 2019

² Ducks Unlimited. [Southern Ontario Wetland Conversion Analysis](#), March 2010.

³ IBC, Intact Centre on Climate Adaptation, International Institute for Sustainable Development. "[Combating Canada's Rising Flood Costs: Natural infrastructure is an underutilized option](#)" September 2018.

Ontario context, conservation authorities are already charged with preserving and restoring natural infrastructure within their jurisdictions. This important role should be preserved, if not strengthened. Their resources, financial and otherwise, should be improved where possible.

IBC's Whole-of-Society Approach

On behalf of its members, IBC is promoting a whole-of-society approach to adapt to the impacts of climate change and to reduce overland flood risk. Limiting flood risk includes roles for federal, provincial and municipal governments; non-governmental agencies; consumers; and insurers. In Ontario, this includes conservation authorities.

IBC also seeks to raise awareness and incent people and businesses to address their risk of property damage from flooding and other severe weather events. In this framework, as much risk as possible is covered by insurers, as opposed to taxpayers.

Each time a severe weather event happens, it reinforces why it is so important for governments, the P&C insurance industry, and consumers to work together – we all have a role to play in making our communities and homes more resilient to the effects of climate change.

For more than 50 years, Ontario conservation authorities have played an important role in protecting people and property from floods. IBC believes that conservation authorities already play an important part in our whole-of-society recommendations, which are to:

- 1) **Educate and empower consumers to reduce risk.** Both the insurance industry and government have a role to play in educating citizens about the risks associated with floods and the measures they can take to better protect themselves. The P&C insurance industry will continue to invest in consumer education on floods to improve awareness.
 - Conservation authorities help educate the public on how to prevent weather-related water damage. In the event of a flood, conservation authorities monitor and forecast flood events, which helps to protect life and property.⁴
- 2) **Improve land use planning.** Zoning restrictions that prevent building in flood zones reduce future losses.
 - Conservation authorities map watersheds and prevent development in flood plains. This is the number one purpose of Ontario's 36 conservation authorities. It is hard to overstate how important and cost-effective this function is and has been.
- 3) **Target priority infrastructure investments.** Direct infrastructure spending to projects that increase resiliency to flooding; this includes repairing and upgrading sewer and stormwater systems, and

⁴ A good example of this role can be found in "[Conservation Authority urges you to prepare for a flood to reduce risk of damage](#)," May 7, 2019

creating and investing in new flood defences. Investment should prioritize the highest-risk areas where floods generate the most economic losses.

- Conservation authorities are responsible for dams and other flood defences within their jurisdictions.

4) **Improve building codes and building standards.** Climate resilience measures should be added to building codes and be incorporated into local building standards so that private homes and public infrastructure can withstand extreme weather events.

5) **Promote data sharing.** Provide P&C insurance companies and other private-sector stakeholders with access to up-to-date geospatial data and data on infrastructure investments that provinces and municipalities have made. This will enable insurers to better measure risk and price flood insurance appropriately.

- Conservation authorities have responsibility for flood mapping within their watersheds. They should have the resources to discharge that responsibility and a mandate to share that data with governments, residents and businesses.

6) **Recognize the role that natural infrastructure plays in reducing flood damage.** At the local community or watershed level, or as a part of new models being developed to fund needed infrastructure, natural infrastructure should be part of every discussion on flood mitigation.

- Conservation authorities have an important responsibility to preserve natural infrastructure, such as wetlands. A joint submission to the Federal, Provincial Territorial (F/P/T) Working Group on Climate Adaptation and Resilience by IBC, Ducks Unlimited Canada, the Institute for Catastrophic Loss Reduction (ICLR), the Intact Centre on Climate Adaptation and the University of Prince Edward Island stated:

While built infrastructure can play a key role in reducing community risk, natural infrastructure such as wetlands holds the potential to significantly reduce risk and provide the greatest return on investment (ROI) of any option available. A single dollar spent on wetlands can return \$6 over a five- to 10-year period. Wetlands around cities act as major flood mitigators.⁵

⁵ IBC, Ducks Unlimited Canada, ICLR, Intact Centre on Climate Adaptation, University of Prince Edward Island. "Proposal to F/P/T Working Group on Climate Adaptation and Resilience," 2016, pg. 11. Available upon request

Strong Conservation Authorities Vital for Protecting People and Property from Flooding

Conservation Authorities in Ontario play a vital role in protecting people and property from flood hazards. The Conservation Authorities Act was introduced in 1946 to protect Ontario's renewable natural resources. Conservation authorities have provided invaluable flood control measures since Hurricane Hazel struck the province 1954, killing 81 people, leaving thousands homeless and ultimately causing \$1 billion in damage.⁶

After Hurricane Hazel, Ontario's conservation authorities were strengthened to prevent further tragedy and property loss. The Ontario government granted conservation authorities the power to protect lives and property from natural hazards, such as flooding. They are responsible for the welfare of natural watersheds and flood plains through prudent land use planning and regulations to keep people and property from building on flood plains. More specifically, conservation authorities after Hurricane Hazel were given regulatory authority to control future development and inappropriate land use activities in flood hazard areas.

The Ontario government's "Made-in-Ontario Environment Plan," released in November 2018, recognized the need to "improve the resilience of natural ecosystems." It commits the government to:

Collaborate with partners to conserve and restore natural ecosystems such as wetlands, and ensure that climate change impacts are considered when developing plans for their protection.⁷

It goes on to say that the Ontario government will:

Work in collaboration with municipalities and stakeholders to ensure that conservation authorities focus and deliver on their core mandate of protecting people and property from flooding and other natural hazards, and conserving natural resources.⁸

IBC supports these commitments and Ontario's new "Environment Plan" in general because it seeks to help Ontarians adapt to climate change in a way that is consistent with a whole-of-society approach.

⁶ [Toronto Region Conservation Authority](#) website as of May 16, 2019.

⁷ "Made-in-Ontario Environment Plan," Ontario Ministry of Environment, Conservation and Parks, November 29, 2018, p. 47

⁸ Ibid p. 48.

Recommendation

Any changes to the power, governance and funding models of conservation authorities should serve to strengthen, not weaken, their ability to prevent residential or commercial development in flood plains or other areas at risk of flooding.

The equation is straightforward. Higher claims costs equal higher insurance rates. If development occurs on flood plains or flood zones, property is more likely to be damaged. If wetlands and other natural features are paved over with impermeable surfaces, runoff will increase in place of natural infiltration in the watershed. As more intense rainstorms and snowmelt are experienced, more flooding is likely to occur in urban areas, which will lead to more damage, more claims and higher insurance rates.

Also worthy of consideration is the uninsured damage or damage to public infrastructure that governments must pay to restore. In 2016, the federal Office of the Parliamentary Budget Officer (PBO) published “Estimate of the Average Annual Cost for Disaster Financial Assistance Arrangements due to Weather Events.” The PBO estimated that the Disaster Financial Assistance Arrangements program can expect average annual costs of over \$900 million due to weather-related events.⁹ In Ontario, the Disaster Recovery Assistance for Ontarians (DRAO) program helps pay for damages when a disaster is declared, but only for eligible expenses of primary residences that are not insured. Sewer backup damage is not eligible for DRAO assistance because coverage is widely available.

As worrisome as these numbers are, they don’t begin to calculate the toll that disaster takes on people’s lives, with or without insurance. According to an Intact Centre survey report,¹⁰ three years after having their home flooded, almost half (48%) of the survey respondents were still worried every time it rains.

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⁹ Office of the Parliamentary Budget Officer. “[Estimate of the Average Annual Cost for Disaster Financial Assistance Arrangements due to Weather Events](#),” p. 2. February 25, 2016.

¹⁰ Intact Centre on Climate Adaptation. “[After the Flood, The Impact of Climate Change on Mental Health and Lost Time from Work](#),” pg.i, June 2018.