



April 24, 2026

From: Glen Hodgson
To: Canadian Climate Watchers
Re: FLOOD AND FIRES: IT'S (STILL) TIME FOR SOME INSURANCE PLANS

Spring flooding is once again severe across the country, with climate change the likely driver. The bill isn't in, but for thousands of homeowners and businesses, insured, and uninsured losses will be huge.

This is yet another wake-up call. We need improved risk management and climate adaptation, since severe flooding, wildfires and other natural disasters are on the way. A forward-looking risk management plan through comprehensive property insurance and climate adaptation would reduce the need for governments to assume open-ended climate damage risk and related costs.

Without adequate flood, fire and other severe weather insurance coverage, property owners will inevitably seek government bailouts to restore the property to a livable state, or to pay for it to be abandoned.

Some key questions need to be answered:

Should property insurance that covers flooding, wildfire and other extreme weather be made mandatory (like basic auto insurance)? Mandatory coverage would expand the risk pool and thus improve the capacity for effective management.

Can the private sector bear the risk alone, or is government involvement inevitable? And who will pay the premiums on high-risk properties, which are likely to be prohibitive.

What else can be done to mitigate risk for properties built on floodplains and near forests? Up to 10 percent of Canada's residential properties have been built on floodplains over many decades, and, in some regions, homes are built in or near forests. Climate change is expanding the risk of floods and fire, yet new construction is still being permitted in many instances.

As a first step in risk management, it would make sense to stop new construction in risky areas. Expropriation of existing at-risk properties might also be considered, but that's expensive and governments usually only consider it after the fact.

The options for pooling flood risk have been extensively analyzed. A national task force on flood insurance and relocation produced a guiding document in 2022. It estimated total residential flood risk at \$2.9 billion a year at that time, markedly higher than previous forecasts. (Damage from wildfire is even higher and has exceeded \$8.5 billion annually.)

However, only 40 to 60 percent of Canadian homeowners currently purchase some form of flood coverage, with uptake concentrated in low- and medium-risk areas. According to the task force, the mandatory offer of flood insurance by insurers is a fundamental requirement for a successful flood insurance arrangement in Canada; voluntary purchase will not produce sufficient market penetration. Homeowners in high-risk areas are likely to face daunting premium costs.

An exhaustive federal [report](#) into creating a national flood insurance program was given to the department of public safety in 2022.

The report examined four models in detail:

- Model 1 would create a private-sector risk pool for high-risk homes, with significant government subsidies to achieve a single, and relatively low premium cap.
- Model 2 builds on Model 1 by dividing high-risk homes into quintiles (five equal shares) based on estimated reconstruction costs, with a premium cap in each quintile that increases with costs. Mandatory purchase of flood insurance would be required for any property with a mortgage.
- Model 3 features a Crown corporation that provides an automatic government backstop for comprehensive flood insurance by the insurance industry.
- Model 4 introduces a layered approach: Private flood insurance is an optional purchase up to a coverage limit, but mandatory for every property owner above that limit, with a government risk backstop.

The flood report's detailed analysis should also be applied to forest fire risk, especially if private insurers decide to stop selling policies in affected regions – as is now occurring in California.

Ottawa's response has been underwhelming. Flood risk management discussions have proceeded for a decade (I wrote a report on flood risk management options for Public Safety Canada and the Insurance Bureau of Canada in 2017) but the issue is clearly not being treated as a priority, even though governments are always the de facto backstop for extreme weather losses.

A backgrounder released last year said the federal government was still reviewing the report to “inform decision-making” about creation of a national flood insurance program. The current Minister of Public Safety acknowledged this week that severe flood (and fire) risk is a problem – but couldn't promise the government will deliver a National Flood Insurance Program “in the near future.”

There is no silver bullet. Trade-offs will be needed and government support for insuring high-risk properties will almost certainly be required. Nevertheless, shifting public spending from recovery to risk management and mitigation would allow governments to better assess the scale of risk, improve fiscal and risk planning, and steadily enhance risk management.

What will it take to finally adopt a realistic plan for extreme weather risk management? This is a question of political will and leadership, not just finding the best possible technical solution.

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(This is a revised version of a Memo that first appeared in September 2023.)