September 5, 2024

Patrick Ballantyne
Chair, Canadian Insurance Services Regulatory Organizations

Huston Loke
Chair, Canadian Council of Insurance Regulators

Re: Recent catastrophic weather events shed light on importance of regulatory agility, dire need to enhance Canada's disaster readiness

Dear Mr. Ballantyne and Mr. Loke,

On behalf of a coalition of property & casualty (P&C) insurance industry associations, we are sharing this open letter with your organizations in the wake of this summer's unprecedented natural catastrophe season. Below, we outline the severe impacts of this summer's natural catastrophe events on the P&C industry, applaud recent efforts by regulators to expedite the claims administration process, and point to the need for continued regulator and government action to enhance Canada's disaster readiness.

A CATASTROPHE SEASON LIKE NO OTHER

In the span of 24 days this summer, Canada experienced four major catastrophes: widespread flooding in southern Ontario; a devastating wildfire in Jasper; a major hailstorm in Calgary; and significant rainfall and flooding in Quebec.

The volume of claims resulting from these four consecutive catastrophes is a staggering 228,000, exceeding the total of all cat-related claims from last year. These catastrophes are stretching the claims capacity of the insurance industry like never before.

While the P&C industry has taken a number of steps to adapt to 'the new normal' of higher frequency and severity of catastrophes (e.g. establishing expedited claims handling processes, creating specialized field teams for complex losses, improving their communication processes with claimants), the 'new normal' is increasingly a moving target. We are entering truly unchartered waters, and patience will be needed as the P&C industry undertakes in earnest its efforts to help its home, auto and businesses customers recover.

REGULATORS HAVE BEEN QUICK TO ACT

The industry is grateful for the actions taken by regulators as they have moved swiftly to implement temporary measures that allow for the admission of out-of-province (and in some cases, out-of-country) adjusters into those provinces impacted by this summer's catastrophes. Among the actions taken to date:

- In the wake of the Calgary hailstorm and Jasper Wildfire Complex, the Alberta Insurance Council was quick to approve expedited adjuster licensing of non-resident adjusters. The entry period expires in June 2025 – this long entry period is most welcome by the industry and should set a new standard that acknowledges the challenges inherent in managing a large volume of CAT-related claims.

- Following the floods in Montreal and many other municipalities, the AMF eased its rules and allowed insurers to use supernumeraries as claims adjusters, including those from other Canadian provinces and from the U.S. The AMF also upwardly revised the maximum value of claims that can be handled by unlicensed employees, from $7,500 to $30,000.

- Following the flood that impacted the GTA and other parts of southern Ontario, in keeping with its practice, FSRA implemented temporary measures that allow insurers to use claims adjusters who have licences from outside the province. These measures expire in October 2024.

MOVING FROM STOP-GAP MEASURES TO A PERMANENT SOLUTION

The ability to rapidly deploy adjusters is an increasingly vital component of insurers' claims response. While the recent post-CAT allowances made by regulators are welcome, they are an imperfect solution. These measures are characterized by limited entry periods and at times onerous application and reporting requirements, and of course, a reliance on regulators to introduce measures in times of need – and to introduce those measures in a timely fashion. Even with an expedited process, hundreds of applications can still take weeks to process, delaying the claims progression and frustrating disaster victims.

That's why our coalition has been calling on Canada's regulators to work together to establish a licensing reciprocity regime – meaning if an adjuster is licensed in one province, their license is recognized across the country. As it stands, each Canadian jurisdiction has its own rules and requirements for adjusters. There is simply no reasonable public policy rationale justifying this type of fragmented approach to licensing.

Encouragingly, earlier this year, CISRO indicated its intention to launch an Adjuster Licensing Committee to study the matter further. Our organizations remain prepared to continue to engage constructively with CISRO to find solutions that better serve the public interest.

ENHANCING CANADA'S DISASTER READINESS

Canada has unfortunately become a riskier place to live, work and insure due to increasing risk of flooding, wildfires, hurricanes, and extreme heat. A recent Leger poll found that one-third of all Canadians are feeling the direct impacts of extreme weather.

Ultimately, the solutions to the claims pressures associated with these catastrophic events lies in creating a more resilient country – one that is better able to adapt to extreme weather events.

For decades, our industry has been highlighting to governments the critical importance of disaster readiness, and the policy solutions required to limit the impacts of natural catastrophes. These include investments in public infrastructure, land use planning that ensures homes are not built on flood plains and in high risk wildfire zones, and building codes that better protect homes and livelihoods. And of course, any suite of policy solutions must include the implementation of the promised National Flood Insurance Program alongside new flood hazard maps.

As keen monitors of insurance market trends, regulators can play a critical role in working with the industry and government to enhance Canada's disaster readiness.

Sincerely,

Celyeste Power, President & CEO
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Geoffrey Beechey, Chair and CEO
Canadian Association of Direct Relationship Insurers

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Cc. Canadian Council of Insurance Regulators (CCIR) members
Canadian Insurance Services Regulatory Organizations (CISRO) members