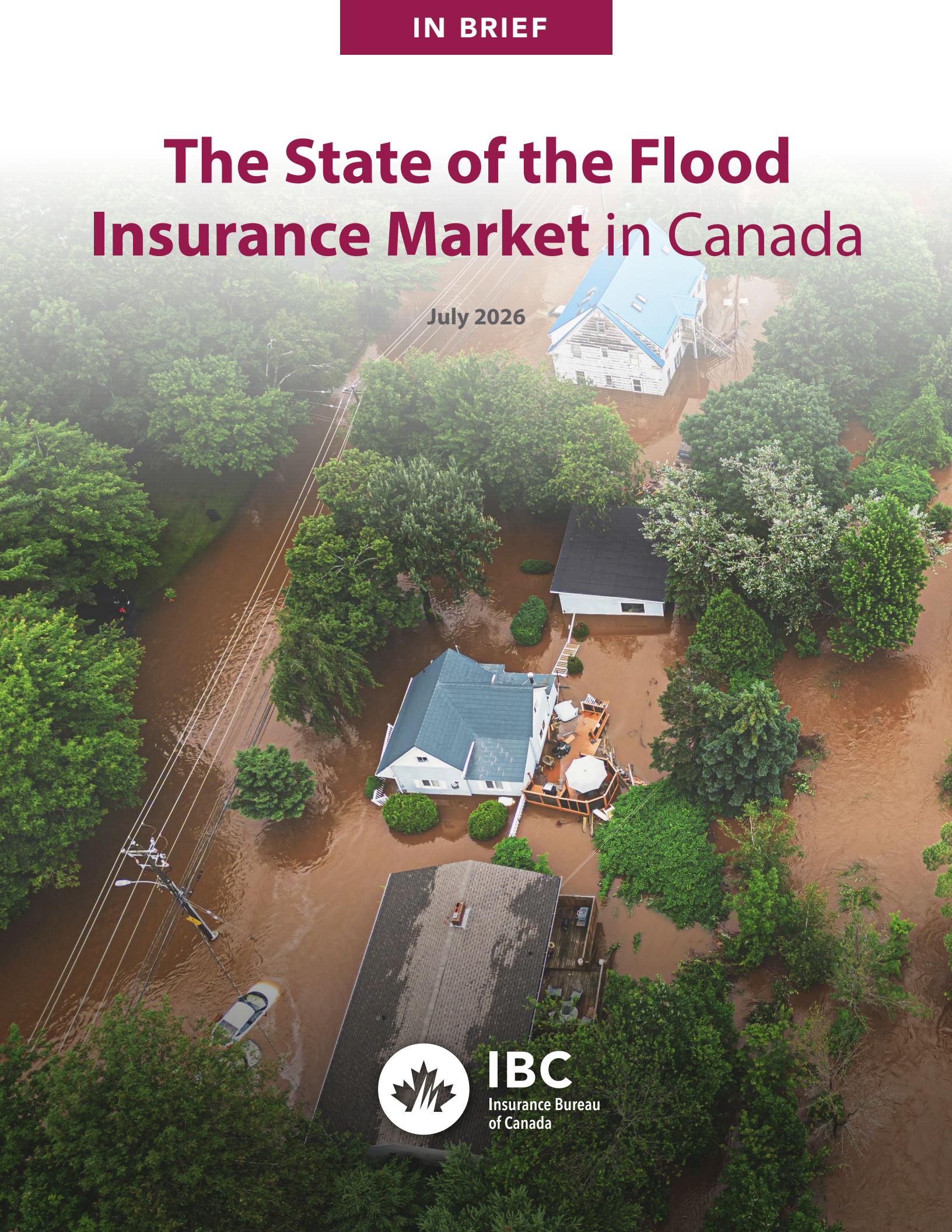
IN BRIEF

The State of the Flood Insurance Market in Canada

July 2026



IBC
Insurance Bureau of Canada

Contents

1. Executive Summary

Flooding is Canada's most costly natural disaster and is growing in frequency and severity. Over the past several decades, a combination of changing climate conditions and increasing development in hazard-prone areas has dramatically increased insured losses from flooding and other severe weather events.

In recent years, Canada's property and casualty (P&C) insurers have profoundly transformed the private overland flood insurance market. Insurance Bureau of Canada (IBC) has found approximately 94% of properties in Canada are now eligible for overland flood insurance—despite the product being largely unavailable before 2015.[1]

Consumers' willingness to purchase flood insurance has grown alongside market expansion.

The number of homeowners with overland flood coverage increased from approximately 26% in 2017 to more than 70% in 2023, reflecting both expanded availability and growing awareness of flood risk. This trend indicates that coverage adoption could continue to grow.

Canada's flood protection gap is now concentrated among a relatively small number of properties facing exceptionally high levels of flood risk. Industry analysis suggests that approximately 2% of residential properties account for roughly 57% of potential flood losses, underscoring the highly concentrated nature of the risk.

Government policymakers should focus on reducing flood risk itself, with a targeted public-private solution, if any, for the highest-risk properties.

The long-term sustainability and affordability of flood protection will depend increasingly on adapting to extreme weather, including investing in mitigation infrastructure, land-use planning, property-level resilience, improved risk information and critically, buyout and relocation programs for homes at highest risk.

These actions also deliver significant economic returns. Every dollar invested in adaptation can generate up to $15 in direct and indirect benefits by reducing future disaster losses, protecting economic activity and strengthening community resilience.

1 IBC Flood Survey, 2024. See Appendix A for methodology.

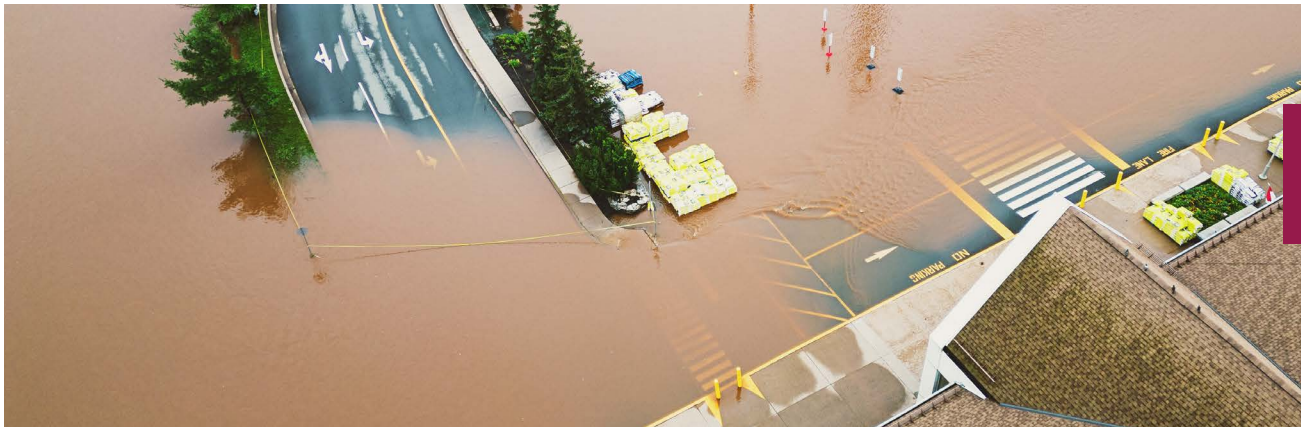
2. Flood Risk in Canada: A Rapidly Escalating Challenge

2.1 Increasing Frequency and Severity

The frequency of heavy rainfall events, river flooding and urban flooding is increasing, resulting in larger, more costly losses for households, businesses and governments.

Communities across the country are experiencing flood events that would once have been considered rare. At the same time, the continued development of new homes and communities in flood-prone areas has increased the number of properties exposed to flood damage.

The result is a risk environment in which flooding is no longer an occasional or localized issue. It is now a persistent and growing feature of Canada's disaster landscape.



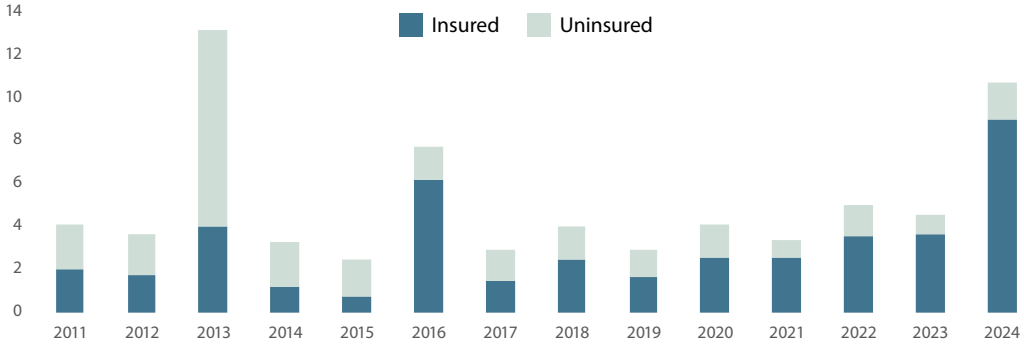
2.2 Rising Costs of Catastrophe Losses

In the last 20 years, Canada's insured catastrophe losses have risen dramatically.[2] In the early 2000s, annual losses averaged well under $1 billion and often didn't exceed $500 million. Today, losses above $1 billion are routine. In fact, losses in the last decade have averaged about $3.7 billion annually, with 2024 setting a record at $9.4 billion.[3]

Importantly, insured catastrophe losses represent only a portion of total economic damages. Businesses, governments, infrastructure owners and homeowners without applicable insurance coverage incur significant costs. Public disaster recovery programs also absorb a substantial share of the losses, particularly where insurance coverage is unavailable or insufficient. Figure 1 shows insured and uninsured losses by year. Uninsured losses match or exceed insured losses in many of the years.

2 An event that generates more than $30 million in insured losses.
3 Source: CatIQ losses + loss adjustment expenses in 2025 dollars.

Figure 1: Insured and Uninsured Catastrophe Losses by Year ($ Billion)



Climate-related hazards and the risk of damage to property continue to grow along with the increasing densification across Canada, creating greater potential for losses.

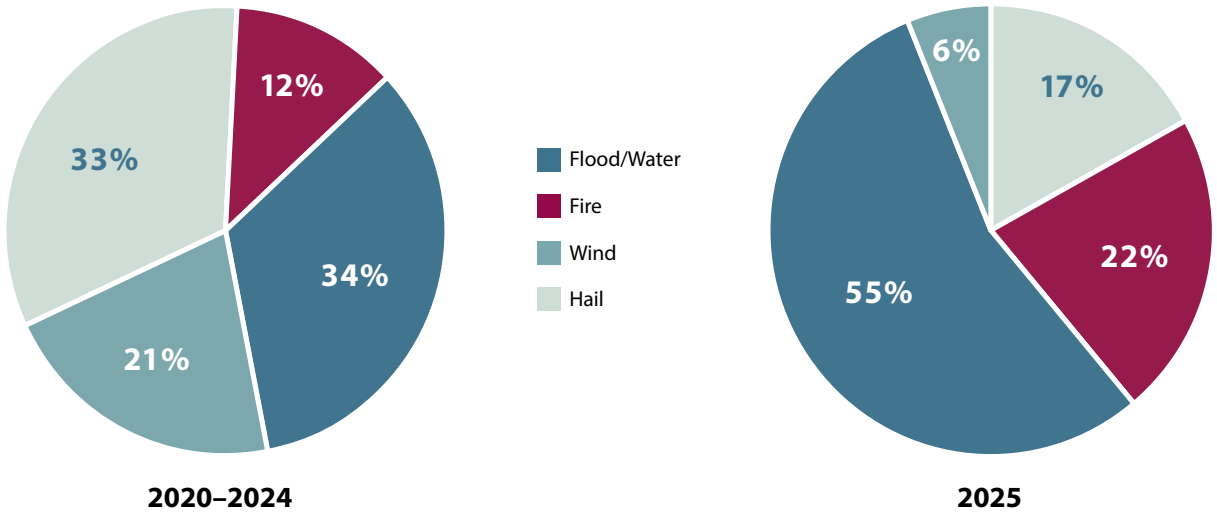
Source: IBC analysis with data from CatIQ Uninsured Estimate: Porter, K., Alhumaidi, J., and Guererro-Santaren, D. (2025). Societal Loss from Historic Natural Catastrophes in Canada: Dataset. Institute for Catastrophic Loss Reduction, Toronto, ON.

2.3 Flood as a Major Driver of Catastrophe Losses

Flooding is the most significant contributor to weather-related losses in Canada. Unlike hazards concentrated in specific regions, such as windstorms or hail, flood risk exists in every province and territory, and it affects both urban and rural communities.

As shown in Figure 2, flooding is the largest driver of insured catastrophe losses, accounting for 55% of all catastrophe losses in 2025 and an average of 34% over the last five years.

Figure 2: Insured Catastrophic Losses by Major Peril

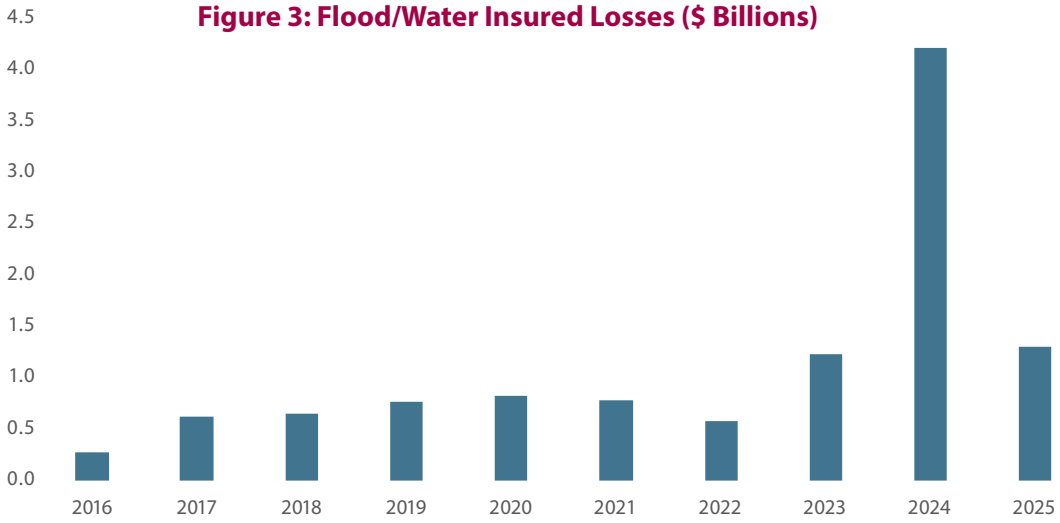


Source: IBC analysis with data from CatIQ. Data includes events with insured losses of $25 million or more from 2008 to February 2022; from March 2022 onwards, the threshold is $30 million. Values include loss adjustment expenses and are in 2025 Canadian dollars, 2024 & 2025 values are preliminary.

The challenge is compounded by the diversity of flood hazards: Riverine flooding, coastal flooding and pluvial (surface water) flooding each create distinct risks. Sewer backup losses are also often closely associated with extreme rainfall events.

Together, these hazards create a complex, widespread risk environment that is increasing the risks of property damage across Canada. Over the last decade, insured catastrophe losses for flood and water-related events totalled $11.2 billion, with 60% occurring in the last three years (Figure 3).

Figure 3: Flood/Water Insured Losses ($ Billions)



Source: IBC analysis with data from CatIQ. Data includes events with insured losses of $25 million or more from 2008 to February 2022; from March 2022 onwards, the threshold is $30 million. Values include loss adjustment expenses and are in 2025 Canadian dollars, 2024 & 2025 values are preliminary.

3. Evolution of the Overland Flood Insurance Market

3.1 Before 2013: Flood Risk Primarily a Public Responsibility

Home insurance generally covers sudden and accidental water damage inside the home, while optional add-ons, such as sewer backup and overland flood insurance, cover flood-related risks.[4] Together, these coverages protect homeowners against everything from burst pipes to overflowing rivers and extreme rainfall.

4 Overland flood insurance is an umbrella term that refers to one or multiple products, which may be offered in various ways depending on insurer capacity, coverage availability and provincial laws and regulations.

Overland flood insurance covers damage caused by excessive rainfall or snowmelt, and lakes, rivers and other freshwater sources overflowing and entering the home. It is what many people think of as flood insurance[5, 6].

Before 2013, residential overland flood insurance was largely unavailable in Canada. Homeowners could purchase sewer backup coverage for losses caused by water or sewage backing up through sewers, drains or plumbing systems. However, protection against overland flooding was typically not offered.

As a result, financial recovery from major flood events relied heavily on government disaster assistance programs and individual household resources. Flood risk was widely viewed as difficult to insure due to limited flood mapping, insufficient loss data and challenges in assessing and pricing property risks.

3.2 An Inflection Point in 2013

Major flood events in southern Alberta and the Greater Toronto Area in 2013 marked a turning point in Canada's approach to flood risk and insurance.

Together, these two events generated about $3.3 billion in insured losses, in addition to significant uninsured losses, which exposed the scale of Canada's flood vulnerability and highlighted the growing financial impacts of extreme weather.[7] More importantly, they revealed significant gaps in the existing strategies for managing residential flood risk, particularly the absence of broadly available overland flood insurance.

These events accelerated insurance industry investment in flood mapping, catastrophe modelling and underwriting analytics, enabling the launch and expansion of overland flood products across the country.

The 2013 flood events also increased governments' focus on the long-term sustainability of disaster recovery programs. A national flood insurance solution gained significant momentum and helped shape the current flood conversations.

3.3 Today's Market (2015–Present): Better Data and Risk Assessment

Since 2015, the overland flood insurance market has expanded substantially. Improved flood risk information was an important driver of this expansion. Insurers have invested heavily in flood mapping, catastrophe modelling, geospatial analytics and property-level risk assessment tools.

These capabilities transformed the industry's ability to understand flood risk. Rather than categorizing entire regions as high risk, insurers could assess risk with greater precision at the property level. As the quality of risk information improved, many properties that were previously considered uninsurable became eligible for coverage.

Risk-based pricing has also played a critical role in expanding overland flood insurance by aligning premiums with expected losses. It allows coverage to be offered across a broader range of properties while maintaining a stable market for consumers. More precise risk assessment has improved pricing accuracy, which has helped expand coverage while preserving market discipline.

5 Some insurers may exclude coastal flooding from this definition.
6 Government of Canada
7 Source: CatIQ losses + loss adjustment expenses in 2025 dollars.

Over time, competition produced a mature marketplace characterized by increased choice and availability. As insurers developed stronger capabilities to assess flood risk, competition encouraged companies to broaden coverage, expand eligibility criteria and introduce new products. In 2023, approximately 88% of policyholders with overland flood coverage paid $300 or less annually for the coverage, suggesting that coverage remains affordable for most eligible households.

3.4 The Result: A Mature Market

The combination of improved risk assessment, risk-based pricing and market competition has transformed Canada's flood insurance landscape.

Today, approximately 94% of residential properties are eligible for overland flood insurance, with only about 6% of properties, representing 850,000 homes, remaining ineligible for coverage. Consumer adoption of flood insurance has expanded alongside availability, with take-up rates increasing substantially over the past decade.[8]

Flood insurance has become a mainstream insurance product available to the vast majority of Canadian households.

Figure 4 shows that the number of homeowners with overland flood coverage increased from approximately 26% in 2017 to more than 70% by 2023, reflecting both expanded availability and a growing awareness of flood risk. Figure 5 shows the most recent data on flood insurance eligibility.

Figure 4: Overland Flood Insurance Take-Up Rate

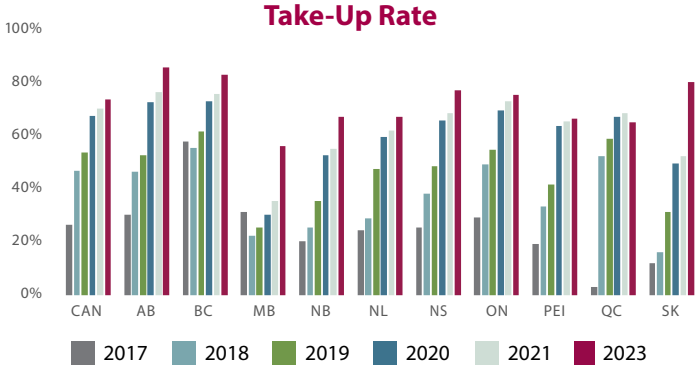


Figure 5: 2023 Overland Flood Insurance Eligibility Rate

IBC Flood Survey, 2024. (Survey not conducted in 2022.)

4. The Remaining Protection Gap

Despite the significant expansion of flood insurance availability over the past decade, a highly concentrated protection gap remains. Industry analysis suggests that approximately 2% of residential properties account for 57% of potential flood losses.[9] As a result, Canada's flood insurance challenge is no longer primarily one of broad-based market availability. Instead, the remaining protection gap

8 IBC Flood Survey, 2024.
9 Morin et al. (2025) Economic exposure of Canadian residential properties to flooding. *Journal of Flood Risk Management*, 18(1), e70012.

is increasingly concentrated among a relatively small number of properties exposed to severe and/or recurring flood risk, where coverage may be unavailable, unaffordable or economically difficult to provide through traditional insurance mechanisms.

Available evidence suggests that these properties combine elevated flood exposure with significant insured values, resulting in disproportionately high expected losses. The evidence further suggests that many of the highest-risk properties have total insured values above the Canadian average.[10] These properties are typically located in areas with elevated flood hazard, including flood plains, river valleys, coastal regions and locations subject to chronic surface water flooding. Many have experienced previous flood events and face a materially higher likelihood of future losses than the average Canadian property.

As private-sector flood coverage has expanded and eligibility has increased, the remaining protection gap has become increasingly concentrated among a relatively small number of highly exposed properties rather than being broadly distributed across the housing stock. This shift represents an important evolution in Canada's flood insurance challenge: The issue is no longer widespread access to coverage but the concentration of risk among a small subset of properties facing the highest likelihood of loss.

These risk characteristics challenge the fundamental concept of insurance. Insurance works most effectively when losses are uncertain, infrequent and spread across a large pool of policyholders. Some properties, however, face flood losses that are highly predictable and recurrent. In these circumstances, the expected cost of future claims may exceed what can reasonably be supported through affordable premiums while maintaining the financial sustainability of the insurance system. Consequently, the remaining 6% of properties that are ineligible for overland flood insurance do not primarily reflect insufficient insurer participation, inadequate underwriting, or limitations in modelling. Rather, they represent a subset of locations where the underlying risks themselves challenge the practical limits of risk transfer through private insurance alone.

10 Ibid.

5. Public Awareness of Flood Risk

Despite the take-up rates of flood insurance rising from approximately 26% in 2017 to more than 70% in 2023, an awareness gap remains, a noteworthy public policy challenge. A recent national Leger survey found that 62% of Canadians were not concerned about experiencing flooding in their home or community.[11] A separate Leger survey found that 53% of Canadians did not plan to take any steps to protect their homes from flooding.[12]

Consumers cannot effectively manage risks they do not understand. Improved flood maps, property-level risk information and public education play important roles in supporting informed decision-making and encouraging proactive risk reduction.

6. The Public Policy Challenge

Canada's flood challenge is increasingly one of resilience rather than insurance availability. The core challenge is no longer a lack of access to insurance, but increasing exposure due to development in high-risk areas, the increase in frequency and severity of extreme weather events, and limited investment in mitigation and resilience.

The next section speaks to the importance of reducing flood risks and helping residents build resilience to climate hazards.

7. Policy Priorities: Shifting from Coverage to Risk Reduction

7.1 A New Policy Focus

The overland flood insurance market has matured, and government policy priorities should evolve accordingly.

Insurance alone cannot address the underlying causes of flood losses. Long-term insurance affordability and market sustainability ultimately depend on preventive measures that reduce risk and strengthen resilience.

11 Intact (2026) A national flood risk blind spot.
12 Allstate (2026). Allstate Canada says water damage claims from external flooding nearly doubled in 2025.

The most effective government policies prevent losses from occurring, rather than funding recovery after the fact.

7.2 Priority Actions

Policy Priority 1: Stop Creating New Risks

As flood hazards intensify and urban development continues, preventing new risks from emerging must be a central objective of government flood policy.

IBC recommends the following actions:

I: Strengthen Land-Use Planning

Stop building new developments in areas at high risk of flooding remains one of the most effective forms of long-term risk reduction. Land-use decisions made today will shape Canada's flood risk for decades and determine the future affordability of both insurance and disaster recovery programs.

II: Improve Development Controls in High-Risk Areas

Where development occurs in areas with elevated flood risk, governments should consider measures that can reduce future damage, including resilient design standards, flood-aware zoning requirements and restrictions on development in the highest-risk areas. Ensuring that flood risk is incorporated into planning decisions can help limit future losses.

Policy Priority 2: Reduce Existing Risk

Canada already faces significant flood exposure across its existing communities. Reducing risk for homes, businesses and critical infrastructure is essential to managing future losses and preserving the long-term sustainability of flood insurance.

The economic case for these investments is compelling: The federal government's Adaptation Action Plan cites research indicating that every dollar invested in climate adaptation can generate up to $15 in direct and indirect benefits through avoided losses, reduced disruptions and stronger economic resilience.[13]

III: Invest in Flood Mitigation Infrastructure

Strategic investments in community-level flood defences, stormwater management, resilient infrastructure and nature-based flood mitigation projects can significantly reduce flood risk at a community scale. They generate substantial long-term economic benefits through avoided economic interruption, reduced losses and reduced disaster recovery costs.

IV: Support Property-Level Mitigation Through Retrofit Programs

Property-level measures can meaningfully reduce flood damages, such as backwater valves, sump pumps, foundation waterproofing and improved drainage systems. Targeted retrofit programs for

13 Government of Canada Adaptation Action Plan (Spring, 2024).

high-risk properties can help homeowners undertake these measures that might otherwise be prohibitively expensive. Programs can take the form of financial incentives, grants, low-interest loans and tax-based programs. Retrofit programs can help reduce future losses in high-risk areas.

V: Improve Flood Mapping and Risk Information

Modern, accurate and publicly accessible flood maps are essential for effective risk management. They support informed decisions by homeowners, insurers, financial institutions, developers and governments while improving a broad understanding of flood exposure.

Policy Priority 3: Address Remaining Protection Gap

Even when homeowners make significant investments in mitigation and resilience, some properties will continue to face levels of flood risk that are difficult to manage through conventional insurance mechanisms alone. Policy solutions designed to address risk for these properties should be targeted and proportionate.

VI: Support Strategic Buyouts

For a small number of properties facing severe and repeated flooding, voluntary buyout programs may represent the most effective long-term risk reduction measure. Buyouts allow governments to permanently acquire and remove highly exposed properties from the flood plain, eliminating future flood losses at those locations while reducing long-term disaster recovery and infrastructure costs. Strategic buyouts can also create opportunities to restore natural flood plains and improve community resilience.

VII: Enable Relocation from High-Risk Areas

Relocation programs can help households move to safer areas when their homes are exposed to chronic flood risk. Unlike buyouts, which focus on permanently removing high-risk properties from the hazard area, relocation measures focus on supporting people through the transition to a new residence and community. This may include financial assistance, housing support and measures that reduce the social and economic disruption associated with moving. While relocation can be complex and challenging, it may provide a more sustainable outcome than repeated rebuilding in locations where significant flood losses are expected to recur.

8. The Role of a National Flood Insurance Program

Discussions regarding a national flood insurance program, which would make flood coverage available and affordable for households at the highest risk of flooding, have been taking place for nearly a decade.

Canada's P&C insurance industry believes that ongoing discussions regarding a national flood insurance program should acknowledge that the majority of households now have flood insurance through the private insurance market and that this type of insurance is now accessible to the vast majority of home insurance policyholders.

Given that private insurers already provide flood coverage to the overwhelming majority of Canadian households, any public insurance program should be narrowly focused on addressing the protection gap among the highest-risk properties.

The P&C insurance industry believes that to be effective, such a program should:

- Target properties facing the greatest barriers to obtaining coverage;
- Complement existing private market offerings rather than replacing them;
- Maintain incentives for risk reduction and resilience investments; and
- Support broader efforts to reduce long-term flood risk.

A national flood insurance program could help address a specific market challenge, but it should not be viewed as a substitute for the broader policy actions required to reduce flood risk.

9. Conclusion

Three key themes emerge from the evolution of Canada's flood insurance market.

First, flood insurance availability in Canada has expanded significantly over the past decade. The private insurance market has broadened access to overland flood coverage, with approximately 94% of residential properties now eligible for coverage. What was once considered an uninsurable risk has become a mainstream insurance product available to the vast majority of Canadian households.

Second, the remaining protection gap is increasingly concentrated among a relatively small number of properties facing severe and recurring flood risk. The available evidence suggests that these properties combine elevated flood exposure with significant insured values, resulting in disproportionately high expected losses. Evidence further suggests that many of the highest-risk properties have total insured values above the Canadian average. As private-sector flood coverage has expanded and eligibility has increased, the challenge has shifted from broad market availability to addressing the needs of a relatively small number of high-exposure properties that account for a disproportionate share of potential losses.

Third, long-term affordability and sustainability will depend increasingly on reducing risk. While insurance remains an essential component of financial recovery, insurance alone cannot address the underlying drivers of escalating flood losses. Future success will depend on investments in mitigation infrastructure, risk-informed land-use planning, improved flood-mapping information and measures that strengthen community resilience.

The evolution of Canada's flood insurance market represents a significant public policy and market achievement. The next phase of flood policy should build on that success by focusing not only on how losses are financed after disasters occur, but on how flood risk can be reduced before disasters happen.

Appendix A: Survey Methodology

IBC's 2024 Flood Survey is a cross-sectional survey, used in conjunction with data from prior flood surveys for trend analysis. Information on policy take-up, pricing and eligibility were collected from survey respondents that represent nearly 70% of the personal property insurance market in Canada based on revenue. Figures have been scaled up to full market share. Data was collected based on coverage level across all provinces for all housing categories (single family residence, condominium, tenant and cottages/seasonal homes).

Regardless of the definitions used within individual companies, the term "flood" throughout this survey refers to all water-related damage related to fluvial/riverine/on-plain flooding and urban/pluvial/off-plain/surface flooding, as well as, if applicable, seepage and groundwater. It is not meant to include damage caused by sewer back-ups or the sewer back-up component of any combined (i.e., bundled) coverage.

Appendix B: References

Allstate (2026). Allstate Canada says water damage claims from external flooding nearly doubled in 2025.

Government of Canada Adaptation Action Plan (Spring, 2024).

Intact (2026). A national flood risk blind spot: 62% of Canadians are not concerned about flooding, and many have yet to take action.

Morin, G., Boudreault, M., Thistlethwaite, J., Bourdeau-Brien, M., Chenette, J., Henstra, D., & Raikes, J. (2025). Economic exposure of Canadian residential properties to flooding. *Journal of Flood Risk Management,* 18(1), e70012.

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