

MARKETPLACE

Up to 10% of homes could now be 'uninsurable' because of flood risk. Yours may be one of them

Lack of insurance awareness, vague real estate rules and incomplete flood maps leave Canadians at risk

[Steven D'Souza](#), [Jeremy McDonald](#), [Jenny Cowley](#) · CBC News · Posted: Nov 26, 2021 4:00 AM ET | Last Updated: November 26, 2021



Richmond Hill, Ont., resident Derrick Terakita stands beside the waterway that runs behind his home. His insurance company recently told him that because of the rising threat of climate change, his area was no longer eligible for overland flood insurance. (Steven D'Souza/CBC)

[1080](#)

comments

Many homeowners are unprepared for flooding because they lack critical information thanks to murky real estate rules, incomplete floodplain maps and an insurance industry pulling back from high-risk areas, a *Marketplace* investigation has found.

Marketplace also found homeowners who lost their flood protection because of multiple claims or specifically because of the growing risk of climate change. The Insurance Bureau of Canada (IBC) warns it's a situation more Canadians could find themselves in.

- *Watch the full Marketplace investigation*



Find out how to get the flood coverage you deserve from insurance companies. 22:30
The IBC told *Marketplace* it estimates that anywhere from six to 10 per cent of Canadian homes are currently uninsurable due to flooding and that estimate could go up as more insurance companies update their risk assessments to account for the rising threat of climate change.

"As the risk from climate change increases, yes, more Canadians could become uninsurable," said Craig Stewart, vice-president, federal affairs with the IBC.

According to a [2019 federal government report](#), Canada's climate is warming at double the rate of the rest of the world, and the IBC estimates that currently [1 in 10 Canadian homes](#) is at high risk of flooding and some face possible repeated flooding over the next 20 years.

But would prospective homeowners be warned about that risk? Going undercover, posing as new homebuyers in Ontario, a *Marketplace* team found there's no Canada-wide requirement for agents or sellers to warn potential buyers that they're moving into a flood-prone area. *Marketplace* was told on two occasions that homes were not in floodplains when public data showed otherwise. In another test, a producer posing as a prospective home seller also found agents didn't always advise her to disclose past flood damage.

The recent flooding in British Columbia has made the issue of flood insurance coverage top of mind for many homeowners, as some residents there, unable to find coverage, turn [to provincial disaster assistance](#), and others assess what coverage they have [as the cleanup begins](#).

'They're trying to protect their money'

But in some cases, even being prepared isn't enough. Derrick Terakita knew his home in Richmond Hill, north of Toronto, was in a floodplain and thought he had adequate coverage, until he got his insurance renewal this year. In May his insurance provider informed him it was taking away his overland water coverage. The reason: the increasing severity of weather due to climate change.

"I was a little bit ticked off, but then it's an insurance company, they're trying to protect their money," Terakita told *Marketplace*.

WATCH | Insurance nightmares: Many Canadians not protected from flooding disasters:



Flooding is the most costly and common natural disaster in Canada, but risk-averse insurance companies and the lack of a nationwide requirement for real estate agents to disclose flood risk are leaving Canadians vulnerable. 2:16

Overland flood insurance typically protects homeowners from flooding from a body of water overflowing onto dry land. According to the IBC, protection from flooding due to burst pipes or appliances is typically included in most home policies. Sewer backup protection is also commonly available as an add-on. But overland flood insurance only became an option in Canada in 2015, following massive flooding in southern Alberta in 2013 that, at the time, was ranked as the [costliest natural disaster in Canadian history](#).

Marketplace connected Terakita with an insurance expert to better understand his situation. He then contacted his insurance broker to see if his provider could reinstate his coverage if he took steps to protect his home. The answer was no.

'Insurance will become a luxury for the rich'

"We can't really offer the coverage because again, it's no longer applicable to your territory," the broker told Terakita over the phone as *Marketplace* cameras rolled. "Even if there was some sort of mitigation put into place, it's still not going to be applicable."



Insurance expert Jason Thistlethwaite says that if we don't manage climate risk better, insurance may eventually become a luxury and unaffordable for most people. (Steven D'Souza/CBC)

***Marketplace* showed Terakita's experience with his insurance company to Jason Thistlethwaite, an associate professor in the School of Environment, Enterprise and Development at the University of Waterloo in Ontario.**

"It's unfortunate but insurance companies are businesses and they're looking at their bottom line and they are going to make a judgment on their risk appetite," said Thistlethwaite, who noted that flooding is the most costly and common hazard in Canada.

Thistlethwaite worries that many more Canadians will soon find themselves in Terakita's shoes.

"Insurability — or markets where insurance is available and affordable — is eroding in Canada," Thistlethwaite said. "Unless we make more effort to manage climate risk, insurance will become a luxury for the rich and unaffordable for most."

Insurance industry responds

Stewart from the IBC agrees that insurance companies need to do a better job of giving incentives to customers like Terakita who want to be proactive in protecting their home.



Craig Stewart, seen here evaluating the aftermath of a tornado, is with the Insurance Bureau of Canada. He says the industry can't shoulder all the risk for insuring high-risk homes and that a government-backed, high-risk insurance pool needs to be created. (Submitted by Craig Stewart) He says in a competitive marketplace, customers like Terakita can shop around for coverage. Though he acknowledges that finding another option

isn't guaranteed and the industry has its limitations when it comes to overland insurance protection.

"The industry's new to [overland flood protection] in Canada, but we're only going to be able to provide a certain amount of protection. We are going to need to collaborate with the government, especially for those who will continue to reside in the highest-risk areas in the country."

The solution the IBC proposes is a national high-risk residential flood insurance program, which would provide insurance to residents in the most flood-prone areas, funded by the federal government.

It's one idea the Liberal government is studying as part of its [National Task Force on Flood Insurance and Relocation](#), which was formed last year. The group is also studying options to relocate people who live in areas with repeated flooding.

Stewart, a member of the task force through the IBC, says they'll present recommendations to Minister of Emergency Preparedness Bill Blair in the spring, but programs aren't likely to roll out until 2023 or 2024.

"We need all hands on deck, and insurers will absolutely play their part in addressing the problem, but we can't do it alone," Stewart said.



Debris litters a road in the Sumas Prairie flood zone in Abbotsford, B.C., on Nov. 22. (Ben Nelms/CBC)

Asked by CBC News about the insurance situation during a news conference in Ottawa last week, Blair said the recent flooding in British Columbia underscores the importance of the task force's work.

"It does, I think, add an element of urgency to our work with the insurance industry and the development of a National Flood Insurance Plan," Blair said.

Government-backed flood insurance does come with its share of problems. In the U.S., the National Flood Insurance Program has a \$20 billion US shortfall and is often criticized for using outdated information and incentivizing rebuilding in problem areas.

Homeowners unaware of the risk

Despite the stark warnings about the impact of climate change and the threat of flooding, the issue isn't always top of mind. A 2020 survey by Partners for Action, a climate resiliency network based at the University of Waterloo, found only six per cent of Canadians living in designated flood-risk areas knew they lived in such an area, and only a quarter said their insurance company had discussed flood coverage options with them.

In Toronto, Woodee Aboy recently moved into his home but didn't know the neighbourhood is a floodplain designated by the Toronto and Region Conservation Authority until *Marketplace* knocked on his door. He was also unsure that his home insurance policy covered him against all types of flooding.

After *Marketplace* connected him with an insurance expert, he contacted his provider and found he was in fact fully covered for a range of flood scenarios, including overland.

"Gaining that confidence, gaining that peace of mind has been a very fulfilling experience to tell you honestly," Aboy told *Marketplace*.

No Canada-wide requirement for disclosing future flood risk

Aboy and other homeowners *Marketplace* spoke with say they were not informed when they purchased their home that there was a risk of potential flooding.



Toronto resident Woodee Aboy wasn't aware his home was located in a flood-prone area until contacted by Marketplace. He later confirmed that his home insurance policy does protect him for a range of flood scenarios. (Steven D'Souza/CBC)

Part of the challenge, *Marketplace* found, is that disclosure rules around future flood risk are vague and vary across the country. It's not information real estate agents may know how to find, or the flood mapping in the area may be out of date or incomplete.

In an undercover test, *Marketplace* posed as buyers looking at Greater Toronto Area properties situated in floodplains — areas designated [in publicly](#)

[available maps](#) by the Toronto and Region Conservation Authority. The result: agents selling two of four properties denied the homes were at risk of potential flooding.

Marketplace: "I noticed there's a waterway nearby. I'm just wondering, are there flooding issues, or is flooding a concern for that area?"

Agent: "For that property? No, it's too far away."

Marketplace: "So it's not on a floodplain or anything?"

Agent: "No no no."

Marketplace: "So we shouldn't be worried about that?"

Agent: "No, no."

Later, posing as a seller looking to unload a home that had had previous flood damage, a producer called agents in five cities: Vancouver, Calgary, Winnipeg, Toronto and Montreal. *Marketplace* found nine out of 10 agents were clear that past flooding should be disclosed. But one agent said that if the cause of the flood had been repaired, then there was no need for disclosure.

WATCH | Here's how to protect your home from flooding:



Cheryl Evans, a director at the University of Waterloo's Intact Centre on Climate Adaptation, explains what steps homeowners can take to try and flood-proof their homes 2:00

The agent's advice, however, seems to line up with information *Marketplace* received from the regulator in his home province, the Real Estate Council of Alberta (RECA). "If the defect is properly repaired, there is no longer a defect, and disclosure is not required," RECA said.

- [Click here for full statements from provincial real estate regulators](#)

The rules around disclosure in some provinces also leave some room for interpretation. For example, the Real Estate Council of Ontario (RECO), the regulator in that province, says that past flooding is "often" considered a latent defect — defined as "a physical defect that is not discoverable through a visual inspection." RECO says sellers are only obligated to disclose these when the issue is "dangerous" or could make the property "uninhabitable," though it notes the issue often ends up in the courts.

"It is to your advantage to be as truthful as you can, for your own protection, when you're making these declarations," one agent advised.

Marketplace producers also asked some of those agents whether disclosing future flood risk or floodplains was recommended, but answers were less clear. Some recommended disclosing, some said it was speculative and "buyer beware."



Toronto real estate agent Chris Chopik wants to see more transparency in the industry around climate risk. (CBC)

The challenge, experts say, is that there is no Canada-wide requirement to disclose future flood risk.

"There's a requirement to disclose known risks, so the question comes, what is known and what's knowable?" said Toronto real estate agent Chris Chopik.

Chopik has been pushing for years for more transparency around climate risk in real estate. He'd like to see something akin to a walk score, but for climate: an easy-to-digest number assessing a home's overall risk from the impacts of climate change.

Floodplain mapping lacking

In the U.S., the [Federal Emergency Management Agency \(FEMA\)](#) and private companies like [ClimateCheck](#) have flood-risk maps, where a user plugs in an address and gets a flood-risk assessment.

The federal government has committed \$63 million to improving floodplain mapping within three years, but experts say there's a long way to go.

"I would describe floodplain mapping as saying, right now we're at the Windows '95 version of flood mapping," said Stewart with the IBC. "What we need to do in pretty short order is get up to Windows 10. We are behind other countries."

That means homeowners are left to navigate numerous sites from [insurance companies](#), as well as [provinces and local conservation authorities](#). Experts like Thistlethwaite at the University of Waterloo say some maps across Canada are inconsistent. Some [are years out of date](#) and lack the detail that some [other countries provide](#).

Prince Edward Island recently launched a new [coastal hazards platform](#), while a researcher at Western University in Ontario recently released what the university calls the [first Canada-wide maps](#) showing how floodplains may be affected by various climate change scenarios over the next 80 years.

- [Storm system set to soak regions of B.C. recovering from floods and mudslides](#)

-

LISTEN

[Why the B.C. floods are an economic disaster for all of Canada](#)

Chopik says that while there are fears that more information about potential flood risk could devalue a home, ultimately more information will level the playing field and make potential buyers aware of climate-related risks.

"If we're going to make this a fair marketplace where we have caveat emptor — buyer beware — we really need a place where everyone can look at the risk soberly and then make decisions."