



Avoiding a Flood Catastrophe: A Combination of Risk Management & Insurance Coverage

The major flooding in Calgary this summer appears likely to rank among Canada's largest catastrophe losses for 2013. The relative scarcity of property coverage for flooding in Canada is likely to keep claims for this single event in the range of \$1 billion to \$3.75 billion.¹

The impact of recent flooding in Toronto – the most expensive natural disaster in Ontario history – could result in economic losses of approximately \$1.5 billion,² with an expectation that just over half of that cost will be covered by insurance (\$850 million).³ Other catastrophic weather events resulting in comparable insurance payouts include: the 1998 ice storm (insured losses of approximately \$1.5 billion); flash flooding in Saguenay, Quebec in 1996 (insured losses of approximately \$1.5 billion); the Slave Lake wildfire in 2011 (about \$700 million in claims); and the flooding along the Red River in Manitoba in 1997 (about \$500 million in losses).

Watching the events unfold in Calgary had many here reaching for their own commercial property insurance

How Will Your Insurance Policy Respond?

MEARIE's property insurance program includes broad coverage for flooding, defining "Flood" as:

Waves, tide or tidal water, or the rising (including the overflowing or breaking of boundaries) of lakes, ponds, reservoirs, rivers, harbours, streams or other bodies of water, whether or not driven by "Wind."

"Broad" coverage in insurance terms means all perils are covered unless specifically limited by an exclusion in the policy. **The MEARIE Property policy does not include any exclusion which specifically limits damage caused by typical flood conditions.**



policies to understand how their organization is covered for flood damage.

In an event such as the rising waters of the Bow River in Calgary, damages would have been covered by the MEARIE property policy, regardless of the point of entry to the premises, i.e. whether through a ground-level window or door; or through a backed-up sewer. Many of the disputes in coverage which were reported in the media related to residential insurance and sewer backup caused by surface water. The conditions of the Toronto flood did not involve an engorged river but just excessive rainfall, which accumulated and overwhelmed certain low lying areas. Generally, this is considered "surface water" which, in many personal property policies, is a standard exclusion. **The MEARIE policy does not exclude damage from surface water.**

Of particular relevance to the issue of flooding is the development of mould, fungi and spores. In addition to our broad property wording that provides extensive flood coverage, The MEARIE Property policy goes further including coverage for the cleanup of Fungi and Spores, as well as coverage for the testing and monitoring for the presence of these elements after flooding has occurred. This type of coverage is a common exclusion in other commercial policies so it is important to review your coverage. (There is a separate \$1M sublimit for testing and \$1M sublimit for monitoring in the MEARIE program.)

¹ Best's Briefing: Canada Insurers Well Positioned to Cope As Alberta Flood Losses Near Record Levels, July 1, 2013.

² Toronto's July storm cost insurers \$850M, August 14, 2013, <http://www.cbc.ca/news/canada/toronto/story/2013/08/14/business-insurance-flooding.html>

³ GTA flooding Canada's second billion-dollar disaster of 2013, August 8, 2013, www.citopbroker.com/news/gta-flooding-canadas-second-billion-dollar-disaster-of-2013-5543

Taking Steps to Prevent Flood Damage

Flood risk management traditionally has been based on design standards developed on the potential/severity of damage for a specific level of flooding (i.e. a once in a 100 year or 500 year event). **It appears the frequency of flood events is increasing to the degree that what was once considered a “100 year flood” has become a “25 year flood.”** Flood risk management is intended to reduce both the likelihood of actual physical damage or losses as a result of flooding. The most effective flood risk management programs take into account the following five elements:¹

- **Prevention:** Preventing damage caused by flooding by avoiding construction of facilities in present and future flood prone areas; by adapting future developments to the risk of flooding; and by promoting appropriate land use, agricultural and forestry practices.
- **Protection:** Taking measures, both structural and non-structural, to reduce the likelihood of floods and/or the impact of floods in a specific location.
- **Preparedness:** Knowing about flood risks and informing your staff and customers about what to do in the event of a flood.
- **Emergency Response:** Developing emergency response plans in the case of a flood, typically as part of your fuller [Business Continuity Planning](#).
- **Recovery:** Returning to normal conditions as soon as possible and mitigating both the social and economic impacts on the affected population (again, part of your [Business Continuity Planning](#)).

While these are general areas to be considered you should review your specific operations and infrastructure to ensure your company is ready. **The combination of pre-planning, risk management and insurance protection are your best defense against the latest trend of flood events.** With the MEARIE Property Insurance program, we are confident you have more than basic flood protection. If you aren't a Subscriber of the property program, ensure to review your policy and know how you are protected.



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