

Canada's skyrocketing insurance payouts for extreme weather are unsustainable. Here's how Ottawa can fix that

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The financial toll of extreme weather on Canadian households and communities is mounting, driven primarily by flooding and wildfire.

Thirty years ago, insured losses averaged about \$300 million a year.

Today, after adjustment for inflation and national wealth, losses average nearly ten times higher at \$3 billion. In 2024, insured damages reached a record-breaking \$9.4 billion, and as reported by Cat IQ (Canada's insured loss curator), 2025 set a record for the total number of annual fire-related catastrophes.

This trajectory is not sustainable, particularly as the federal government prepares to facilitate construction of 3.9 million new homes by 2031 through programs such as Build Canada Homes and related initiatives. Failure to prepare will lock in extreme weather-driven costs and hardship for generations.

Ottawa has acknowledged the challenge. The National Adaptation Strategy (NAS), launched in 2023, committed Canada to climate preparedness for housing. Progress, however, has been slow.

In 2025, Canada's Commissioner of the Environment and Sustainable Development, Jerry DeMarco, found that the NAS lacks a system to prioritize climate risks, an economic framework to guide investment, a thorough federal action plan, and meaningful performance monitoring. In short, adaptation is not keeping pace as climate risk climbs.

Canada's gap in preparedness is hard to defend.

Independent studies show that \$1 invested in adaptation prevents \$2 to \$10 in losses, with virtually no added cost for construction or project delay.

Nonetheless, extreme weather risk is still routinely ignored in decisions about housing, infrastructure and land use.

As experts on the economic impacts of extreme weather, we see two priorities.

First, new housing and municipal infrastructure should be designed and located for future climate conditions, not historical norms.

Second, current homeowners need access to simple guidance to reduce flood risk, and wildfire hazard in forested regions.

Starting now, the Canadian government should require that homes built with federal support, whether constructed on-site or prefabricated off-site, are resilient to current and future flood and wildfire risks. This would send the right message — the most affordable home is one that only needs to be built once.

Reducing flood risk begins with not building in current and future floodplains. Public Safety Canada could enable this by releasing long-

promised flood risk maps that municipalities need. Additionally, new homes should have backup power for sump pumps, a backwater valve, and elevated window wells.

Wildfire resilience demands that new homes not be located on forested hillsides. Spacing between buildings should limit fire from spreading house to house, and water systems must maintain pressure when multiple properties are threatened. For existing houses, risk reduction includes clearing vegetation along the wall of the house and not storing firewood at the backdoor.

For the millions of Canadians already living in homes, the federal government can play a simple but powerful role — get information on adaptation into people’s hands.

When homeowners receive clear, actionable guidance, 70 per cent take at least two steps to protect their homes within six months. This is a policy win that is low cost, fast to deploy, and effective. It could be as simple as including a flood and wildfire preparedness guide with federal Notices of Assessment or MP newsletters.

Beyond physical damage, the NAS warned that extreme weather could take a toll on mental health.

In 2026, the Intact Centre will release data showing that residential flooding drives spikes in mental-health–related claims, from prescription medications and counselling services to time away from work, exposing an escalating cost of climate inaction.

Over the past decade, federal climate policy has largely focused on reducing greenhouse-gas emissions (GHG), rather than on helping communities adapt to extreme weather with funding for emissions reduction outpacing adaptation by roughly 24 to 1.

Cutting emissions must remain a priority, with benefits that are longer term and global. Adaptation, however, delivers returns that are immediate and local. Climate strategy should invest in preventing future harm while protecting Canadians from risks on the ground today.

The need to mobilize adaptation continues to grow.

The International Energy Agency recognized slowing momentum on national and international efforts to reduce GHG emissions, resulting in a 1.3 per cent increase in 2024 alone.

It has been nearly two decades since the federal government was first urged to act on climate adaptation.

The cost of delay is rising. Canada must support building more durable houses, and safer, smarter, and more resilient communities.

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