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Analysis in Brief

Extreme weather impacts on consumers and insurers in Canada, December 2019 to December 2025: An updated analysis

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Extreme weather impacts on consumers and insurers in Canada, December 2019 to December 2025: An updated analysis

by Marisa McGillivray

Highlights from December 2019 to December 2025

- Extreme weather is increasing in frequency and severity.
- Extreme weather claims impact insurers' profit metrics, costing billions each year.
- Homeowners' home and mortgage insurance consumer price index outpaced all-items consumer price index.
- Alberta has been disproportionately impacted by extreme weather events.
- Auto insurance is less impacted by extreme weather claims compared to homeowners.
- Auto insurance has become more expensive due to rising repair costs from claims, vehicle prices being higher, and thefts.
- Insurers have raised rates amid higher claims and operating expenses.
- Insurance premiums vary widely by province.
- Municipalities are being impacted by extreme weather risks, affecting public infrastructure.
- The price of reinsurance is going up, and spiked in 2023.
- Uninsured costs exceed insured cost.

Introduction

Canada's property and casualty (P&C) insurers have encountered significant challenges, especially in the last six years, driven by an intensification in extreme weather events, uptick in automobile thefts, and building and repair costs rising due to input costs and wages. These issues were further exacerbated by the pandemic, creating profitability concerns for insurers and in many cases resulted in higher premiums for consumers. 2024 was the costliest year on record for extreme weather claims, and each year from 2020 to 2025 ranked among the top 10 costliest years. From December 2019 to December 2025, insurance premiums for homeowners' home and mortgage insurance increased 45.0% and passenger vehicle insurance premiums increased 23.9%, both outpacing the all-items Consumer Price Index, up 21.0% over the same period.

This overview primarily utilizes the Quarterly Survey of Financial Statements (QSFS)¹ for financial statement data and the Consumer Price Index (CPI)² for consumer price data.

Extreme weather costs insurers more than ever in 2024

Catastrophic (CAT) claims caused by extreme weather exacerbated by climate change, increased substantially in 2024, resulting in \$8.6 billion in CAT claims and \$9.1 billion in total claims. Within a 30-day period in quarter three of 2024 four CAT events occurred. These four events impacted various regions across Canada, and cost insurers a combined \$7.0 billion.³ Alberta fared the worst with the Calgary hailstorm costing \$3 billion, and Jasper wildfire costing \$1.1 billion. Following close behind, Quebec flooding cost \$2.7 billion⁴ and Ontario flooding cost \$990 million. Until 2024, 2016 was the costliest year on record costing \$6.2 billion, mainly attributable to the Fort McMurray⁵ wildfire, also impacting Alberta. Eight of the top ten most costly weather events have occurred since

1. The QSFS program provides data used to measure the financial position and performance of incorporated businesses by industry aggregation. A limitation of the QSFS data is minimal separation between private passenger vehicle and commercial auto insurance; however, the companies included in this analysis largely focus on private passenger vehicle insurance. The data is cleaned for outliers.

2. The CPI is an indicator that measures price change experienced by Canadian consumers on a monthly basis. It is obtained by comparing the cost of a fixed basket of goods and services through time.

3. [2024 shatters record for costliest year for severe weather-related losses in Canadian history at \\$8.5 billion.](#)

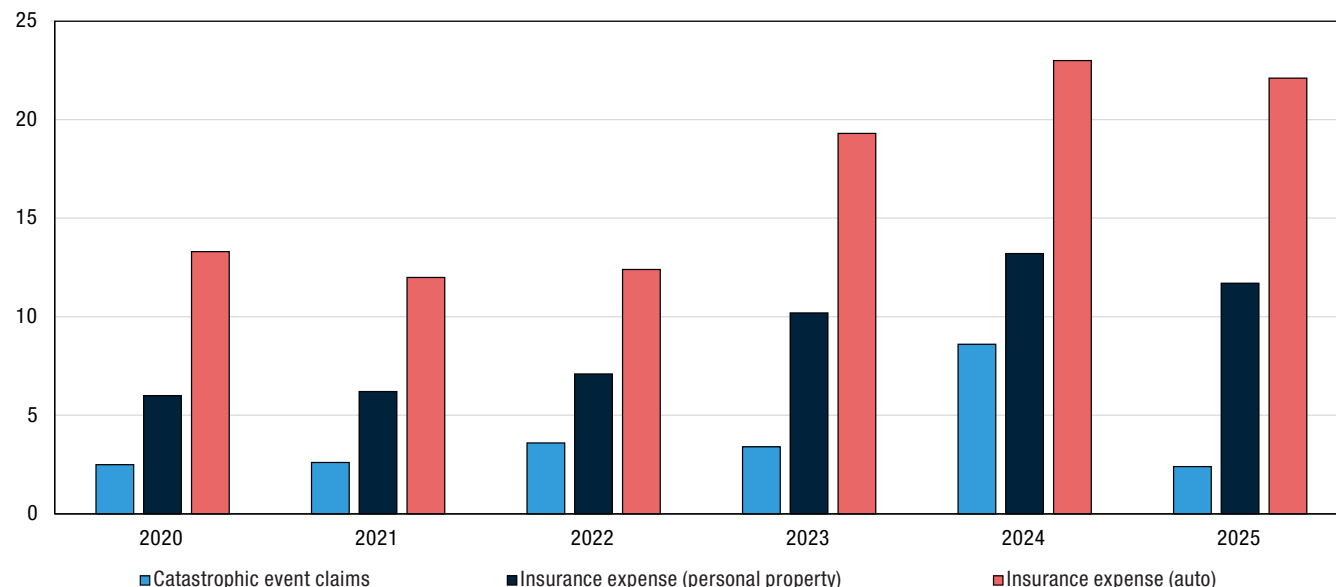
4. Not entirely climate related, partially due to water main break.

5. Fort McMurray is a city in Alberta.

2013.⁶ Despite 2025 weather being moderate compared to 2024, costs were higher than they were several years ago and insurers continued to raise rates to meet rising cost pressures. CAT claims impact the property insurance segment considerably more than the auto segment.

Chart 1
Insurance expenses and claims costs

billions of dollars CAD



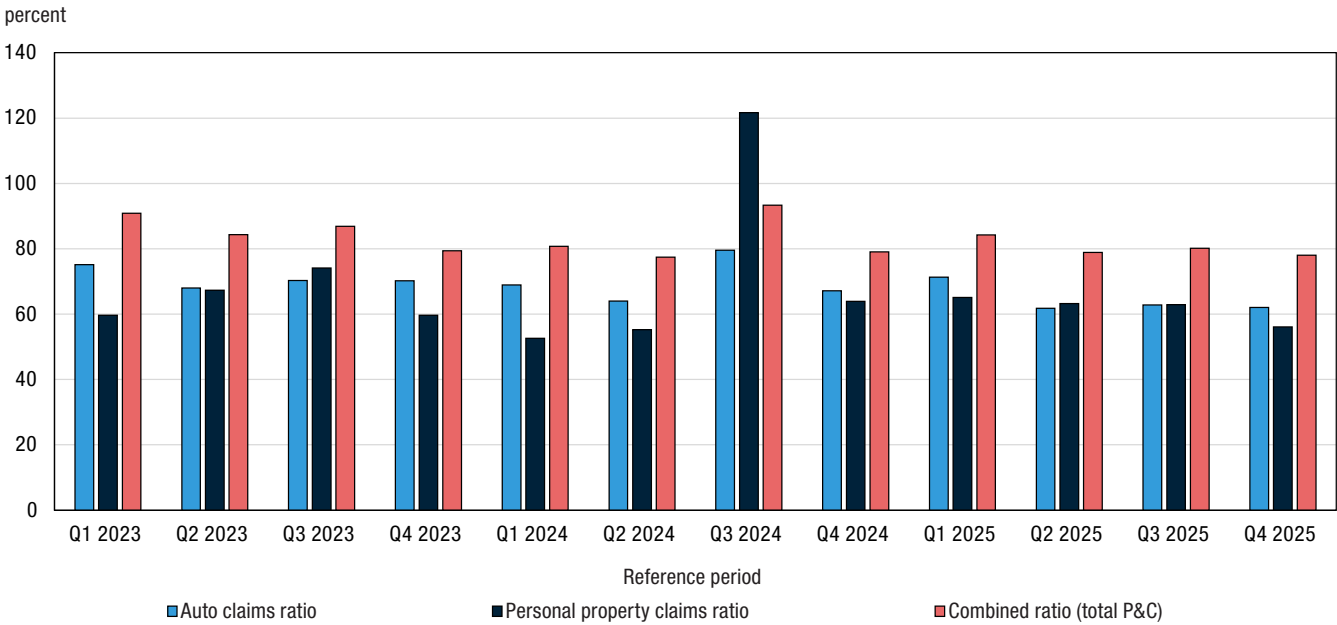
Source: Quarterly Survey of Financial Statements, Insurance Bureau of Canada, authors calculations.

The uptick in claims contributed to the claims ratio⁷ of 121.7% in the third quarter of 2024, a significant increase from previous quarters for personal property. The increase in claims expenses led to a higher-than-average combined ratio of 93.4% for the entire property and casualty book of business, despite automobile insurance being the biggest contributor to revenues and expenses. Some Alberta insurers were unprofitable in 2024.

6. [Insured Damages from Hurricane Fiona Now Over \\$800 Million.](#)

7. NISR = Insurance service expenses divided by total insurance revenue, similar to pre IFRS-17 claims ratio.

Chart 2
Claims and combined ratios



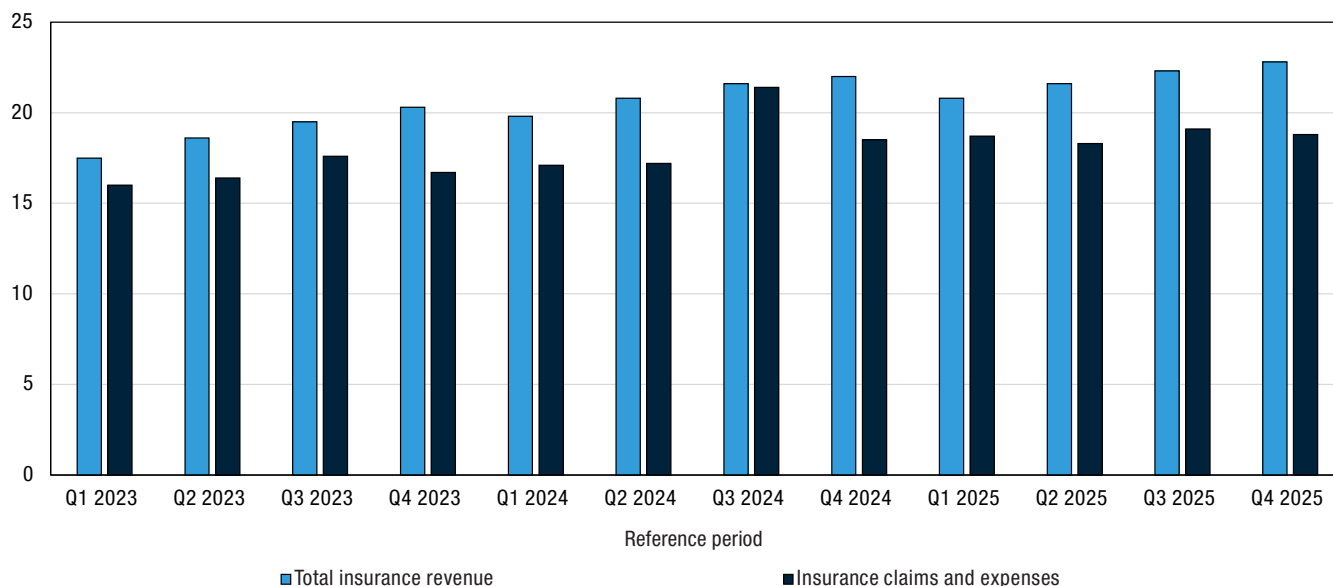
Source: Quarterly Survey of Financial Statements, authors calculations.

Insurance expenses, affected by claims costs, have grown over the last six years. Total P&C claims and expenses grew to \$74.9 billion in 2025, up 50.1% from 2020,⁸ and 12.3% from 2023. To offset rising claims and expenses, insurers raised premiums, leading to a growth in revenues, which helped insurers to remain profitable in most cases. Total P&C revenues grew to \$87.5 billion in 2025, up 63.9% from 2020 and 15.4% from 2023. Total expenses increased most (11.1%) from 2023 to 2024, partially attributable to CAT claims in quarter three. Despite extreme weather in 2025 being moderate in comparison to 2024, total claims and expenses were marginally higher in 2025 than in 2024.

8. Use caution when comparing pre and post 2023 values due to changes in accounting standards.

Chart 3
Insurance revenues and expenses

billions of dollars CAD



Source: Quarterly Survey of Financial Statements, authors calculations.

Net income from insurance services and net income before taxes (NIBT) declined in the third quarter of 2024, falling more than \$3.8 billion attributable to the rise in extreme weather claims. Despite the drop in NIBT, insurers as an industry remained profitable in 2024. The intensification in CAT claims is certainly substantial; however, it is not the only contributing factor to larger expenses and higher premiums consumers are paying. For homeowners, house prices, replacement costs, and building input prices as well as wages are key components. For drivers, auto insurance costs have been driven up by surging vehicle prices (especially during the pandemic), rising repair costs, and an uptick in auto thefts that peaked in 2023. Most insurers have both auto and homeowners' operations and must manage both risks. For auto, government insurance is available in British Columbia, Saskatchewan and Manitoba, and some mandatory coverage offerings in Quebec.⁹

Claims costs impact consumers

Rising costs are being transferred to consumers as insurers aim to manage risks and remain profitable. From December 2019 to December 2025 homeowners' home and mortgage insurance consumer price index increased more than twice as much as the all-items consumer price index. Despite the sizeable growth, this is not abnormal compared to historical insurance index changes. Due to rising home prices and growth in replacement cost factors at various times, insurance rates have consistently outpaced all-items inflation. However, the composition of cost factors has shifted meaningfully over time, with extreme weather now one of the dominant forces reshaping Canada's home insurance market. Insurers have also shifted coverage options and availability over time, often linking prices to specific risks, and home and area characteristics rather than broad risk pools, where specific perils are linked to specific underwriting criteria, deductibles and limits. One way insurers can manage risk is by linking higher premiums to individual high-risk homes such as those in high-risk flood zones or those near wildfire prone areas, sometimes using AI to price at a more granular level.¹⁰ Due to shifting risks and elevated home and construction prices, underinsurance also poses a significant risk for homeowners. Consumers should monitor their coverage frequently and update their policy details to ensure adequate coverage is maintained.¹¹

9. Insurance Corporation of British Columbia, Saskatchewan Government Insurance, Manitoba Public Insurance, and la Société d'assurance automobile du Québec, are excluded from this analysis.

10. Risk-based pricing and AI will decide P&C winners in climate change era: Intact CEO | Insurance Business.

11. How mounting cost pressures affect Canada's personal property insurance market.

For ease of comparison, the five-year percentage change is taken for periods across December 2005 to December 2025. The five-year increase in homeowners' home insurance prices from December 2020 to December 2025 is not unusually large. Numerous other periods saw significant increases, however in nearly all cases prices were largely driven by higher replacement cost factors driven by rising home and construction prices as the cost to replace a structure rapidly rose. Alberta saw steady increases Dec 2005 to Dec 2006, partially attributable to rising home prices and higher replacement cost factors. Saskatchewan saw rapid rises, mainly in 2007 largely due to a steep increase in home values and replacement cost factors.¹² Since December 2005 Alberta has seen the largest increase in prices, followed by Saskatchewan and then Nova Scotia.

Table 1
Homeowners' home and mortgage insurance consumer price index, percent change

	December 2020 to December 2025	December 2015 to December 2020	December 2010 to December 2015	December 2005 to December 2010	December 2005 to December 2025
	percent				
Canada	38.6	22.4	30.6	23.8	174.4
Newfoundland and Labrador	19.9	34.5	43.0	2.8	137.3
Prince Edward Island	26.7	10.6	34.5	1.5	91.3
Nova Scotia	43.1	22.9	53.6	24.1	235.1
New Brunswick	28.9	20.6	51.6	11.2	162.0
Quebec	30.8	24.2	3.6	7.4	80.6
Ontario	36.5	22.7	32.4	28.7	185.3
Manitoba	46.7	16.4	29.1	7.3	136.6
Saskatchewan	40.9	26.1	28.0	68.9	283.9
Alberta	55.8	17.9	60.3	67.0	391.6
British Columbia	37.4	25.2	28.3	5.9	133.6

Source: Consumer Price Index.

In the most recent five-year period (December 2020 to December 2025), Alberta was impacted most significantly, up 55.8%. Saskatchewan, Manitoba and Nova Scotia have all seen movements greater than the Canada level, while all other provinces had increases less than the Canada level. During this time homeowner replacement costs increased 23.5%, most significantly during the pandemic due to surging input prices such as lumber. Alberta was hardest hit by extreme weather during this time.

Extreme weather risks are heating up

Over the past six years, flooding has remained a primary driver of insured losses in Canada, reflecting both increased frequency and severity of extreme precipitation events. Flooding is the most frequent and costly natural disaster in the country, and recent events have contributed to sustained upward pressure on home insurance premiums. In 2021, severe flooding in British Columbia associated with an atmospheric river event caused extensive damage to residential properties and infrastructure. In 2024, heavy rainfall events across central and eastern Canada contributed to elevated insured losses, consistent with broader trends observed in national data. \$9 billion has been paid out for flooding in the last 10 years, nearly 50% of this was in 2024. While annual claims vary, the climbing concentration of high-cost flood events in recent years has contributed to higher insurance premiums, particularly in regions with repeated exposure to flood risk and limited access to overland flood coverage. Flooding, like other weather events impacts infrastructure and has put upward pressure on property taxes to maintain roadways, sewer and water infrastructure as well as increased Disaster Financial Assistance Arrangements (DFAA) which is largely directed towards restoring public infrastructure.¹³

2024 marked the hottest year on record, both in Canada and globally, surpassing 2023, which previously held the global top spot and ranked as the second hottest year in Canada, and even hotter than 2025. Over the past six years, Canada has faced unprecedented wildfire trends. In 2023 alone, the country set a record for hectares burned as hundreds of wildfires swept across the country. Although this was detrimental to many areas, this was not the costliest year for insurance fire claims costs as the Fort McMurray wildfire holds top spot. In 2023 Kelowna and areas of British Columbia were disproportionately impacted by wildfires, impacting insurance premiums in the region.

12. [Consumer Price Index The Daily June 2007](#).

13. [Projecting the Cost of the Disaster Financial Assistance Arrangements Program](#).

Convective storms increasing in frequency and severity are also significant contributors to insurance claims. Convective storms are rapid localized thunderstorm events that can lead to hail,¹⁴ strong winds or tornados and can lead to flooding. The prairies tend to be impacted most, particularly around Calgary Alberta.¹⁵ The region surrounding Calgary and north, in the direction of Edmonton, are highly prone to hail and tornado activity. While other areas such as Red Deer face similar weather risks, Calgary's larger population and higher housing density make it more vulnerable to significant damage and claims.

Hurricanes remain a significant risk in Atlantic Canada. In 2022, Hurricane Fiona caused approximately \$800 million in insured losses; although lower in absolute terms than other disasters, the impact was substantial relative to the region's smaller population and economic base.

Earthquake risk is less frequent in Canada, however, poses an unprecedented CAT loss amount in British Columbia near Vancouver. Smaller earthquake risks are also present in parts of Ontario and Quebec. While earthquake events are infrequent compared to other natural hazards, their low probability but high severity profile presents ongoing challenges for risk assessment, insurance coverage, and public infrastructure resilience.

Global warming continues to drive shifts in weather patterns, resulting in progressively more volatile conditions and temperature extremes. To remain resilient and viable, Canadians, insurers, and governments must act decisively and adapt to these changing realities. During the last six years, insurers incurred more than \$23 billion in catastrophic (CAT) claims alone, a figure that excludes additional costs such as financial aid from the Disaster Financial Assistance Program or the broader economic impacts of business and life interruptions, as well as health implications.

Uninsured costs are significant and rising

DFAA, which provides relief to provinces and municipalities to help cover public infrastructure costs, averaged \$881 million per year from 2010 to 2024, and is expected to climb to \$1.8 billion on average from 2025 to 2034.¹⁶ Historically, the prairie provinces have encountered the greatest burden: between 2005 and 2014, Manitoba, Saskatchewan, and Alberta accounted for 82% of all DFAA weather event costs, almost entirely due to flooding. As of April 2025, the updated framework substantially increased investments in building back better, risk reduction, and strategic mitigation, while maintaining and expanding support for vulnerable populations,¹⁷ aiming to limit rebuilding in risky areas.¹⁸

Insured losses represent only a portion of the true financial toll of extreme weather in Canada. For example, the 2024 July flooding in Toronto cost \$940 million in insured losses, yet this does not include those who lacked flood coverage, roadway and sewer infrastructure costs, or emergency response costs borne directly by households and taxpayers.¹⁹ It's estimated that for every \$1 of insured costs, there are \$2 to \$4 of uninsured costs.²⁰ This is also exclusive of any mental or physical health related costs.

Aging and deteriorating infrastructure represents a compounding risk, largely outside the scope of insurance. Much of Canada's infrastructure, especially water and sewer are in poor or fair condition placing growing pressure on municipal budgets and contributing to higher property taxes. On two separate occasions, one in 2024 and another in 2025 Calgary's South Feeder main, a pipe carrying 60% of the cities treated water supply failed. In 2024 in Montreal a major water main burst, flooding streets and cutting power to thousands.²¹ In 2025 Vancouver and area sewer rates increased 37%, driven primarily by the increase in Metro Vancouver sewer levy to fund a wastewater treatment plant, costing an estimated \$3.86 billion to finish by 2030.²²

While repairing and rebuilding infrastructure can temporarily boost gross domestic product (GDP), it raises potential productivity concerns, as funding is being used to rebuild rather than expand, and the economic output lost to business interruptions offset gains.²³

14. [Northern Hail Project.](#)

15. [Cost of historic Calgary hailstorm continues to rise.](#)

16. [Projecting the Cost of the Disaster Financial Assistance Arrangements Program.](#)

17. [Government of Canada modernizes disaster recovery funding program - Canada.ca.](#)

18. [2016-2017 Evaluation of the Disaster Financial Assistance Arrangements.](#)

19. [Climate change and flooding in Canada.](#)

20. [Climate risk modeling for insurers.](#)

21. [Canada's Aging Infrastructure Is a Ticking Time-Bomb - Macleans.ca.](#)

22. [Report, 2025 Annual Review of Sewer Rates – Sewer and Watercourse By-law, December 3, 2024.](#)

23. [What frequent and costly natural disasters mean for Canada's economy - RBC Economics.](#)

Future adaptations will be key

As the scale of climate losses mount, consumers, insurers and government must work in tandem to build sustainable solutions. Insurers are innovating by using AI risk pricing models,²⁴ offering CAT bonds for specific perils and looking to alternative products such as parametric insurance, however much of this applies to commercial risks.²⁵ Innovation works best in collaboration with adaptation and resilience measures,²⁶ such as building back better initiatives and home retrofits, updated building standards and improved land use planning. As well as enhanced DFAA and a national flood insurance program.²⁷ In 2026 the Canadian Climate Institute estimated that \$4 billion in annual proactive infrastructure adaptation could yield \$5 to \$10 billion in avoided costs, underscoring the need for coordinated adaptation actions.²⁸

24. [Guideline E-23 is here | Deloitte Canada.](#)

25. [Aviva Canada's parametric platform aims to assist customers with the threat of adverse weather | Insurance Business.](#)

26. [How governments and insurers can help lower soaring home insurance costs | Pembina Institute.](#)

27. [Task Force on Flood Insurance and Relocation.](#)

28. [Prepare or Repair: How climate-proofing public infrastructure pays off.](#)