



## Indigenous Insurance and Risk

### Acknowledgements

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### Introduction

Economists and researchers in Canada have noticed the rising property insurance costs related to weather events and climate change.<sup>1</sup> Many participants in this research project also mentioned that the risk assessments that support insurance requirements are calculated and applied the same way everywhere in Canada. In other words, they don't make different considerations for Indigenous territory.

To calculate property insurance requirements, for example, insurers might consider the floodplain of the region, historical wildfire exposure, or the current resiliency measures of the housing units.

However, on-reserve housing can't be relocated from a flood zone or wildfire region. These challenges are also a potential barrier to the governance of housing on reserve and in modern treaty territories.

This research project aimed to better understand the key barriers to accessing and maintaining property insurance. The goal is to support housing development and provision on reserve, in modern treaty territories located in different areas, and across the Métis Homeland in rural areas. In particular, the research aims to complement recently completed floodplain risk work by focusing on fire and property insurance.

This area of research is especially urgent for Indigenous Peoples who aren't insured for fire disasters on their territories. The research also tried to identify services that are similar to property insurance and offered by Indigenous-owned organizations.

<sup>1</sup> See [An international comparative study of catastrophic risk mitigation and insurance \(2021\)](#)

Finally, the project also aimed to reflect how Indigenous service providers practice economic reconciliation in the insurance industry. It identifies the models that Indigenous service providers have developed and that mainstream insurance providers and governments involved in providing Indigenous housing can copy or expand.

By showing some of the insurance barriers Indigenous homeowners face, this research can help Indigenous and Canadian governments better understand these barriers and find cost-effective solutions that extend the life and improve the quality of housing units.

## Project overview

This research project aimed to answer the following key questions through a review of literature and by having researchers speak with insurance providers and housing managers:

1. What is the effect of legislation like the First Nations Land Management Act (FNLMA) and the Indian Act on the provision and affordability of property for Indigenous communities in modern treaty areas, on reserve, and in rural regions and different geographies?
2. What risk-related barriers and obstacles to insurance affordability exist among Indigenous households and within Indigenous governments?
3. In what ways does an Indigenous worldview support insurance affordability and providing insurance for Indigenous housing? How could concrete, practical models help advance economic reconciliation?
4. What for-Indigenous, by-Indigenous small-scale solutions currently exist that provide insurance-related services?





## Key findings: barriers

### 1. The effect of relevant legislation:

- a. On-reserve communities are affected by the FNLMA and the Indian Act when they try to get mortgage loan insurance and property insurance.

– The Indian Act designates reserve land as Crown land. As a result, it's not subject to seizure of applicable interest by any creditor. Because of this, people living on reserves can't get mortgages and other loans in traditional ways.

Indigenous Services Canada offers a Ministerial Loan Guarantee to insure loans offered by CMHC for housing development on reserve.

Since Crown land isn't subject to seizure, someone living on reserve can only insure the things inside their home. This person won't be able to get property insurance for their home. A band or council can also get community-level insurance, which covers all commercial and residential properties.

- The FNLMA is another measure to get around the barriers the Indian Act created. The FNLMA transfers land management to a First Nation government on reserve. As a result, First Nations on reserve can create their own laws and regulations about land use, the environment, and natural resources to advance economic development opportunities.<sup>2</sup>

Where land codes have been developed on reserve, traditional mortgage loan providers have made loan agreements with First Nations for commercial or residential development.

- In the transfer of land management, a First Nations government takes on the liability and responsibility for any environmental issues that happen after the land code begins to apply. If a First Nations community is in a region gets a lot of wildfires, flooding, or other repeated natural disasters, the transfer creates more financial risk for the First Nation. Another effect that follows is increased insurance cost for assets located on the land.

### 2. This research project also revealed the risk-related barriers and obstacles to property insurance affordability:

- a. Years of low insurance premiums and rising claims due to climate-related disasters (like insurance claims related to flooding or fire damage) led to a loss in profits for insurance providers.

To make sure that the property and casualty insurance market stays strong, the Office of the Superintendent of Financial Institutions (OSFI) changed the capital adequacy requirements for insurance providers.<sup>3</sup> As a result, many property insurance providers have increased their premiums and reduced their coverage on some things to remain strong and return to profitability.<sup>4</sup>

The change in the property insurance market has led to more unaffordability for Indigenous nations living in rural and remote regions, or those with older housing units.

- b. For some First Nations located on reserve, older housing and commercial assets were built to meet older federal building standards and codes.<sup>5</sup> Insurance providers will consider these assets riskier to insure, especially if older assets don't have the resiliency measures that are now in place (like sprinklers or fire alarms). This makes property insurance less affordable.

#### c. Rural and remote communities:

- i. The researchers heard that rural or remote communities get categorized as higher-risk because they're located on land that floods often or is on wildfire paths, and because their homes have don't have resiliency measures. As a result, some insurance providers refuse to insure the community. In some cases, the insurance products offered are unaffordable.

In contrast, reserves and settlement territories located next to cities or towns often make agreements with the cities or towns to share emergency services during disasters. These agreements reduce the risk rating because of how close the shared services are.<sup>6</sup>

These solutions aren't available to rural and remote communities, and this is a barrier to affordability.

<sup>2</sup> See First Nations Land Management, ISC (2022), <https://www.sac-isc.gc.ca/eng/1327090675492/1611953585165>

<sup>3</sup> For the most recent adjustments, see OSFI (2024), <https://www.osfi-bsif.gc.ca/en/guidance/guidance-library/minimum-capital-test-guideline-2024>

<sup>4</sup> See Aon's Insurance Market Report Canada (2021), <https://insights-north-america.aon.com/ca-en/risk-management/aon-2021-insurance-market-report-canada-report> or CMHC's report on the global context: *An international comparative study of catastrophic risk mitigation and insurance*

<sup>5</sup> See *Mortality and Morbidity Related to Fire, Burns and Carbon Monoxide Poisoning Among First Nations People, Métis and Inuit* (2021)

<sup>6</sup> See *Risk Analysis and Fire Insurance Grades* (2021)

- ii. Arctic communities face delayed rebuilds and repairs after disasters. Because of the climate, materials can only be delivered during a short period. Also, transportation costs more and there's a limited number of skilled workers.  
Insurance providers categorize housing in Arctic communities as higher-risk because of these challenges and raise the cost of remediation. In many cases, it's now impossible to get insurance for modern housing developments, like condominiums.<sup>7</sup>
- d. Building codes and standards haven't been changed to reflect the quickly changing climate environment of the Arctic.<sup>8</sup> Homes may not be built to standards that reflect the environment and they have a shorter lifespan. Also, property and loan insurance providers don't know how to assess the assets when they're determining risk levels.
- e. Indigenous communities have a limited capacity to do risk management planning and building inspections. The lack of risk management and planning increases the perceived risk when insurance providers are assessing the homes. (For example, see the assessment of fire risk with and without a fire underwriter's survey.<sup>9</sup>)
- i. On First Nations reserve, property insurance is provided at the community level, and covers both residential and commercial units. There aren't enough skilled and knowledgeable workers to do ongoing building inspections for both types of units when community insurance needs to be renewed. The same issues arise when the ownership of band housing is transferred to households.
- ii. Some Federal Departments, like Natural Resources Canada, have created models using geographic information systems (GIS) data to calculate the risk of weather events and the impact on communities. However, this is an ongoing project, and many Indigenous regions have yet to be completed. In addition, the data may not necessarily reflect the local conditions of rural and remote locations.  
Communities need resources to create missing local data. They also need the knowledge to examine and interpret the data, and time to negotiate any resulting reduction in insurance premiums.
- f. Bonding requirements<sup>10</sup> continue to be a barrier for Indigenous construction companies looking to build on reserve and support their own communities through this form of economic development.
- g. Tenants need ongoing education to make sure units are maintained. Examples include training in maintaining fire alarms or sprinkler systems.
- h. During the transition from band-controlled asset to individual homeownership, some First Nations community members struggle to access property insurance. However, we need to do more research to determine under which circumstances this happens.

<sup>7</sup> See [CMHC Solutions Lab Discussion Paper \(2021\)](#)

<sup>8</sup> See [historical editions of codes](#) located here where the only northern codes were published in 1968. A research report completed by CMHC in 1998 determined serious issues with the air quality, heating, and cooling of northern homes: [https://assets.cmhc-schl.gc.ca/sf/project/archive/research/ca1\\_mh\\_98t26\\_w.pdf](https://assets.cmhc-schl.gc.ca/sf/project/archive/research/ca1_mh_98t26_w.pdf)

<sup>9</sup> See [Fire Insurance and First Nations Communities \(2021\)](#), tables 2 and 8

<sup>10</sup> See also [Alternative Financing for Indigenous Housing Developments](#): [https://assets.cmhc-schl.gc.ca/sf/project/archive/publications/research\\_insight/69784\\_w\\_acc-20210618-001a.pdf](https://assets.cmhc-schl.gc.ca/sf/project/archive/publications/research_insight/69784_w_acc-20210618-001a.pdf)

## Key findings: indigenous-led options

The consultants draw on the Cree term for “Living in a good way.” This concept provides insight into an Indigenous worldview that brings a well-being approach to Indigenous risk and insurance.

First Nations Financial Authority (FNFA) and BFL Canada are partnering to develop an Indigenous model, like the mutual insurance model,<sup>11</sup> that includes the idea of a circular economy to support economic reconciliation. In a mutual insurance model, the company is 100% owned by policy holders. Any profits made by the company are given as dividends to the policy holders or used to reduce premiums. The BFL Canada / FNFA model includes risk planning and assessment.

1. For-Indigenous, by-Indigenous small-scale solutions.

Solution	Organization	Description and Notes
Indigenous-led insurance providers and adjacent services	BFL Canada & First Nations Financial Authority	<p>Currently working together to create an insurance product that will also create own-source revenue for governments that participate. Key elements of these activities are:</p> <ul style="list-style-type: none"> <li>resources to control loss;</li> <li>awareness of risk models;</li> <li>building community-owned data; and</li> <li>building an insurance pool owned by the Indigenous community participants, spreading the risk broadly among them.</li> </ul> <p>The surplus from the underwriting profits related to community-owned assets or economic development projects and ventures are returned to participating members as a circular source of revenue.</p>
	TIPI Insurance	Offers community-level property and casualty insurance, as well as risk assessment services. The company works directly with First Nations communities to develop a risk management report card that identifies what improvements they need in order to get a better risk rating and encourage risk management.
	Government of Nunavut	<p>In a CMHC-funded Solutions Lab, the Government explored options to support strata housing insurance, including insurance relief programs. They documented the following possible solutions:</p> <ul style="list-style-type: none"> <li>The development of an owner’s manual for new condominium owners</li> <li>The development of asset management plans</li> <li>The development of inspection programs</li> <li>The development of a new funding stream for major repairs</li> <li>The development of an insurance relief program for condominium corporations</li> <li>The update of key legislation such as the Condominium Act and the National Building Code to reflect the climate conditions of the Arctic.</li> </ul>
	<u>Community Disaster Resilience Planning</u>	An Indigenous-created risk assessment tool

<sup>11</sup> See, for example, Wawanesa Insurance, founded in Winnipeg, Manitoba, for the largest Canadian example of a mutual insurance model.

Solution	Organization	Description and Notes
	<a href="#">The Indigenous Climate Hub</a>	Includes the First Nations Infrastructure Resilience Toolkit to assess the vulnerability of First Nations infrastructure and buildings in the event of extreme weather
	The National Indigenous Fire Safety Council	<p>The National Indigenous Fire Safety Council is generating data and insights to better determine what Indigenous housing and infrastructure need to better prevent and respond to fires.</p> <p>The data and insights are directly related to risk management and insurability, and help to design education, training, infrastructure development, and housing planning.</p>
<b>Indigenous-led brokers</b>	AFN Insurance Brokers	--
	AON Indigenous Services Group	--
	Capri-CMW First Nations' Community Insurance	--
	Aboriginal Insurance Services Inc.	--
	Membertou Insurance Brokers	--
<b>Self-Insured methods</b>		<p>For some First Nations and Indigenous governments, this is the only option available.</p> <p>NOTE: This option exposes an Indigenous government to financial risk in the event of a climate change disaster.</p>

## Implications for the housing sector

Research participants identified the following solutions. These are solutions that mainstream insurance providers, Indigenous governments, and levels of Canadian government that support Indigenous housing can explore:

- Integrate economic reconciliation for Indigenous people by offering products that include or adopt a circular economy.
- Offer risk assessment services for commercial and residential properties located on Indigenous territory.
- Accept other local and robust risk assessments that incorporate the local conditions of Indigenous territory.
- Restructure insurance products to rebuild assets like residential and commercial buildings to a state of resiliency, not only to the original state of the building. This is especially important in areas that are at risk of repeated weather and climate-change-related disasters.

## Further research opportunities

- Examine the provision of insurance during the transition from band housing to individually owned housing. Doing this will provide additional information on barriers that may be encountered during any housing transformation initiatives.
- Quantify the cost of insurance in Indigenous territories over the past 10 years and compare to non-Indigenous locations next to urban areas and in rural/remote locations.

## Full Report

### Indigenous Insurance Literature Review

[https://assets.cmhc-schl.gc.ca/sf/project/archive/research\\_6/indigenous-home-insurance-literature-review.pdf](https://assets.cmhc-schl.gc.ca/sf/project/archive/research_6/indigenous-home-insurance-literature-review.pdf)



# Glossary of key terms

**Economic reconciliation** has different meanings in different fields,<sup>12</sup> but broadly refers to the return of Indigenous prosperity through economic inclusion, Indigenous economic opportunity, and the removal of economic barriers that prevent the development of own-source revenue.

Economic reconciliation also refers to Indigenous wealth as a source of health, supportive relationships, and positive and affirmative transformation of current colonial economic systems, processes, and practices.

**Property insurance** covers things that a household owns – for example, a car, a home or condominium unit, or the belongings inside the unit. Property insurance and casualty insurance are often bought together to cover the risk of causing damage to property that isn't owned by the household.

**Mutual insurance companies** are owned by policyholders. The only purpose of a mutual insurance company is to provide insurance coverage to its members and policyholders. Its members are given the right to choose company management. Mutual insurance companies make investments in portfolios like a regular mutual fund, with any profits returned to members as dividends or a reduction in premiums.

**Lending insurance** provides coverage that may help you pay off your loan or make your loan or credit card payments in the event of accident or other disasters that may lead to a payment default.

**Ministerial Loan Guarantees** are offered by Indigenous Services Canada, and are used to secure loans to build, buy or renovate on-reserve housing.

**Strata housing** is made up of owners who own their individual lots and together own the common property and assets. This dwelling type includes condominiums, townhouses, duplexes, and fractional vacation properties.

The **National Building Code (2020)** sets out technical requirements for the design and construction of new buildings, as well as the alteration, change of use and demolition of existing buildings. See the 2020 final version of the National Building Code below.

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<sup>12</sup> See, for example, the multiple and holistic domains of inclusion in the definition offered by Sxwpilemaát Siyám (Chief Leanne Joe, Squamish Nation) and Lily Raphael in “Step into the River” or the speech offered by Laurence L. Schembri for the Bank of Canada and the National Aboriginal Capital Corporations Association, [“Economic Reconciliation: Supporting a return to Indigenous prosperity”](#)



## For further information

[Building communities: CMHC insurance for loans facilitated through the First Nations Market Housing Fund \(FNMHF\) \(2009\)](#)

[Feasibility of Risk Management as a Subject for Capacity Building in First Nations Communities \(2008\)](#)

[Property Insurance on Reserve: Present arrangements, and innovations to reduce the cost \(2000\)](#)

[Risk Management and insurance in Aboriginal communities: Two case studies \(1999\)](#)

## Related reading:

[National Building Code \(2020\)](#)

[National Fire Code of Canada \(2020\)](#)

[Risk Analysis and Fire Insurance Grades 2021](#)

[Mortality and Morbidity Related to fire Burns and Carbon Monoxide Poisoning among First Nations People Métis and Inuit \(2021\)](#)

[Nunavut Condominium Insurance Solutions Lab \(2022\)](#)

[Adapting to Rising Flood Risk: An analysis of insurance solutions for Canada \(2022\)](#)

[An international comparative study of catastrophic risk mitigation and insurance \(2021\)](#)

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