



Insurance Industry View on Wildfire and Mitigation

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Karen Collins

Assistant Vice President, Personal Lines, APCIA

karen.collins@apci.org



Overview

Insurance Industry View of the Wildfire Issues

Wildfire Mitigation Standards

Insurance Industry View of the Solutions





Insurance Industry View of the 'Wildfire Issues'



Recent Trends

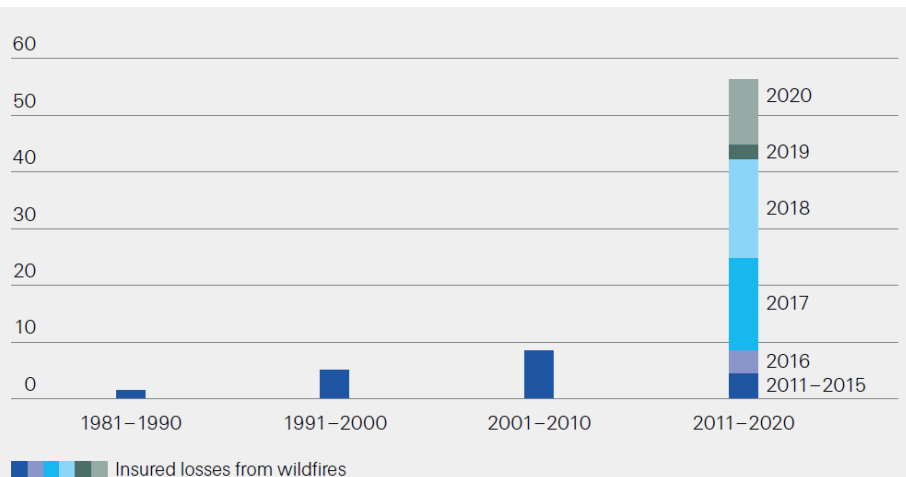
- Increased Losses
- Cost increases
 - Inflation
 - Reinsurance
- Increasing Exposure
 - Climate change/drought
 - More homes in high-risk areas





Insured Losses

Global insured losses from wildfires
In USD billion, at 2020 prices



Source: Swiss Re Institute

Top 10 Costliest Insured Global Wildland Fires
(\$ millions) shaded are CA-based wildfires since 2017

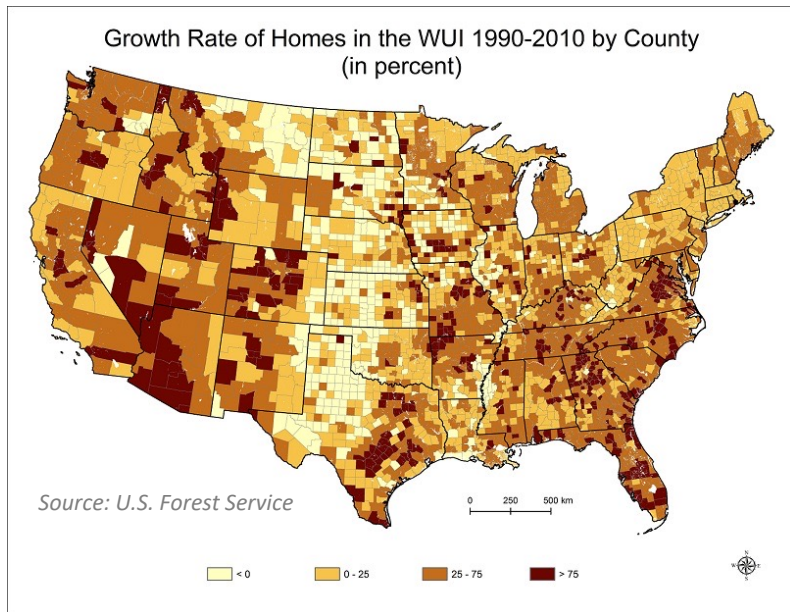
Year	Name	Location	Insured Losses in 2021 USD
2018	Camp	Butte (CA, USA)	\$10,750
2017	Tubbs	Napa & Sonoma (CA, USA)	\$9,560
2018	Woolsey	Ventura, Los Angeles (CA, USA)	\$4,520
1991	Oakland (Tunnel)	Alameda (CA, USA)	\$3,350
2017	Atlas	Napa & Sonoma (CA, USA)	\$3,300
2016	Horse Creek	Fort McMurray (CANADA)	\$3,200
2020	Glass	Napa & Sonoma (CA, USA)	\$3,070
2020	CZU Lightning Complex	San Mateo & Santa Cruz (CA, USA)	\$2,600
2017	Thomas	Ventura & Santa Barbara (CA, USA)	\$2,470
2020	LNU Lightning Complex	Lake, Napa, Sonoma, Solano & Yolo (CA, USA)	\$2,340

Sources: Insurance Information Institute, Aon, CAL FIRE



Housing growth in the WUI

1990-2010



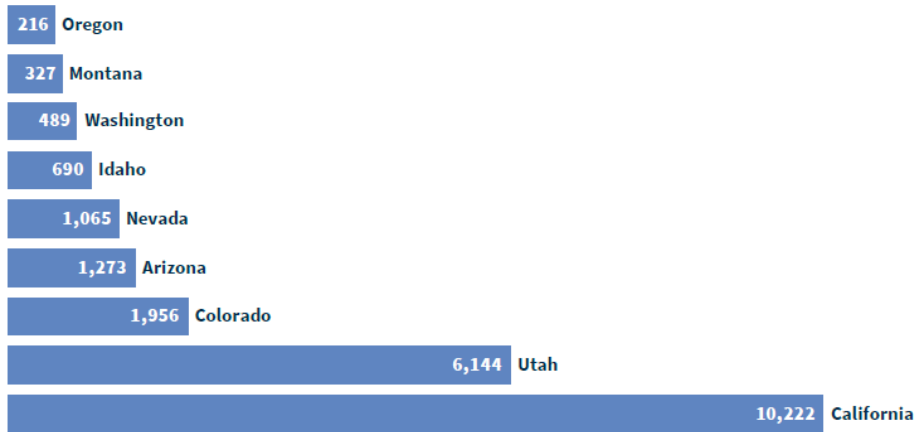
2011-2020



New Home Builds in High Fire Risk Zones by State

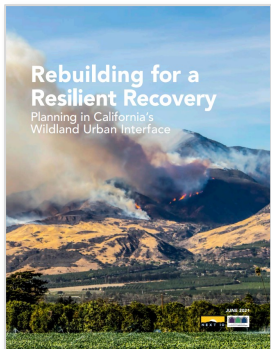
Number of new home builds in high-risk zones for wildfires

Data source: Cape Analytics & HazardHub



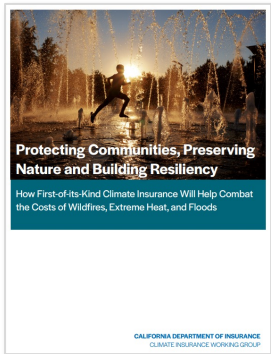


Land Use policies exacerbating effects of climate change



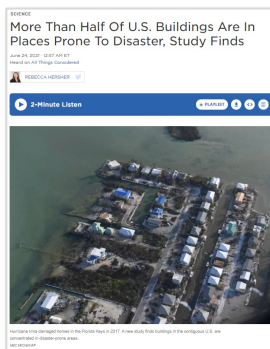
*If we continue with rebuilding as usual, it's almost inevitable that a major insurance crisis lies ahead, as **more properties may become uninsurable due to the increasing risk.***

<https://www.next10.org/sites/default/files/2021-06/Next10-Rebuilding-Resilient-Final.pdf>



*State and local governments play a critical role in promoting more responsible land use policies in **high-risk areas**, such as the Wildland Urban Interface (WUI) and low-lying areas at risk from sea level rise or other flooding events.*

<https://www.insurance.ca.gov/cc/docs/climate-insurance-report-07-22-2021.pdf>



Local governments have an incentive to retain population and tax base by allowing new development, even in areas that are at high risk for disasters. That has led coastal cities to approve waterfront homes even as sea levels rise and floods get more damaging, [a 2020 study](#) found. A similar trend is playing out in the western U.S., where homes continue to be built in places that are likely to burn.

*The findings underscore how **development patterns exacerbate damage from climate change.***

<https://www.npr.org/2021/06/23/1009062465/more-than-half-of-u-s-buildings-are-in-places-prone-to-disaster-study-finds>



*From 2011-2020, **22,382 new homes were built in zones at 'high' risk of wildfire**, with just over 10,000 in California alone.*

*A tremendous number of new homes are being built in the highest wildfire risk areas. While these areas may be naturally beautiful, they are also naturally combustible. Our analysis suggests places like California and Utah contribute to rural sprawl and do so at considerable risk for more destruction of homes and loss of life wrought by wildfires. Moreover, **as the climate gets hotter and drier, the risk in these areas will only grow**, as stronger, wind-driven wildfires impact even low-risk regions.*

<https://content.caeanalytics.com/the-wildfire-west-lp>

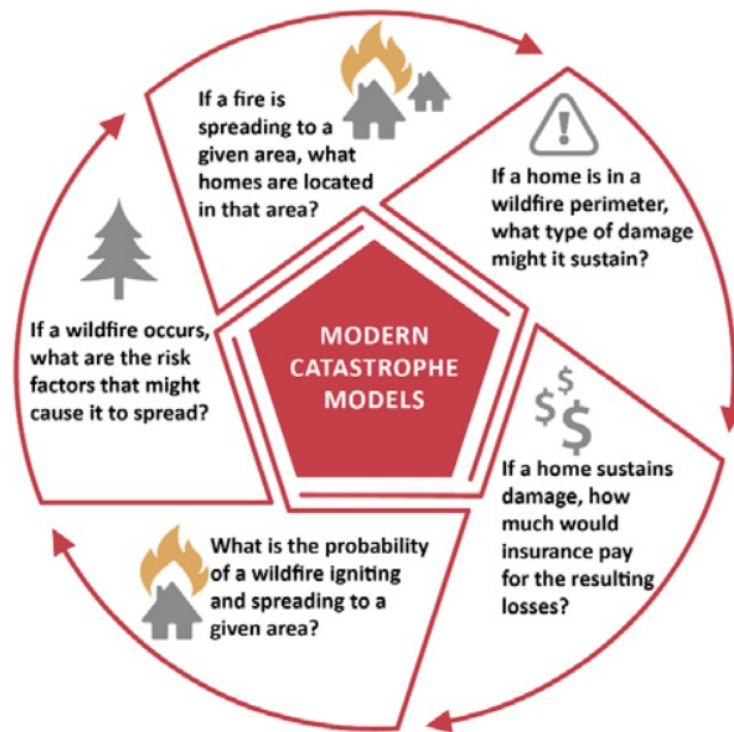


Risk Management

- Adjust premiums
- Modify product design
- Reduce exposure
- Leverage tools to manage exposure
(e.g., Reinsurance, Catastrophe Risk Models, etc.)

Catastrophe Risk Models

- Critical for risk identification and assessment
- Models in place for many years, but rapidly working to expand features





Key Priorities

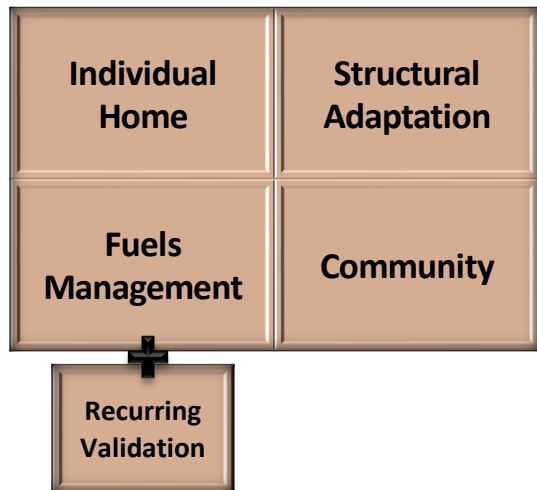
- **Rate Adequacy** – a top priority for insurers given evolving risk and loss cost trends
- **Risk identification** – need greater access to tools to help identify risk
- **Risk reduction** – address the underlying issues resulting in higher losses



Wildfire Mitigation Standards



Wildfire Mitigation





Firewise USA[®]

Immediate zone

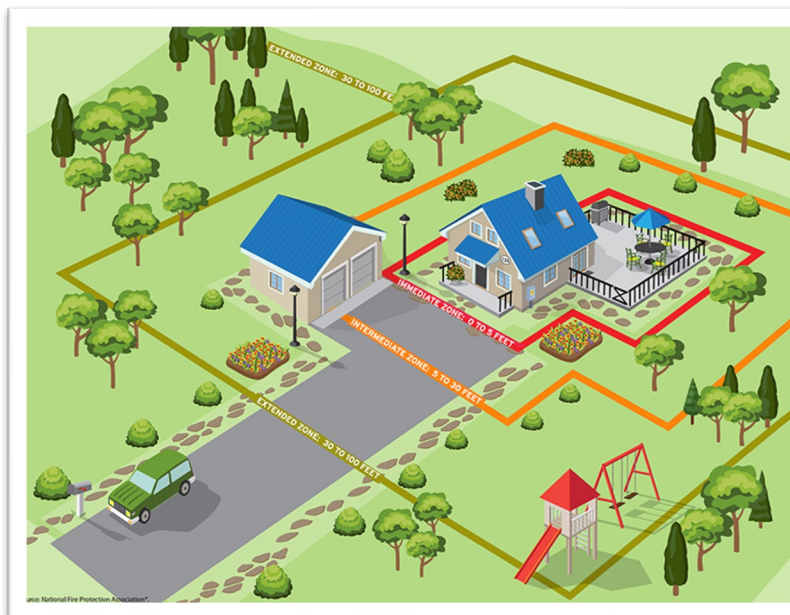
The home and the area 0-5' from the furthest attached exterior point of the home; defined as a non-combustible area. Science tells us this is the most important zone to take immediate action on as it is the most vulnerable to embers. **START WITH THE HOUSE ITSELF** then move into the landscaping section of the Immediate Zone.

Intermediate zone

5-30' from the furthest exterior point of the home. Landscaping/hardscaping- employing careful landscaping or creating breaks that can help influence and decrease fire behavior.

Extended zone

30-100 feet, out to 200 feet. Landscaping – the goal here is not to eliminate fire but to interrupt fire's path and keep flames smaller and on the ground.



<https://www.nfpa.org/Public-Education/Fire-causes-and-risks/Wildfire/Firewise-USA>

HOME IGNITION ZONE CHECKLIST

SIMPLE STEPS FROM ROOF TO FOUNDATION TO MAKE A HOME SAFER FROM EMBERS AND RADIANT HEAT

- Clean roofs and gutters of dead leaves, debris and pine needles that could catch embers
- Replace or repair any loose or missing shingles or roof tiles to prevent ember penetration
- Reduce embers that could pass through vents in the eaves by installing 1/8 inch metal mesh screening
- Clean debris from exterior attic vents and install 1/8 inch metal mesh screening to reduce embers
- Repair or replace damaged or loose window screens and any broken windows
- Screen or box-in areas below patios and decks with wire mesh to prevent debris and combustible materials from accumulating
- Move any flammable material away from wall exteriors - mulch, flammable plants, leaves and needles, firewood piles - anything that can burn
- Remove anything stored underneath decks or porches

VISIT [FIREWISE.ORG](https://www.firewise.org) FOR MORE DETAILS

Image by NFPA, with funding from USDA Forest Service



IBHS 'Wildfire Prepared Home'



<https://wildfireprepared.org/>



Insurance Industry View of the ‘Solutions’



Solutions

Comprehensive Resilience Strategy

- **IBHS – Wildfire Prepared Home**
- **Increased resources & incentives for mitigation (federal/state advocacy)**
- **Federal ‘Wildland Fire Mitigation and Management Commission’**

Regulatory Flexibility and Stability



Learn more...

'Wildfire Risk in the Wild, Wild, West' -- a three-part white paper series focused on identifying the challenges and opportunities affecting consumers and property insurance markets in wildfire-exposed states.

PART I: INCREASING Wildfire Risk in the Wild, Wild, West - The evolving conditions resulting in growing exposure in the wildland-urban interface

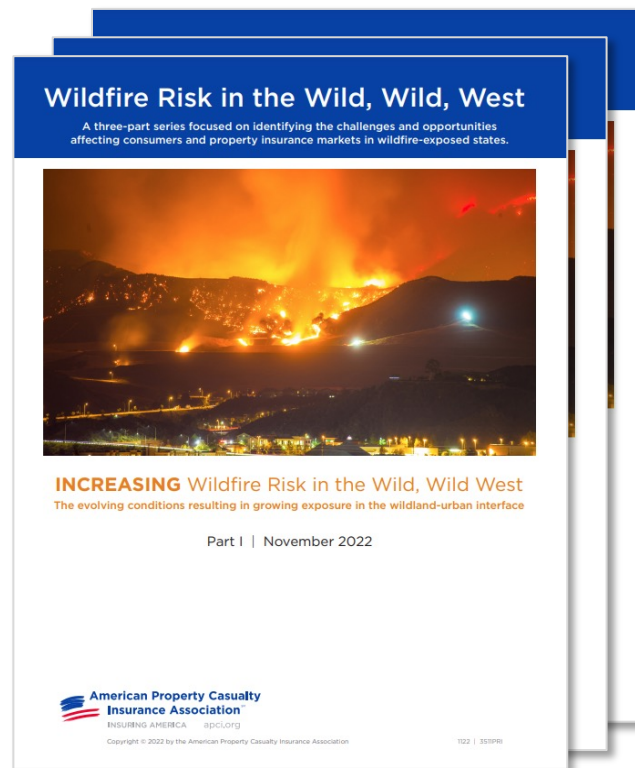
This paper examines the underlying issues contributing to growing exposure and increasing costs in the wildland urban interface (WUI), which are affecting the affordability of insurance in wildfire-exposed regions. (link: <https://www.apci.org/attachment/static/7103>)

PART II: MANAGING Wildfire Risk in the Wild, Wild, West - The growing challenges property insurers face in the wildland-urban interface

This paper examines the constraints and concerns insurers face in managing the peril of wildfire, which impacts both the affordability and availability of insurance for consumers residing in wildfire-exposed regions. (link: <https://www.apci.org/attachment/static/7104>)

PART III: TAMING Wildfire Risk in the Wild, Wild, West - The current state of mitigation in the wildland-urban interface

This paper provides an overview of the challenges related to wildfire mitigation, in addition to highlighting the latest research on wildfire mitigation and key programs. (link: <https://www.apci.org/attachment/static/6885/>)





Thank You

Karen Collins - AVP, Personal Lines, APCA

