

Wildfire and the Insurance Industry



Photo – National Park Service (public domain)

Wildfire Loss vs. Other Causes of Loss

How Much is Paid By Insurers ?

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(Data provided by Insurance Information Institute)

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- Since 2000, annual wildfire losses have averaged \$484 million.
- California experienced wildfire losses of \$2.2 billion in 2003

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How Do Wildfire Losses Compare to Other Causes of Loss?

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- Insurers paid \$41.1 billion to 1.75 million policyholders as a result of Hurricane Katrina
- California experienced insured losses of \$12.5 billion in 1994 as a result of the Northridge Earthquake

(Data provided by Insurance Information Institute)

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- Losses due to wildfire are estimated at approximately 1 to 2% of all covered losses

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- With the exceptions of Southern California fires or the Great Yellowstone fires of 1988, wildfires do not tend to generate the same level of national media coverage as other catastrophic losses.

Insurance Industry and Wildfire

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 - Continued drought conditions throughout the country
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 - Increased values of homes built in fire-prone areas

Homeowner Insurance Eligibility Requirements

- Requirements vary depending on the Insurance Company, but may include:
 - Roof material restrictions
 - Proximity of combustible materials to dwelling (i.e. stack of firewood, etc.)
 - Controlled presence of nearby vegetation

Homeowner Insurance Eligibility Requirements

- Requirements vary depending on the Insurance Company, but may include:
 - Access to dwelling
 - Fire protection available
 - Water supply
- (These factors may be considered with all risks, not wildfire alone)

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- Cancellation should be an absolute last resort after all loss mitigation techniques have been attempted

Homeowner Insurance Credits

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- Insurance companies continue to explore wildfire credits that require little follow up and are actuarially justifiable

Loss Mitigation Techniques

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- Trees near to the home limbed up
- No combustible materials near the home
- All porches and decks enclosed to prevent the build-up of debris

Wildfire Preparedness:
“It’s Your Responsibility”