

ARTICLES

Climate Change. Wildfires. New Challenges for Mitigating Loss

By Bob Courtemanche

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As I write this blog, **the deadliest and most destructive wildfire in California history** - the “Camp Fire” - rages through the northern part of the state, leaving *at least* 63 people dead so far and over 10,000 structures destroyed. Simultaneously, the “Woolsey Fire” burns through Southern California, destroying with blind indifference everything from celebrity mansions in Malibu to working-class suburban homes.

And consider this: up until now, the **costliest California fire season on record was last year**, from October to December 2017, in which insurance claims from wildfires in California added up to almost \$12 billion.



Climate change and the warming of the world’s atmosphere, oceans and land have caused a dramatic increase in the frequency and severity of natural catastrophes around the world. Storms-of-the-century are now popping up every year in geographic areas that were once considered relatively safe from frequent natural disasters. Hurricane patterns are changing, causing more coastal flooding than ever before, as evidenced by Houston and North Carolina.

Severe drought caused by climate change in western states is fundamentally altering the range, severity and seasonal duration of wildfires, costing both human life and billions of dollars a year in insurance claims. As more and more high-end communities face the threat of wildfires year-round from extreme dry conditions in most western and southwestern states including Colorado, Montana, New Mexico, Wyoming, Texas, Arizona, Washington, Oregon, Idaho and Utah, disaster planning is becoming a critical part of our conversations with clients and their family office advisors.

Have a Plan

People who have never been concerned with brush fire need to be concerned now. For example, in Santa Rosa, CA (Sonoma County), in a neighborhood that was never considered a danger zone, 19 people lost their lives because they were sitting in their homes when the winds changed and moved the fires unexpectedly.

What can you do to prepare for wildfires?

- *First and foremost, have an evacuation plan.* Think about what you'd take out your home if you're given two hours to leave. Obviously, saving lives is the single most important priority. But often, people leave things behind in an evacuation and wish they had planned better. Work with your family property managers and risk advisors to create an evacuation plan checklist.
- *Have the insurance conversation.* The insurance market for fire protection has constricted because there have been more claims last two years than in the previous 20 years. In the last year alone, insurance carriers have seen their computer models for brush fires blow up. How can you know that your claims will be paid out after a catastrophic loss, especially given the increase in claims? Make sure that your policies are up-to-date and written with the broadest coverage language to protect the family's assets.
- *Remove fire dangers.* Some fire threats can be mitigated with simple steps such as clearing brush around the property and removing woodpiles. Wood shake roofs are a fire hazard because they catch embers from nearby fires. Metal and tile roofs can help mitigate fire.
- *Plan for removing valuables.* The recent fires in southern California and Sonoma County impacted homes with high-value art collections. Work with your risk advisor to come up with ways to mitigate loss. For example, if a property houses an art collection, you can set up contracts with vendors to go and move art to a safe location well ahead of time. But planning ahead is crucial.
- *Consider hiring a private firefighting squad.* "Concierge" firefighters are not uncommon in extremely affluent, fire-prone areas around Los Angeles. These specialty crews mobilize to at-risk properties and prepare the structures by clearing combustible objects and spraying the perimeter with fire-blocking sprays and foams. Check with your risk advisor to determine whether your carrier offers this service. It's important to note that these services are not guaranteed to protect your home. In all circumstances, the public fire department has the right to deny access to an area they deem too dangerous.

With climate change's profound impact on natural disasters, insurance carriers can no longer use the past to predict the future. Their recalibration efforts will affect underwriting, premium rates and claims procedures. Preparing for the worst as outlined above will help you stay in step with these changes.

Wealthy families tend to have homes in beautiful areas with risks of natural disasters. Disaster planning and risk management are an important consideration for any family office. To speak with a knowledgeable risk advisor, contact us at privateclient@risk-strategies.com

This is one in a series of posts looking at the risk and insurance implications of the changing climate. To see the other posts in this series, [click here](#).

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