European Wildfire Risk
Trends and Mitigation
Heading into 2019, the world faces numerous socio-economic, environmental, and technological challenges that must form part of any corporate risk management strategy. One risk that could arguably fall within any of the above categories is wildfire. Wildfire is a particularly vivid and extreme peril. In Europe alone both the number of fires and the hectares burned in 2017 have nearly doubled from the averages seen in the previous eight years. From a risk management perspective, the increased risk and severity of wildfires translates into an assessment of the adequacy of current commonly used mitigation strategies and insurance cover.

At Chubb, our goal is to not simply pay covered losses after the event but to pro-actively assist our clients in the mitigation of future risks.
Wildfires are not only a North American issue. While the wildfires in California over the last two years have been highly publicised due to their unusual size and severity, the reality is that wildfire is an emerging risk globally, and particularly in Europe.

Wildfires occur when the three elements of a ‘fire triangle’ come together in an exposed area. Fires require:

- Ignition
- Fuel
- Oxygen

There are multiple drivers that are increasing the risk of wildfires in Europe. The first is an increasing human population and density. This will contribute to further urbanisation into rural areas, where structures will locate alongside natural vegetation - a fuel for fire.

In the UK, numerous potential wildfire causes have been identified over the last few decades. These include:

- Arson
- Personal negligence
- Escaped burns
- Sparks from power lines
- Lightning.

Climate change is another wildfire risk driver. Increased global temperatures and drier environments are likely to lead to substantial increases in the frequency and severity of wildfires. This is particularly relevant in South Eastern and South Western Europe.

With more heatwaves and drier environments, the frequency of lightning (a source of ignition) is expected to increase.
In 2018 alone, Europe saw one of the worst and costliest wildfire experiences in its history:

**Summer Wildfires in Sweden**

- May and July 2018 were the warmest months in Sweden on record, making conditions ideal for wildfire development. Fires began igniting in May, peaking in late July with over 250 square kilometres burned.
- Most of the fires raged in relatively remote areas and as such there were no fatalities.
- Still, there were over USD 100m in economic losses, with USD 87m being insured*

* Willis Re 'Summary of Natural Catastrophe Events 2018'
Summer  Wildfires in Greece

• A summer heatwave, along with an abnormally dry winter, made conditions susceptible for wildfire.
• In July 2018, three separate fires ignited across Greece.
• The fires resulted in thousands of homes and businesses being destroyed, and the human impact was extreme with the fatalities of 99 people.
• Insured losses equalled USD 38.1m with economic losses potentially 10s of millions of dollars more.*
While there are many industries with exposure to wildfire risk, the wine industry has particular challenges that are worth noting.

Vineyards and the wider wine industry are worth billions in economic activity within Europe. With climate change having its greatest impact on the wine making regions of Southern Europe, the unfortunate reality is that these regions can expect a greater risk of wildfire in the future.

The obvious risks wildfires pose to wineries are to their property and associated buildings and structures.

A less obvious, but key risk is the risk of ‘smoke taint’ on wine that is produced after the fire. Grapes that are exposed to smoke can produce a perceived taint in the final product. Any perceived flaw in the final produced wine could result in cancelled order contracts and lost revenue. *

**Insurance Considerations**

- Wineries should ensure that their policies provide adequate cover for smoke damage to grapes or perceived ‘smoke taint.’
- Policies should also provide adequate cover for lost revenue from cancelled purchase contracts, event cancellation, and business interruption.
- Fire and smoke damage to soil could impact wine crops over a few years, so an indemnity period or policy length of 24 or even 36 months would more appropriately account for this risk.
Public Utilities: Electricity and Power

Public utilities in the electricity and power sector face unique risk management challenges related to wildfire that could have catastrophic results. The challenge is managing their wildfire exposures from both a property and liability perspective.

Insurance Considerations

From a property perspective, utilities need to ensure that their coverage will respond in the manner they expect it to. They should pay particular attention to:

- Occurrence language - Would multiple wildfires across a wide area constitute a single occurrence and attract a single deductible, or does their occurrence language suggest that in this case there are multiple different fires attracting multiple deductibles?
- Transmission and Distribution lines (T&D) - The main property exposure for utilities in relation to a wildfire relates to their T&D infrastructure. In many cases cover for T&D is limited to a mile or two in distance from a transmission facility, so utility companies should check to see if this is adequate for their needs or tolerated within their risk exposure.

From a liability perspective, utilities should be concerned about balance sheet protection in the event that responsibility for the ignition of a wildfire is alleged by a third party:

- If a third party alleges that a utility is responsible for the start of a wildfire (through sparking transmission lines for example), then the aggregate liabilities could put considerable financial strain on any company.
- One solution is to ensure that adequate policy limits are in place. Utility companies should draw on the data from other fires and try to apply them to their own regions of operation in the hope of estimating a ‘worst case scenario’ from wildfire damage that they could be liable for. They should also factor in expected population growth when doing this. Ultimately, their policy limits should be adjusted upwards if needed.

* Vine to wine and the fire in between, the growing insurance implications of the California wildfires, Kennedys Law
A Final Thought: Risk to Supply Chains

Wildfires are a global issue, as demonstrated by the unprecedented wildfires that took place in South Korea in April, 2019. Any business that relies on global supply chains should be mindful of the risk that wildfires can pose on the various locations that form part of their supply chain. If a risk is present, or could be present in the future, businesses should ensure that their contingent business interruption cover will adequately support the business if a supplier is impacted by wildfire.

The Chubb Difference

As a global company, Chubb can draw upon unrivalled expertise and experience when both ensuring that appropriate cover is in place for wildfire risks and supporting our clients in the event of a wildfire impacting their property:

- Chubb are able to locate and identify nearby property that we insure in real time, and then provide warning directly to our client or their representative. Our goal is to help our clients prevent wildfire damage before it occurs.

- Our claims professionals are located in offices within eighteen countries across Europe.

- The approximately five-hundred claims professionals in Europe are experienced, trained, and capable of handling any catastrophic situation.
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