

Initial Insured Losses From Calif. Wildfires Range From \$600 Million to \$1 Billion

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<?xml version="1.0"?>Initial Insured Losses From Calif. Wildfires Range From \$600 Million to \$1 Billion Chad Hemenway

Initial estimates of insured loss from the recent Southern California wildfires are coming in, and while the dollar amounts do not equal losses experienced from fires about a year ago, some insurers could take a substantial hit.

Risk modeler AIR Worldwide of Boston said its analysis concluded insurers will experience losses between \$600 million and \$800 million. The estimate includes damages to structures, contents, and additional living expenses insurers dole out to policyholders that qualify. The loss projection includes business interruption payouts for commercial properties in the affected areas of Los Angeles, Santa Barbara and Montecito, Calif. Last year, wildfires in late October caused about \$2 billion in insured loss while destroying about 2,000 homes.

Three wildfires, now contained, tore through about 42,000 acres and destroyed nearly 1,000 homes, including apartments, for about one week beginning Nov. 13. State Farm said it had received more than 400 claims, 200 of which were from homes classified as not inhabitable. Representatives from other insurers said it was too soon to report claims counts. Many homeowners were just being allowed back into the areas where the fires had been, they said (BestWire, Nov. 20, 2008).

An estimate from insurer and modeler, First American Corp., says residential property loss from the fires "will likely" be at least \$787 million and could reach \$1 billion if contents and additional expenses are factored in. The Santa Ana, Calif.-based company said from its database, it concluded residential properties in the affected areas were valued at \$5.8 billion, with the average residence valued at \$729,000.

"When compared to published reports, our data is able to forecast the potential risk for all home that are exposed to the wildfires based on several key factors such as distance to wildfire-urban interface, vegetation, slopes, aspect and other environmental factors such as bark beetle infestation, and current drought conditions," said Howard Botts, vice president and director of database development at First American.

First American had a 1.2% market share in California in 2007, based on direct premiums written, according to A.M. Best Co. data. The First American Corporation Property and Casualty Cos. currently has a Best's Financial Strength Rating of A- (Excellent).

The top five writers of homeowners multiperil in California in 2007, according to A.M. Best Co. state/line product information based on direct premiums written, were: State Farm Group, with a 20.2% market share; Farmers Insurance Group, with 16.8%; Allstate Insurance Group, with 13.3%; California State Auto Group, with 6.7%; and Auto Club Enterprises Insurance Group, with 4.3%.

(By Chad Hemenway, associate editor, BestWeek: Chad.Hemenway@ambest.com)

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