California Wildfires

JANUARY 2025

Key implications and impacts

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Description

UPDATE ON JANUARY 2025

WHAT ?

Uncontrolled forest fires around Los Angeles (California) in January 2025. The Palisades and Eaton neighborhoods, with its many high-priced mansions and public infrastructure.

WHERE ?

The fires are mainly concentrated in two areas: Butte County north of Sacramento (Camp Fire) and the Los Angeles and Malibu area (Woolsey Fire).

ENABLING FACTORS

- Criminal origin and spread facilitated by high winds;
- Unlike hardwood, conifer fires spread rapidly due to the dispersal effect of fireballs created by the vaporization of the resins and terpenes contained in conifers.

PREVIOUS WILDFIRE LOSSES

major forest fires are a recurring event (uncontrolled slash-and-burn, malicious intent, etc.) in the Amazon rain-forest, Indonesia, and Australia: the environmental damage is considerable (with the “haze" phenomenon seen in Indonesia in the first half of 1998 when Singapore was affected by a kind of opaque fog (haze) for weeks), but the insurance implications are moderate.

The best-known cases are the California wildfires in 2017 and 2018 and Hawaii in August 2023.

What are the key financial implications?

- Destruction of 15,000 hectares of forest, 12,000 buildings, 25 deaths => figures not yet finalized.
- Economic losses: estimated at $135 to $150 billion+ (some estimates put the figure as high as $250 billion).
- Insured losses: $20-$30 billion+, well below the economic cost, as many homes and forests are uninsured due to constraints in terms of insurability or premium levels, due to the increased risk of wildfires in the region (intrinsic risks with high values exposed to coniferous forests in dry, windy areas + experience of major fires in California in 2017, 2018, and even 2020).
- Estimates of potential insured losses by cat modeling companies are consistent with the insurance and reinsu-rance market projections above:
  - CoreLogic: $35 to $45 billion
  - KBW: $25 to $40 billion.
- This is the most financially impactful wildfire event in modern history for the insurance and reinsurance markets.

What impact on the continental european insurance market?

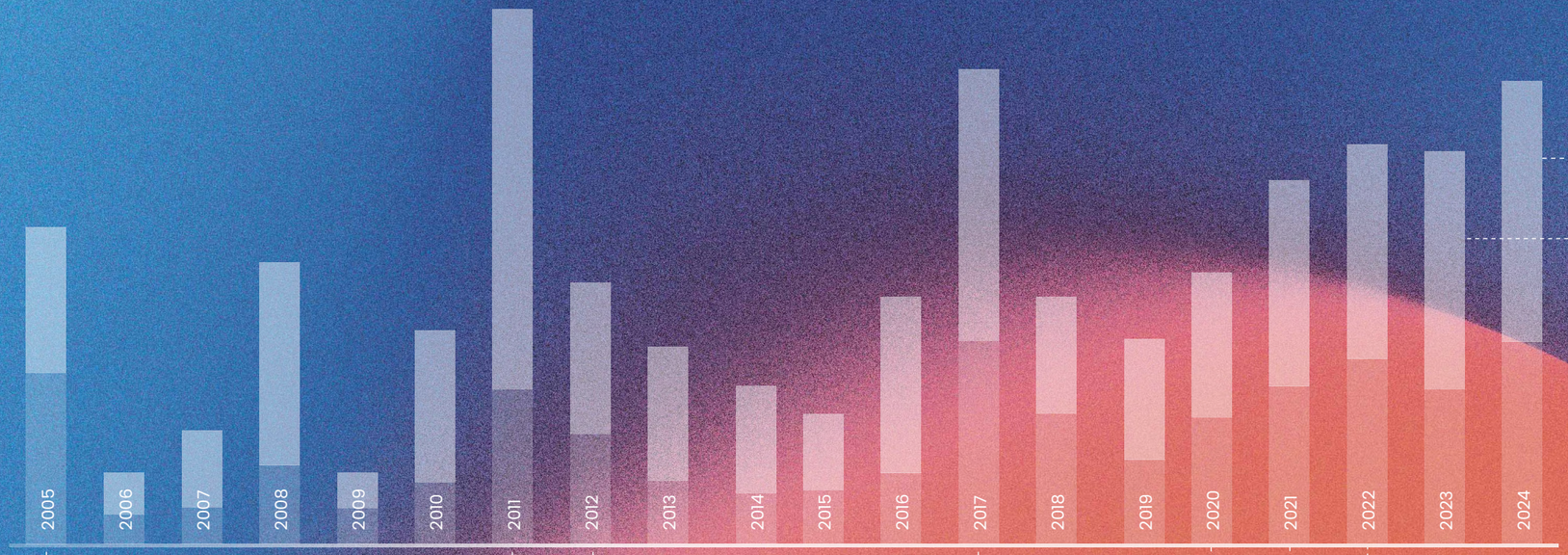
- An event costing $20 to $30 billion represents around 20% of the expected weight of large losses in the market **=> So it's not a game changer.**
- Given the evolution of global reinsurance in 2023 following the steady deterioration of nat cat losses and the occurrence of Hurricane Ian ($60 billion+ 09/22), **a $20-30 billion event, will not have a significant impact on the reinsurance market** due to the sharp rise in attachment points and premiums that have been increased (up more than 50%) in 2023 and 2024 (up between 10% and 20%), even if they are reduced by 8% in 2025.
- The wildfire parametric insurance market is likely to be affected.
- It has been announced that certain cat bonds (bonds providing parametric or indemnity cat protection) have been triggered, which could have an impact on this developing market (financial capital, not insurers), particularly in the US.
- Direct market: only the US market is really affected: individuals, VIPs, professionals, art galleries, public property and forestry, with a low insurance rate given the high level of risk => **no increases or turnaround expected from the European market, either directly (no or very little impact) or via reinsurance.**
- **Expected strengthening of wildfire/bushfire exclusions or sub-limits in damage policies, and exclusions in third party policies.**
- **Cat models forecasting the financial impact of wildfires are bound to become more rigorous.**

Top 10 wildfire losses in modern us history

Sources: **Here is an overview of the top 10 costliest wildfires ever to hit the US :** The Swiss Re Institute, Reuters reports, National Centers for Environmental Information, media reports, RBC Capital Markets

Rank	Name	Year	State	Adjusted insured losses in 2024 dollars
1	Los Angeles wildfires	2025	California	$20 billion based on preliminary estimates
2	Camp Fire	2018	California	$12.76 billion
3	October Fire Siege	2017	California	$11.34 billion
4	Woolsey Fire	2018	California	$5.36 billion
5	Oakland firestorm	1991	California	$3.98 billion
6	August Complex	2020	California	$3.64 billion
7	Fire Siege	2020	California	$3.09 billion
8	Southern California wildfires	2017	California	$2.94 billion
9	Dixie Fire	2021	California	$2.88 billion
10	Glass Fire	2020	California	$2.78 billion

Nat cat losses worldwide
Large losses



$120 billion
cost to insurers including Katrina ($80 billion) Wilma, and Rita

$110 billion
cost to insurers including Fukushima ($38 billion) and the Thai floods ($16 billion)

$77 billion
Including Sandy ($37 billion insured)

$144 billion
cost to insurers including Harvey, Irma, and Maria ($92 billion) and the California forest fires ($14 billion)

$89 billion
cost to insurers including $76 billion for natural events.
No major events, but more frequent secondary events.

Non insured losses
Insured losses

+ $140 billion

- Earthquake in Japan (Jan 1): **$10 billion** in economic losses of which $2 billion were insured
- Flooding in UAE Oman (Jan): economic losses of **$8.3 billion** of which $2.8 billion were insured
- Cyclone Belal in La Réunion (January): **€100 million** (France Assureurs estimate, February)
- 7.4 magnitude earthquake in Taiwan (April 3): **$4.6 billio**n in economic losses of which $800 million were insured
- Flooding in Brazil (April-May): **$7 billion** in economic losses of which $2 billion were insured
- Flooding in Europe, particularly Germany (late May/early June): **$5 billion** in economic losses of which $2.2 million were insured
- Hurricane Beryl cat 5 (late June/early July)**: $8.5 billion** in economic losses of which $3.6 billion were insured. Insured losses of $3.7billion in the US (RMS) + $3 billion in the Caribbean and Mexico
- Tornadoes/hailstorms in North America: **$60 billion** in economic losses ($45 billion in the US) of which $44 billion were insured ($34 billion in the US)
- Hurricane Helene (end Sept.): **$56 billion** in economic losses of which $16 billion were insured
- Hurricane Milton Florida (Oct): **$38 billion** in economic losses of which $25 billion were insured
- Typhoon Yagi (early Nov) Philippines China Vietnam: **$14 billion** in economic losses of which $1billion were insured

$110 billion

- Earthquakes in Turkey and Syria (February): **€58 billion** in losses (of which $6.2 billion were insured)
- Cyclone Gabrielle floods in NZ (February): **$2.4 billion** in losses
- SCS in Italy (May): **$10 billion** in losses (of which $0.6 billion were insured)
- Earthquake in La Laigne, France (June): **€350 million** in insured losses (CCR)
- Hawaii forest fires (August): **$3.5 billion** in losses
- SCS in the US (18 events): **$50 billion** in insured losses
- Earthquake in Morocco (September, Marrakesh): few insured losses
- Hurricane Otis (October, Acapulco, Mexico): **€2.5-4.5 billion** in insured losses
- Cyclone Tammy Guadeloupe (October):**€12-15 million** (CCR - Caisse centrale de réassurance)
- Storms Ciaran and Domingos (Europe including France, November): **€1.3 billion** in insured losses
- Flooding (Hauts-de-France, October): **€640 million** in insured losses (CCR, Nov 2023 to Jan 2024)

+ $130 billion

- Flooding in Australia (Feb-Mar)
- **$6.6 billion** of losses of which $3.9 billion were insured
- Earthquake in Japan (March, Fukushima) - **$8.8 billion** of which $2.8 billion were insured
- European storms (February) - **$5.6 billion** in losses of which $4.3 billion were insured
- Flooding in China (May) - **$55 billion** in losses of which $0.5 billion were insured
- Hurricane Ian (Sept-Oct, US and Cuba) - **$100 billion** in losses of which $50-60 billion were insured

$112 billion
Cost to insurers including $105 billion for natural events.
Winter storm Uri (Texas, February)
$15 billion, Cyclone Ida USA (September, $32 billion) and flooding in Belgium/Germany (July $13 billion, including $1.2 billion for the Belgian Pool) + various bushfires.