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Wildfire Risk Report 2022

As rising global temperatures continue to contribute to increasingly hazardous wildfire seasons, it is more important than ever for homeowners, insurers, and governments to understand the risk these hazards pose to their communities.

Over the last decade, wildfire activity is becoming more extreme and destructive with more record-breaking fire events in terms of number of structures lost and acres burned in a single event. In the western U.S. wildfires are breaking out earlier in the spring and burning well into the fall. Between 1983 and 1992, wildfires consumed an average of 2.7 million acres per year, while the annual average during the most recent 10-year period was 6.8 million acres per year. For three of those years (2015, 2017, and 2020), there was an annual total of 10 million acres burned.

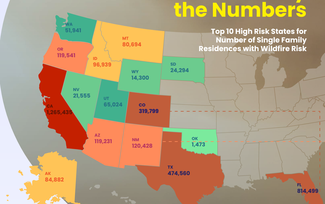
Moreover, firefighter worker shortages are contributing to the problem. In 2022, the U.S. Forest Service began the summer with about 25% fewer fighters in California than it had planned for, which equates to nearly 1,300 unfilled jobs [1]. With our capacity to fight fires diminished and no end in sight for escalating drought conditions, it is critical for insurers to understand which areas are the most prone to these risks, how the regulatory framework is evolving to address these challenges, and what communities can do to be as resilient as possible.

Drought conditions & How it Impacts

Wildfire is most prevalent during the hottest and driest months in the western U.S., which is from late spring to early fall. With climate change contributing to warmer global temperatures, the western states have seen a temperature increase of 2°C since the early 1900s, and the average spring snowpack has declined. Severe drought has resulted in record low water levels in the Colorado River and key reservoirs like Lake Mead. These climatological influences have contributed to an increase in fire season length by three months and a 1500% increase in area burned by large wildfires in U.S. forests.

Wildfire Data by the Numbers

Top 10 High Risk States for Number of Single Family Residences with Wildfire Risk



With the highest number of homes in the western U.S., California usually tops the list each year for wildfire risks. However, many other states also have a significant numbers of homes at risk. Florida, Texas, Colorado, and New Mexico join California in the top five states for number of homes at risk to wildfire.

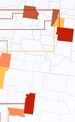
Colorado's El Paso County, the most populous county in Colorado and home to Colorado Springs, has nearly 39,000 properties at risk of wildfire damage. This is especially dangerous when considering that the county was home to around 730,000 people in 2020, meaning a significant wildfire event could impact a very large proportion of the population.

The situation in **New Mexico's** Santa Fe County is even more drastic, where nearly 34,000 properties are at risk of wildfire damage in a county that was home to around 155,000 people in 2020.

This is why it is important to evaluate not only the overall number of homes at risk but also the proportion of a local population that will be impacted. This ratio underscores the magnitude of population displacement assistance, reconstruction resources, and individual and community economic recovery that could be required in the event of a significant wildfire event.

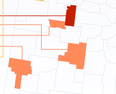
Colorado

El Paso	**38,560**
Eagle	24,048
Jefferson	23,164
La Plata	21,637
Douglas	20,827



New Mexico

Santa Fe	**33,723**
Lincoln	14,253
Bernalillo	14,029
Grant	13,159
San Juan	8,205



Evolution of Wildfire Insurance Regulation

Wildfire poses a poignant threat to homes in California. Over the past half decade, tens of thousands of homes have burned and insurers have struggled with the costs to rebuild homes and communities. Once viewed as an attritional peril that is easily financially managed, the peril of wildfire is now seen as something that can threaten the liquidity or solvency of an insurer. Borrowing from the techniques that have helped governments and insurers manage the catastrophe perils of earthquakes, hurricanes and floods, a new generation of wildfire risk assessment analytical tools are being adopted.

The California Department of Insurance (CDI) recently released regulations to be implemented in 2023. The proposed regulations include requiring insurers to provide insurance premium credits for specific risk mitigation actions on their home, their immediate surroundings or in their community. Research and insights from the Insurance Institute for Business and Home Safety (IBHS) are contributing greatly to these new mandatory rating facets.

Under the forthcoming regulations, insurers will be taking on a key risk information and management role for policyholders. By informing policyholders of the potential insurance premium credits for risk mitigation actions, the CDI is expecting significant risk reductions to be performed by policyholders and California's wildfire risk will be reduced.

Community Resilience

The wildfire activity in the last 5 years has highlighted the fragility of our communities to the devastation caused by wildfires.

Active research in wildfire risk is enabling the development of high-confidence loss forecasting models which can identify the high-priority risk elements in and surrounding our communities. Identifying the most effective risk mitigation actions – actions ranging from thinned forests in the broader community to hardened home sites – can help homeowners, insurers, and governments maintain safer and more resilient communities.

Reference

https://www.ahcnews4e.com/southernnv-w/wildfires/forest-service-fall-firefighters-1758501E2.pdf#:~:text=The%20U.S.%20Forest%20Service%20%2fbetter%3ftrack%3dwebsite%26utm%5fsource%3dsfbnews%26utm

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