Emerging Risk

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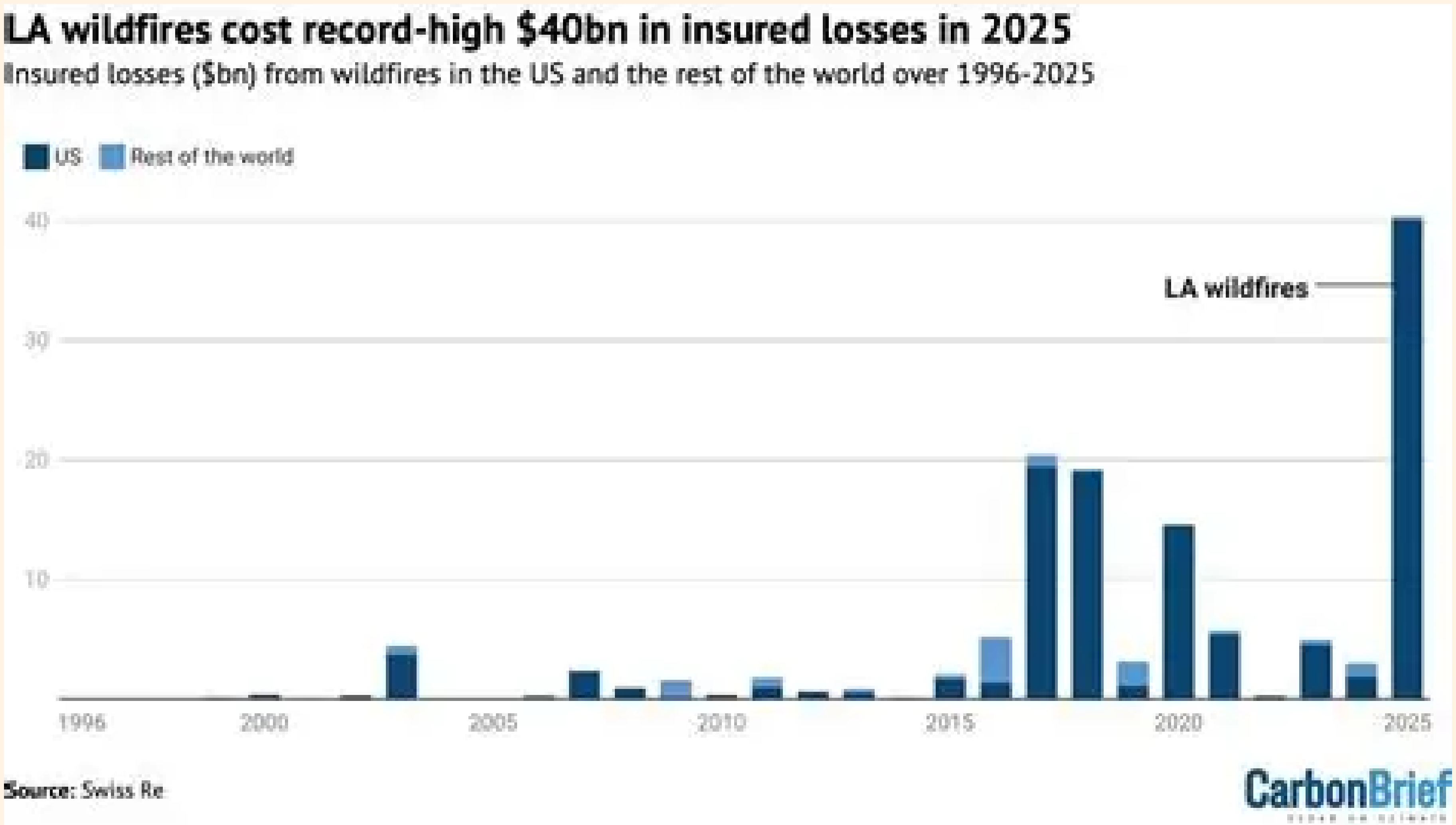
Spotlight 3

The hidden cost of Wildfire: Indirect risks beyond property damage

1

Rising Wildfire events



- Extreme fires are becoming more severe. Research using 21 years of satellite data found the frequency of the most extreme wildfire events increased 2.2× between 2003 and 2023.

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The damage is more than buildings

The losses are estimated currently from the buildings that get burnt but there are other indirect consequences that go beyond the damage itself that impacts the businesses

Wildfire after effect	What gets disrupted
Smoke and poor air quality	Workplace with outdoor operations
Evacuation orders	Offices, Hotels
Power shut offs	Manufacturing, data centres
Road/Airpoort closure	Logistics business, Tourism
Supply chain disruption	Inventory, production

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Hidden Insurance Gaps

COVERAGE TRIGGER GAP

Policies require direct physical damage.
Disruptions without damage are excluded.

DATA & MEASUREMENT GAP

Lack of real-time, localized data on smoke, power shutoffs, closures and disruption.

SUPPLY CHAIN VISIBILITY GAP

Indirect supplier and customer impacts are hard to quantify and insure.

4

Opportunity for insurers

PARAMETRIC SOLUTIONS

- Triggers based on evacuation order
- Tracking pixels of burnt area around the property
- Improved fire modelling granularity

EXPANDED DISRUPTION COVERS

- Non damage disruption
- Power shut offs
- Loss due to supply chain

INCENTIVIZE RESILIENCE

- Discounts on vegetation & hardening the assets

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My Take

With the rise of property level intelligence and with the regulatory approval of AI based wildfire scores (Zesty AI etc), there is a huge opportunity to design new products and cover the wide protection gap as the traditional insurers and unplugging themselves from the high risk zones