

USI's Property Resources Assist Clients Impacted by California Wildfires



USI Insurance Services
Property & Casualty
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This July has been an active month for wildfires in California. The Department of Forestry and Fire Protection (CAL FIRE) is currently protecting people and property from more than a dozen wildfires across the state.

Large sections of the state are under a red-flag warning as dangerous conditions will likely remain in place for the next several months, from northern California to the state's border with Mexico. The current wildfires are under varying degrees of containment. The largest active wildfire is the Park Fire outside of Chico, California. It has burned over 425,000 acres so far and is 34% contained. The fire is one of the largest in California history.

California experienced a hotter-than-normal June, combined with unusually wet winter and spring seasons. This has resulted in an excess of "fine fuels," which consist of dry vegetation such as twigs, leaves, needles and grasses that are more susceptible to ignition, increasing the risk and potential intensity of wildfires. These conditions are widely considered to be indicative of a longer and more intense fire year, especially when compared to the last three fire years.

While the number of fires in the state is keeping pace with the five-year average, the number of acres burned significantly exceeds it. Climate predictions indicate above-normal temperatures for all of California, resulting in an abnormally high fire risk for the remainder of the year.

Property risk consultants at **USI Insurance Services** and their carrier partners are monitoring the California wildfire situation closely. USI's immediate goal is to help distressed clients in the region minimize further losses and initiate an orderly claims and recovery process.



Commercial Property Claims

The property claim situation is evolving as a multitude of fires are currently burning. These fires start and grow quickly and are very unpredictable. While it is too early to project the extent of damages that will be sustained due to 2024 wildfires, property damage could be considerable. Business disruptions are only beginning to present themselves, but these could also be widespread.

In the commercial space, USI property experts anticipate significant **direct property damage claims** from a wide variety of entities.

Substantial **business income (BI) claims** from direct and indirect property damage are likely. BI coverage, which allows businesses to **recoup lost income**, may be available for entities that are unable to conduct normal business operations due to direct property loss or indirect causes such as road closures and evacuations.

What Insureds Can Do

The importance of timely claims reporting cannot be overemphasized and is a requirement of all insurance policies.

Here are a few basic but critical tips from USI property experts:

- Contact your broker and carrier as soon as possible to discuss how the fires are impacting your operations.
- Coverage is driven by details, but these can be hard to come by and are constantly changing during natural disasters. Secure those details (i.e., specifics driving evacuation orders, etc.) as they will impact coverage application during the adjustment process.
- Set up an internal cost code to track all expenses tied to the event, including any efforts to mitigate potential damages.
- Take photos of property (pre- and post-loss).
- Prepare an inventory of damaged items and include quantities, descriptions, and values.
- Retain damaged property until a claims adjuster approves its disposal.
- Notify police if theft or looting is suspected.

As noted, these fires are fast-moving and extremely unpredictable. Efforts to mitigate damage should be conducted only if the area is deemed safe by local authorities. Stay informed and comply with all civil orders, such as evacuations.



How USI Can Help

USI works with carrier partners and adjusters to facilitate the claims process and offers technical resources to assist clients affected by wildfires. The initial effort is aimed at helping clients through existing contingency plans, such as alternate locations to be used or any other operational mitigation plans in place.

For most insureds, an immediate coverage review will be necessary to determine which individual policies may apply to specific loss scenarios. Matching the policy against the specific/documented details driving losses will determine coverage response. Many claims have the potential of grey areas where coverages merge. Direct physical damage claims (i.e., fire, soot, smoke, ash, etc.) are usually straightforward, but some time-element losses may result from a combination of both direct physical damage and the non-direct physical damage triggers noted below. A detailed review needs to be conducted to determine policy response.

Policies *may* include non-direct physical damage coverage extensions that could be triggered during events, such as:

- Protection of property
- Civil authority orders
- Ingress/egress coverage
- Service interruption
- Contingent time element
- Attraction property
- Extended period of indemnity

It's important to note that each extension has limitations, and specific requirements may trigger them. For example, coverage may or may not trigger when there is a mandatory evacuation order in place and the applicable policy has civil authority coverage. Civil authority coverages differ between policies. Almost all forms require damage in the vicinity of the insured location, while some have specific distance and time qualifiers that need to be met before coverage is afforded.

In many cases, if the damage has significantly affected continuing operations, USI will secure partial or advance payments and always works to expedite the claim process.

With a catastrophic (CAT) event of this magnitude, USI is warning insureds to beware of common fraud schemes. If resources such as emergency response contractors are needed, USI claim advocates can provide contact information for appropriate vendors that will respond on a priority basis. Consult a broker or property specialist before making any decisions about hiring someone to handle your claim.

For additional information or individual assistance, contact your local USI property team or visit www.usi.com.