

CENTRAL COAST

Insights

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WINERY INSURANCE MARKET

Brendan Wright



PARAGON
Insurance Holdings

Housekeeping Items

- **Crop Insurance**
 - Government Subsidized program via Farm Bill which provides yield guarantees. Insures grapes on vine (crop)
- **Smoke Taint**
 - Wildfire smoke can contaminate grapes on vine (crop)
 - Can impact harvested grapes or bulk wine
- **Reinsurance**
 - Insurance for insurance companies

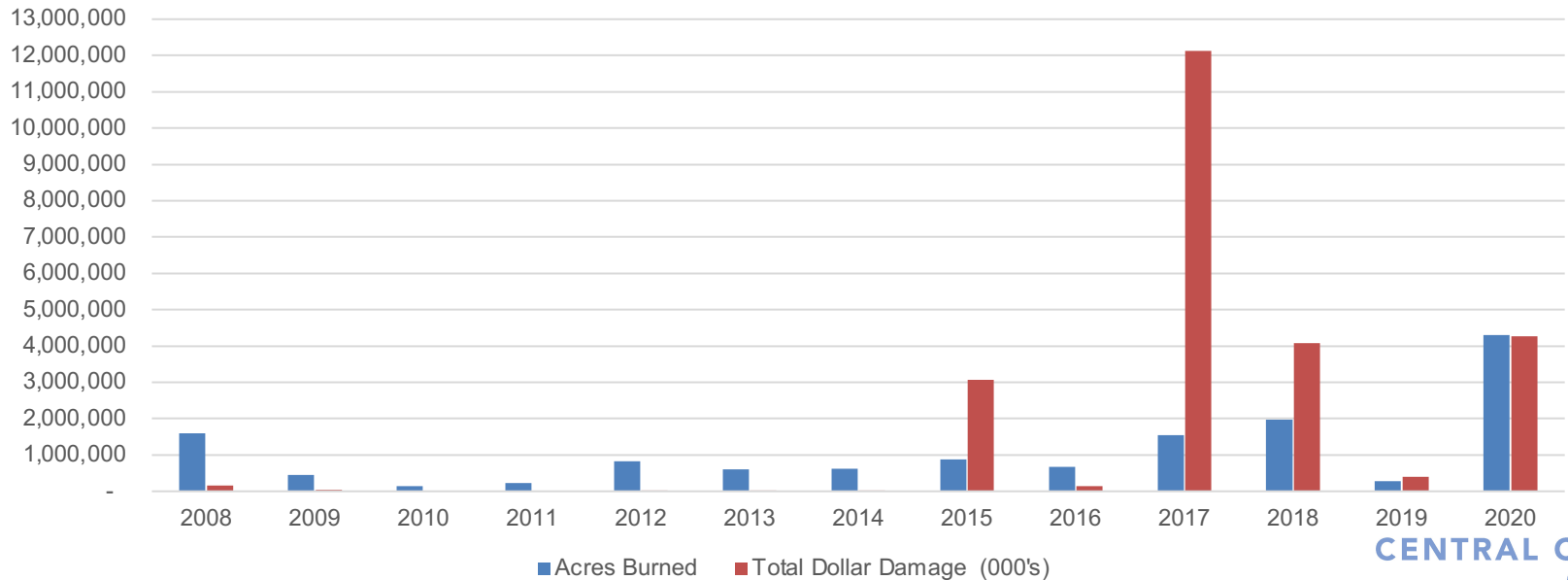
How Did We Get Here?

- Pre-2017 wine insurance market environment
 - very affordable / low rates
 - No emphasis on wildfire exposure
 - Saturation of values at risk in winemaking regions
 - Broad coverage terms
- Consecutive CAT Wildfire Events since 2017
- Other Climate related events Nationally/Internationally

How Did We Get Here?

Acres Burned and \$ Losses trending upward - Multibillion \$ Losses in Last 5 Years

CA Wildfire Acres Burned and Dollar Damage (000's) 2008 to 2020



How Did We Get Here?

9 of 10 Costliest Wildfire Events have occurred in the past 5 years

Top 10 Costliest Wildland Fires In The United States (1)

(\$ millions)

Rank	Year	Name	Estimated insured loss	
			Dollars when occurred	In 2021 dollars (2)
1	2018	Camp Fire	\$10,000	\$10,750
2	2017	Tubbs Fire	8,700	9,560
3	2018	Woolsey Fire	4,200	4,520
4	1991	Oakland Fire (Tunnel)	1,700	3,350
5	2017	Atlas Fire	3,000	3,300
6	2020	Glass Fire	2,950	3,070
7	2020	CZU Lightning Complex Fire	2,500	2,600
8	2017	Thomas Fire	2,250	2,470
9	2020	LNU Lightning Complex Fire	2,250	2,340
10	2007	Witch Fire	1,600	2,080

Current Insurance Market Conditions

- Less capacity in market due to recent historical loss events
- Reinsurance hesitant to provide capacity/support
- Carriers filed rates/forms not adequate for wildfire exposure
- More scrutiny on wildfire exposures:
 - Macro wildfire modeling products (AIR, Risk Meter, Redline, etc.)
 - Construction of Buildings – Combustible or Non-Combustible
 - Brush Mitigation Efforts out to 250 ft.
 - Building hardening efforts
 - Available fire suppression resources
- Cautious of saturation of risk

Insurance Market Solutions

- **Insurance market will react to ground conditions**
 - Reduction in annual wildfire damage will create more favorable insurance environment
- **State Legislation and Regulations**
 - FAIR Plan re-opened for winery operations with more robust coverage terms
 - CA DOI proposed regulations to provide insured with premium credits for mitigation efforts
 - Various bills to prohibit carriers from non-renewing policies

Potential Solutions

- **Proactive Approach to Wildfire Defense**
 - Insured investment in wildfire mitigation efforts
 - Brush Maintenance; Building Hardening; Fire Suppression Systems
 - State Increased Investment in Forestry Management
 - Annual budget increases, more aggressive approach
 - InsurTech Products for early fire detection/deployment
 - Infrared fire cameras

Potential Solutions

- **Insurance Adapting to Wildfire Exposure**
 - Rates and Coverages will continue to change
 - Investment in Wildfire modeling tools
 - Developing Reinsurance products for Wildfire risk
 - Partnering with Wildfire Mitigation Companies to assist Insureds to elevate risk profile

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