

Twelve Capital Event Update – California Wildfires

A wildfire broke out in Shasta County, northern California, on 23 July, reportedly ignited by a vehicle mechanical failure. The fire spread rapidly during the following days causing significant damage to property and leading to some fatalities. At the time of writing, the fire is still burning but firefighting efforts are showing some traction with containment rates gradually improving.

Carr Wildfire Event

The Carr wildfire began on 23 July near Whiskeytown expanding rapidly over 27-28 July, when it was only 3% contained. The flames jumped the Sacramento river, leading to the emergency evacuation of 38'000 people from Redding as the fire entered the city. The entire town of Keswick (population 450) was destroyed, and Keswick Dam, a source of water for the region, was also partially damaged.

The wildfire is currently 47% contained and has burned some 164'000 acres so far. Seven fatalities have been confirmed. Meteorological conditions continue to be favourable for wildfires, with ample dry fuel, smoke and difficult terrain hampering the firefighting efforts of 4'738 fire personnel.

Loss Estimates and impact on ILS

As at Monday 6 August, the latest information indicates 1'604 destroyed structures, mostly residential (Figure 1). This makes the Carr wildfire the sixth most damaging wildfire in California's recorded history in terms of destroyed buildings (the main driver of insured loss).

In comparison, the wildfires of October 2017 destroyed approximately 7'000 structures and cost the insurance industry an estimated excess of USD 10 billion. The December 2017 wildfires destroyed approximately 1'000 structures and cost USD 2 billion.

Assuming an average value per structure of USD 400k – USD 650k this results in a damage estimate for the current event ranging from USD 1 billion – USD 2 billion. Consequently, the risk for ILS investments is currently low as attachment levels for most ILS instruments are substantially higher. No material impact is expected in relation to Twelve funds at this time.

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Twelve's investment expertise covers the entire insurance balance sheet, including Insurance Bonds, Insurance Private Debt, Catastrophe Bonds, Private Insurance-Linked Securities and Insurance Equity. It also composes portfolios of its Best Ideas. Its capital solutions are drawing the world of insurance and reinsurance into a closer, more productive relationship with capital markets.

The firm was founded in October 2010 and is majority-owned by its employees. It has offices in Zurich, London and New York.

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