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**News**

**Wildfires in California, October 2017**

During October this year, California battled against what will possibly be the worst and most expensive wildfires in the state's history. The first fires broke out in early October following a prolonged period of exceptional drought. Spurred on by strong winds, by mid-October more than 22 active wildfires had already destroyed more than 170,000 acres and more than 3,500 structures (properties) across eight counties. With moderating winds, the fire brigades have since made significant progress in extinguishing or at least containing the fires. Nevertheless, approx. a dozen wildfires are still active across California at the moment.

Based on latest reports, approx. 245,000 acres and 8,900 structures have been destroyed. More than 40 people have been reported dead. Wildfires are concentrated more locally compared to other natural catastrophes such as storms which typically affect entire states or countries. However, wildfires are particularly disastrous and often cause a total loss of structures – i.e. the total destruction of properties or entire neighborhoods.

Given the high insurance penetration for fire damage in California, insured losses and economic losses are expected to be similar. Preliminary estimates published by the modeling firms mid-October stated losses of between USD 2 to 5 billion. These figures have now been significantly revised upwards. The portfolio manager currently estimates that insured losses will be between USD 8 to 10 billion. Property Claim Services, a third party provider of insurance loss data, has published first insured loss estimates for the three largest fires in Atlas, Tubbs and Mendocino which already sum up to approx. \$7.3 billion. In contrast, the most expensive wildfire season so far, in 2002, saw insured losses of around \$3 billion.

The ILS market has some exposure to California wildfire risk both on the cat bond side as well as through private transactions. US Wildfire is typically not covered as a standalone risk class but may be included, for example, in transactions covering all natural perils in the US. Also, given the high loss occurrences during the third quarter 2017 due to hurricanes Harvey, Irma and Maria, aggregate transactions that had already accumulated losses from several events may now trigger or suffer additional loss due to the wildfires.

CSA ILS / CSA ILS Fixed has some exposure to California wildfire risk as this peril is covered under some transactions (both cat bonds and private transactions) which cover, for example, all natural perils in the US. In combination with previous losses from hurricanes Harvey, Irma and Maria the wildfires have led to some additional reserves resulting in an impact of approx. -2.1% on the estimated performance of CSA ILS / CSA ILS Fixed and a currently estimated performance of -1.37% for October 2017 (CHF A class).

We will keep you updated of any significant developments.

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