



Credit Suisse Anlagestiftung
Credit Suisse Anlagestiftung 2. Säule

News

Wildfires in California, December 2017

As we had informed in a previous event report, California had battled against the worst and most expensive wildfires in the state's history during September and October this year. Insured losses for these fire events could total up to \$13 billion based on latest estimates.

In addition, a new series of wildfires sprung up in early December mostly around the wider Los Angeles area including Santa Barbara. Most of these have been contained in the last few days and have only caused limited damage so far. However, the Thomas Fire close to Santa Barbara continues to spread and is now the 5th largest wildfire in modern California history covering 231,700 acres. Meteorological conditions are expected to remain challenging for the firefighters with Southern California experiencing the strongest and most prolonged Santa Ana winds this season and no rain or increased humidity expected in the near-term forecast.

Across Southern California, 200,000 people have been evacuated. More than 1,000 structures have been reported destroyed so far of which three quarters can be attributed to the Thomas Fire. However, as the Thomas Fire is still ongoing with only 15% contained as of yesterday and threatening some wealthy residential areas, the damage toll is expected to keep rising. The Thomas Fire alone may cause insured losses of a few billion dollars.

As it was stated in the previous event report, 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. The latest and still ongoing wildfire events will add to the total insured losses in 2017. Given the high loss occurrences during the third quarter 2017 due to hurricanes Harvey, Irma and Maria and the previous wildfires, aggregate transactions that had already accumulated losses from several events may now trigger or suffer additional loss due to the wildfires – both on the cat bond side as well as in private transactions. Some of these effects may be counterbalanced by positive loss development on some of the previous catastrophe events, where updated loss figures were lower than expected.

Currently, the wildfire events are still ongoing. The conditions and situation can change within hours or days, but at the present time the portfolio manager believes that any impact on performance of CSA ILS / CSA ILS Fixed should be limited. We will provide an update in due course as information becomes available and will also keep you updated through the weekly performance estimates.

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