



Like a good neighbor,
State Farm is there.®

Institute for Catastrophic Loss Reduction

BUILDING RESILIENT COMMUNITIES

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Agenda

- Overview
 - ✓ Building Context
 - ✓ State Farm Insurance
- Catastrophic Wild Fires
 - ✓ Canada – United States
- Preparing for the Unexpected
 - ✓ Pre-event strategies
 - ✓ Response strategies
 - ✓ Post-event strategies



Overview

State Farm Insurance Companies

Enterprise

- Over 81 million policies and accounts
- \$50.3 billion in P&C earned premium
- 24 million households served
- Largest P&C insurer
- 65,900+ employees
- 17,800+ agents

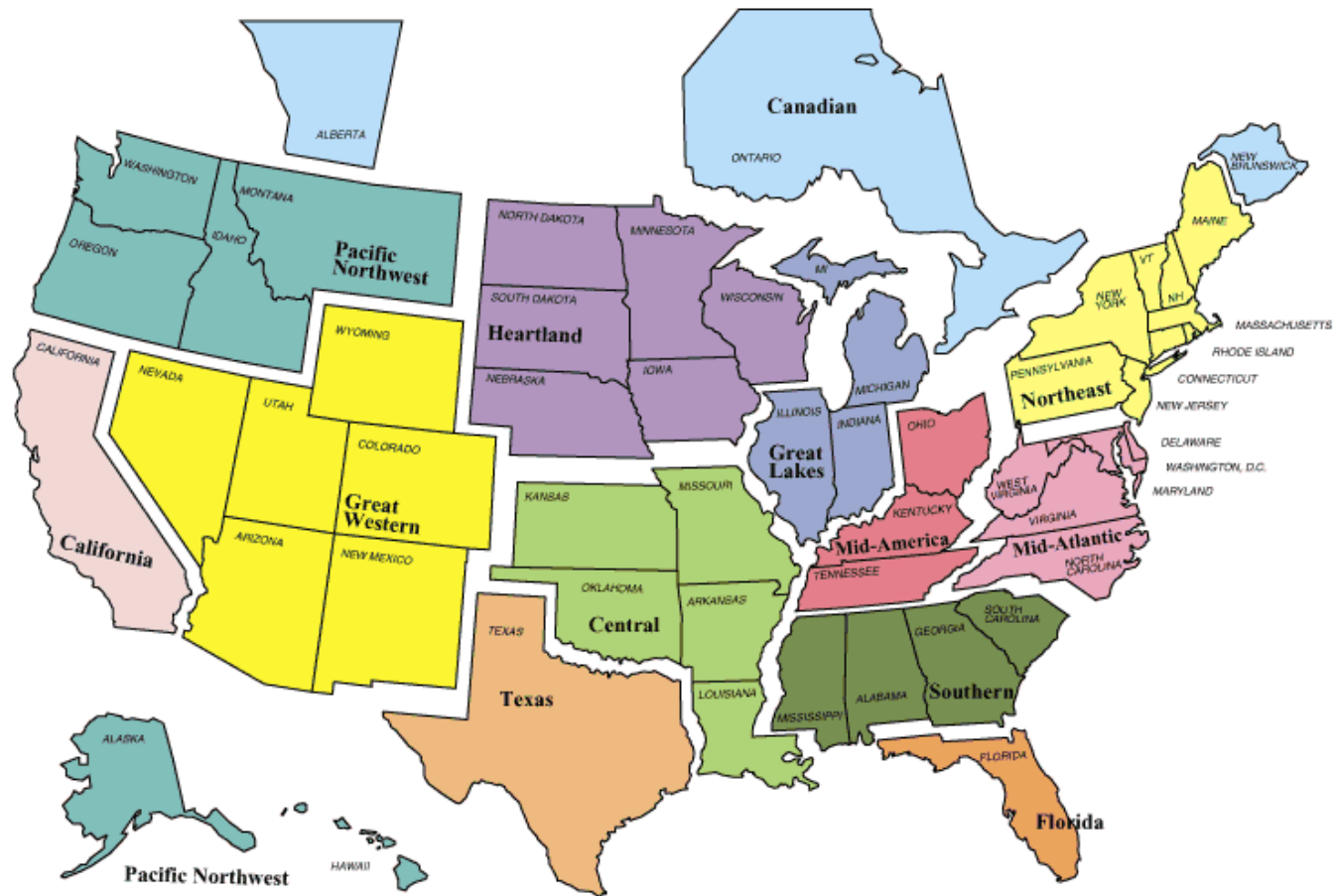
Canada

- Over 2 million policies and accounts
- \$2.1 billion in P&C earned premium
- 1.2 million households served
- 8th largest P&C insurer
- 1,500+ employees
- 500+ agents



Overview

State Farm Insurance Companies



Overview

State Farm Insurance Companies



Overview

State Farm Insurance Companies Catastrophe Services



- Largest catastrophe response team in the industry
- Dedicated team of catastrophe claim professionals
- 3 centralized catastrophe claim facilities
- Strategic contracts with independent adjusting firms
- Fleet of specialized vehicles



Overview

State Farm Insurance Companies

<i>10-Year Average (2001-2010)</i>	<i>Enterprise</i>	<i>Canada Zone</i>
Number of HO claims handled*	1,339,928	25,309
Number of catastrophe HO claims handled*	712,329	2,269
Percent of catastrophe claims handled with wildfire COL	0.3%	0%
Indemnity paid on HO claims**	\$6.35B	\$174.5M
Indemnity paid on catastrophe HO claims**	\$3.35B	\$13.4M
Percent of indemnity paid on average for catastrophe claims with wildfire COL	2.5%	0%



Sources: Catastrophe Services Resource Management, - * includes flood, **excludes flood;

Catastrophic Wildfires

Canada – 2011

- 940,000 hectares burned in Alberta
 - ✓ Fires near Lesser Slave Lake destroyed 40% of the nearby town
 - ✓ 116 fires initially reported burning; 34 out of control

- 632,533 hectares burned in Ontario
 - ✓ Sioux Lookout 70 at 141,000 hectares
 - ✓ Sioux Lookout 35, at 112,000 hectares
 - ✓ Fire suppression cost approximately \$229.9M



These two fires accounted for about 40% of total area burned in Ontario in 2011

Catastrophic Wildfires

United States – 2011

- 2011 – Texas, seven of the ten largest wildfires
 - ✓ 3,993,716 acres burned
 - ✓ 1,034 insured losses
 - ✓ \$109+ M indemnity paid
- Bastrop, Texas
 - ✓ 34,000 acres
 - ✓ 400+ insured losses
 - ✓ \$73+ M indemnity paid
- *Community Impact:*
 - ✓ Serious infrastructural damage; roads, electrical, etc.
 - ✓ Fire suppression equipment impaired
 - ✓ Tremendous toll on firefighters and community volunteers
 - ✓ Loss of tax revenue; strain on city budget



Catastrophic Wildfires

Pre-event Strategies

- Create awareness
 - ✓ Education, Ready Set Go, Firesmart Programs
 - ✓ Use of social media awareness campaigns
 - ✓ Community outreach and support

- Prevention
 - ✓ Support land use covenants
 - ✓ Encourage defensible space development
 - ✓ Community wildfire protection plans

- Mitigation
 - ✓ Support building codes – fire protective construction
 - ✓ Support fire fighting infrastructure
 - ✓ Partnerships



Catastrophic Wildfires

Pre-event Strategies – Awareness

- In 2003, State Farm launched a wildfire loss prevention education program to increase policyholder awareness of wildfire danger and make insured homes better equipped to withstand a wildfire.
- Homes and surrounding property in targeted states were inspected to identify need for treatments to reduce wildfire hazard. Home selection is based on potential wildfire risk
 - ✓ Vegetation characteristics and topography
 - ✓ State Farm underwriting and claims data
 - ✓ Insurance inspectors trained by state forestry agencies

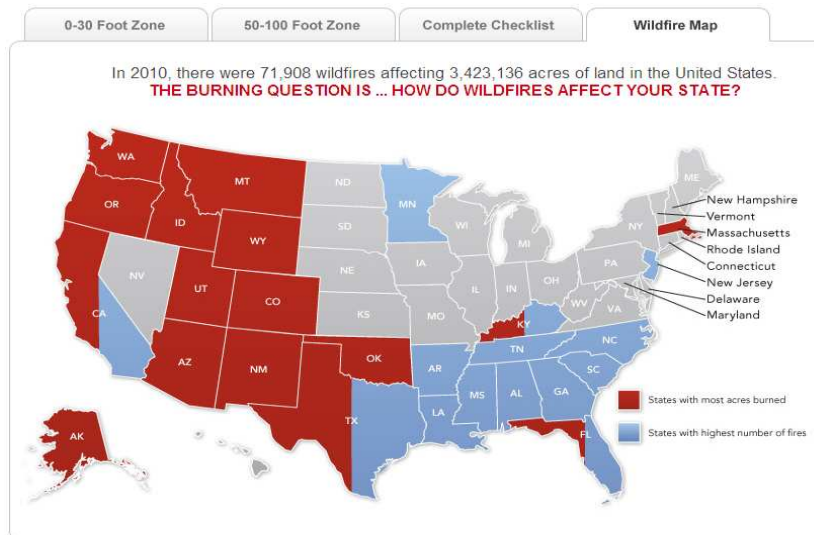
By the end of 2011, State Farm had surveyed 68,757 properties in 12 states.



Catastrophic Wildfires

Pre-event Strategies – Awareness

- Using the internet to cascade Wildfire Safety Tips
 - ✓ Plan ahead
 - ✓ Be informed
 - ✓ Create a safety zone



- Interactive Wildfire Map
 - ✓ States with most burned acres
 - ✓ States with highest number of fires



Catastrophic Wildfires

Pre-event Strategies – Awareness

- Using social media to broadcast to a wider spectrum of consumers on Safety Tips
 - ✓ Expanding awareness
 - ✓ Sharing event-driven education



- Target wildfire media outlets
 - ✓ Strategic press releases



Catastrophic Wildfires

Pre-event Strategies – Prevention

- Provides grants to various organizations in the support of wildfire prevention and preparedness
- Encourages the use of local, state, and federal agencies resources for additional support in mitigating wildfire risk
- Maintains a relationship with and uses wildfire materials from:
 - ✓ FireWise
 - ✓ Institute for Business and Home Safety (IBHS)
 - ✓ Federal Alliance for Safe Homes (FLASH)
- Uses the 2009 International Wildland Urban Interface Code and the 2008 NFPA 1144 Standard for Reducing Structure Ignition Hazards from Wildland Fire



Catastrophic Wildfires

Pre-event Strategies – Mitigation

- Where appropriate, State Farm uses wildfire models to develop pricing for homeowners insurance to reflect the varying degree of risk presented by wildfire exposure.
- In the U.S., State Farm uses 3rd party data to provide analysis of wildfire risk.
 - ✓ Individual locations based on type of vegetation present, surrounding slope, property direction, etc.
- Grants have been used to:
 - ✓ Purchase firefighter protection gear
 - ✓ Provide public education on fire prevention
 - ✓ Support fire responsibility campaigns
 - ✓ Fund wildfire training academies
 - ✓ Offer wildfire training scholarships



Catastrophic Wildfires

Response Strategies – Partnership

- Federal, State/Province, local emergency management agencies
- National relief agencies
 - ✓ State Farm has been with the American Red Cross (ARC) in disaster-struck communities since 1953
 - ✓ Partners with the ARC and Canadian Red Cross in catastrophe situations by sharing data and critical information necessary for prompt response to affected citizens/customers
 - ✓ Helps to ensure the Red Cross has resources to train volunteers, pre-position relief supplies, and open shelters
 - ✓ Provides several millions of dollars in annual gifts to the ARC Annual Disaster Giving Program and donates to the Canadian Red Cross (In 2011, donated to the New Brunswick flood relief effort and Slave Lake relief efforts)



Catastrophic Wildfires

Response Strategies – Appropriate response

Provide varied degrees of response

- REACT – emergency regional resources
- Agency – local agents and staff
- Field component – on site
 - ✓ Claims professionals
 - ✓ Public Affairs
- Centralized operations
 - ✓ Telephony - Outbound dialer
 - ✓ Aerial measurement
 - ✓ Call Centers
- Response vehicles



Catastrophic Wildfires

- *Response efforts:*
 - ✓ Agents set up tents as a customer response center
 - ✓ Zone claim representatives answer questions and assist in setting up claims
 - ✓ Catastrophe claim handlers respond in the field and centralized locations
 - ✓ State Farm associates pass out water bottles, toiletry items, provide comfort, and donate money for relief efforts



State Farm is the first one there and the last one to leave.



Catastrophic Wildfires

Post-event Strategies

- Evaluate post-action review models
- Review response efforts
- Share lessons learned
- Develop mitigation plans
 - ✓ Wildfire Response Plan (Texas Zone)
 - ✓ Provide yearly virtual training for agents and staff (California Zone)





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