

16 August 2023

Event Report: Bush Fires on Maui

Background

In early August, a series of wildfires broke out at various locations on the island of Maui, Hawaii. Due to a period of extreme drought, Maui was previously under a red alert for the risk of forest fires. In the first days of the disaster, Hurricane Dora, which passed far south of the island, caused strong gusty winds, fuelling the fires and making firefighting more difficult.

The most serious loss of life and property occurred in the small town of Lahaina on the west coast of Maui. At present, more than 100 people have been confirmed dead, but as search and rescue work continues, it is feared that the number will continue to rise. Already at the current death toll, the Lahaina Fire is the deadliest forest fire in the United States in over 100 years, exceeding the number of fatalities of the Camp Fire that destroyed the small town of Paradise in California in 2018. There is still uncertainty as to the origin of the fire. As one possible cause, failure of above-ground power lines and their interaction with the dry vegetation is suspected.

Impact on the Cat Bond and Reinsurance Markets and on the Solidum Funds

Published estimates of the total economic loss caused by the fire currently diverge so strongly that it is impossible to make any reliable statements at the current stage. For the insured part of the damage, which is to be borne by the property insurance industry, Risk modelling firm Karen Clark & Company published a figure of \$3.2 billion. This would make the fire the second-most expensive insurance catastrophe in the state after Hurricane Iniki of 1992. (Iniki numbers indexed to 2023; the nominal original insured loss amounted to \$1.6 billion.)

At this order of magnitude, the impact of the event on the Cat Bond market will be limited to the erosion of retentions in aggregating structures. For private ILS contracts as well, the main effect will be the erosion of aggregates in corresponding contracts. Direct capital losses in the ILS market seem unlikely as per today and only possible on a very limited basis.

For these reasons, the event is not expected to affect the various Solidum ILS and Cat Bond funds.

The management team is pleased to remain at your disposal for any further discussion.

With kind regards

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