Interview

Manuel Torres, Forest Engineer, Specialist in Loss of Profit Appraisals and CEO of RTS International Loss Adjusters

FOREST FIRE LOSSES:
"Climate change and the lack of investment in improving woodland are increasing the frequency of forest fires"

(Manuel Torres, CEO of RTS International Loss Adjusters, on 'Asegurador TV', in Mexico City on June 2018)

- ***As forest fires are becoming fiercer and more frequent, the insurance industry must find the best ways to mitigate risks and protect assets. Are forest fires really that frequent and what are their causes?***

Yes, the frequency of forest fires is increasing and its increasing arithmetically. I think there are two main factors. Firstly, climate change, which is really altering the natural cycles of the seasons, and, secondly, a lack of investment in improving woodland. Woodland needs prevention measures and not much is currently being invested in the care of woodland.

- ***Which elements are insurable and, when a loss occurs, what is the adjustment like and which elements are considered for the adjustment?***

Traditionally, with forest fires, we think about timber losses in the case of timber producing woodland. But actually the problem is more serious. Besides the loss of timber actually on site where the fire occurs, we have to include the loss of future felling. In other words, a woodland is still a business with a statement of comprehensive income and an operating account for a certain period of use called a rotation.

The period from when a woodland is established to when the woodland is utilised is called a rotation. Any loss in felling before the end of the rotation involves consequential losses, in other words the operating account is affected by this early felling. This also has to be included in the appraisal of consequential losses due to forest fires. But there's a lot more to it than that these days. Because demands are being made, and there is legislation similar to the European legislation, which all countries have transposed, to talk about intangible losses, such as landscape, erosion, self-regeneration—the ability of the mass to self-regenerate—and even diversity losses of both wildlife and plants.

And there are methods, enough techniques, to appraise these issues. Today the trend is for States to be the depository of these assets, of the woodlands' positive externalities, objectively and in an unlimited way as far as environmental responsibility is concerned. Consequently, this is a prime insurance niche.

Where is the most impact of forest fires on the insurance world? On issues of legal liability. If there are problems with power lines, and there aren't as many as people think, with roadworks, with waste dumps, etc., forest fires occur and the consequences of direct and indirect losses are normally claimed due to legal liability. And the State has environmental responsibility for this intangible asset, which the law has made it a depository of.

- ***I have a question about this concept you're talking about. I imagine that being able to establish the adjustment of the causes of a forest fire is like looking for a needle in a haystack. How do you determine what caused the fire to respond to an event of this type?***

Yes. Undoubtedly this is an extremely important issue. What can you do in these places? Firstly, we get an idea from witness statements as they largely help us to locate the fire area. But, in any case, the spread of a fire in woodland leaves clear propagation vectors. The black smoke stains, the way vegetation bends towards heat exposure, etc. By analysing all these vectors we end up converging on one point, a more or less really small area, where we can locate the initial seat of the fire. And then we have to work out the source of the heat that caused it.

We already have the fuel, which is the woodland itself, and now we have to look for the heat source. When we know where it occurred, we analyse the surrounding area and detect heat sources, which could be a cigarette stub thrown from a road, welding an element without proper precautions, a waste dump, a power line, etc. But we work, we detect and we identify the cause and the source correctly.

- ***What is the forest fire and adjustment scenario like in Mexico?***

According to data from the 2016-17 period provided by the Mexican Forestry Commission, 122,000 hectares were affected in a total of approximately 4,000 fires. I think this is a low impact for a country as large as Mexico. Especially considering that 95% of that surface area of 122,000 hectares is scrubland and pastures. In other words, very little forest area with trees is affected by fires. I think the causes might be the traditional use of fires for pasture regeneration purposes.

And that is why they mainly occur in grazing areas. On my trips in this marvellous country I've also observed that there are many fire outbreaks.

You can see small areas of one, two, three hectares covered by fire. For example, areas close to Mexico City in the direction of Querétaro; all these mountain areas formed of plants adapted to significant water stress for one season every year and you can see these burned areas. I think this is primarily due to human negligence, carelessness.

- ***Fires are often lit in the Mexican countryside to reforest or regenerate land. I imagine that when they get out of hand that this is when they have a catastrophic impact. Have many events of this kind had a catastrophic impact on the insurance industry in Mexico?***

The impact of this age-old use of fire, primarily lit by livestock farmers, but also by agricultural farmers to get rid of the remains of harvests and so on, has been used worldwide. However, it should of course be eradicated because of the risk of it resulting in major forest fires and because of the negative effect it has on the loss of macroinvertebrate fauna in the soil.

It's a practice that should be eradicated because it's not good for the soil. What happens? When we burn an area of grass, and the livestock farmers that traditionally have done this know when to burn and when not to, and they really need to have good control over the consequences, it doesn't mean, obviously, that it sometimes gets out of hand, it's because burning this grass, this scrubland, releases potassium in the soil. This release of potassium causes the grass to regenerate in great abundance with the first rainfall. And this grass is far more palatable for the livestock and that's why they do it. But it has to be eradicated because in the end it actually has very little impact insurance-wise.

- ***What role is technology playing in forest adjustment?***

Technology is essential because all the geographical information systems, satellites and so on, give us a perfect idea of how the fires are evolving. As I said, weather conditions can be forecast more and more precisely; the issue of winds, which is vital once a fire starts; knowing the lie of the land helps us

anticipate how the forest fire will progress, and, therefore, it's an essential tool in attacking a fire.

You know that a fire is always attacked from the edges and the front is reduced by attacking the flanks. But when we know these wind issues based on the relief of the land, we can predict how it's going to evolve. Heat by itself is never going to cause a forest fire, as this thermal contribution is never going to be intense enough to reach the ignition temperature. Lightning is another matter, though.

- ***So it's not true that the sun can cause a flame in dry grassland?***

No, I don't think so. That's not going to happen. But when there's an additional human factor it can occur. Plant water stress caused by a lack of water and intense heat can lead to conditions in which any extra addition of heat might cause a fire. But normally if there's no additional human factor, it's not going to happen.

About Manuel Torres

Manuel is a Forest Engineer. He received the Medal of Honour from the Forest Engineering College. He specialises in the Appraisal of Loss of Profit and has the following qualifications: Loss Adjuster in the Specialties of Fire and Sundry Risks (IRD), Insurance Compensation Consortium (CCS) claims, Average Adjustment (VA) and Agricultural Insurance for the Ministry of the Economy and Tax, APCAS and UNESPA Insurance Loss Adjuster, Insurance Loss Adjuster from the Institute of Sciences of Education from the Polytechnic University of Madrid; and the FUEDI NLAE and ELAE qualifications.

With more than 32 years' experience, he worked as adjuster for the Insurance Compensation Consortium for eleven years and he has adjusted losses in Spain, Portugal, Latin America, Africa and Asia.

At RTS, he is the company's leading specialist in Loss of Profit and Agribusiness, Forestry, Fisheries and Environmental claims.

About RTS International Loss Adjusters

We are an international business group founded in 1989 with our own offices in Spain, Latin America and Portugal. Since our beginnings, our business has focused on adjusting losses in industrial risks and all types of technical sectors.

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