

Strength in Numbers
Teagasc National Forest Owner Groups Conference
Limerick / Tipperary Woodland Owners
Insurance
Issues for the Woodland Owner

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Galway

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What is Insurance?

Cover by **contract** whereby one party
undertakes to **indemnify** another
against **loss** arising
from a specified contingency (risk)
or **peril** (event)

Risk the smouldering coal that *may* spark a fire
(Prevention the Fire Guard)
(Control the fire extinguisher)
Insurance *Justin Casey.....*

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Insurance – a very brief history

Methods of distributing risk go back 5,000 years

- 1750BC King Hammurabi code
- 1347 First known insurance contract (Genoa)
- 1472 Monte dei Paschi – agricultural co-op
- 1654 Pascal & Fermat - probabilities
- 1666 Great Fire of London
- 1680 First English fire insurance company
- 1687 Lloyd’s coffee house – merchants / insurers
- 1800s USA
- 1885 Insurance Institute of Ireland

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1472 - 2013

Monte dei Paschi



From little acorns.....

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Forestry Insurance history

Very recent!

1980s	USA (1981 – first TIMOs); UK
1980 -	Ireland – Woodland Investments
1994	Woodland Investments Clients
1995	Woodland opened up to others
1996	First major claims – Donegal / PL
2003	Reconstitution (replanting) Cover
2003	WoodlandCover – separate business
2010, 2011, 2013	Major fire losses

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Forestry Fire history

From prehistoric times – fires and forests

1871	500,000 ha fire in Wisconsin (1,182 deaths)
1910	‘Big Blowup’ 1,200,000 ha in NW USA – led to new policies / firefighting organisations
1930s	Scotland, England
1950s – 2013	State forests in Ireland
1990s – 2013	Private forests in Ireland
2011	<i>Fires across parts of Northern Ireland and the Republic of Ireland, around Easter, destroying many parks and forests [Wikipedia].</i>

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Insurance what / why?

What kinds of insurance?

- **Material loss / damage**
- **Liability**
- Life / health (or death and illness...)

Why insure?

- Statutory – Motor
- Conditional – e.g. Mortgage protection
- Voluntary – to cover **Loss** from **a Risk event / failure**

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What is Risk?

- Risk: hazard, danger; exposure to mischance or peril.
- The *chance* that the actual outcome will be *worse* than expected (= **loss**)
- Involuntary risk – event that happens without our prior consent / knowledge

*The more risk taken the greater the potential return
- and the greater the potential **loss***

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How to look at Risk?

- Event (e.g. fire)
- Probability: **Low** _____ **High**
- Consequence: **Minor** _____ **Catastrophic**
- Potential Loss: **Small** _____ **Serious**
- Can I get insurance? **Yes / No**
- Should I get insurance? **Your call**

Insurance can reduce loss, not risk (although.....)

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Risk Management

•Identify	Potential <i>event / failure</i>
•Assess	Probability
•Consider	Consequences
•Appetite	Could you live with that?
•Manage	Measures to reduce <i>Risk</i>
•(Insure)	Mitigate <i>Loss</i>
•Monitor	Review regularly and systematically

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Risk Appetite?

Take **Control** measures and weigh it up

RISK	CONSEQUENCE	INSURE
LOW	MINOR	
LOW	MAJOR	Yes
HIGH	MINOR	Maybe not
HIGH	MAJOR	Yes

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So what are the Risks for a Woodland Owner?

Compliance	Breach of Felling Licence, H&S, Roads,
Environmental	Pollution
New Legislation	Forestry Bill, Planning, WFD
Taxation	What?
Overclaims	?
Customer	Major customer closes
Market	Demand slump
Credit	Not getting paid
Fraud	Timber not accounted for
Security	Theft at roadside
Operational	Weather, hen harrier moves in
Contract	How good is it?
Strategic	Policy

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What Risks are Specific for a Woodland Owner?

Guide to the Valuation of Commercial Forest Plantations

[Phillips, Little, McDonald, Phelan – COFORD, 2013]

Woodland risks

- Nature based
- Market based

Owner Risks

- Liability** (your failure re others / failure by others to you)

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Specific Risks for a Woodland Owner

Nature based

Risk	Insurance?	Comment
Windthrow	Yes	Related to thinning (up to 55 years); higher excess
Fire	Yes	Fire fighting costs / felled trees
Frost	Not available	Younger woodlands
Disease	Not available	Emerging threat
Flooding	Maybe	Should not be necessary
Also – windsnap, hail/snow, earthquake, lightning, aircraft, explosion	Usually	A bonus....

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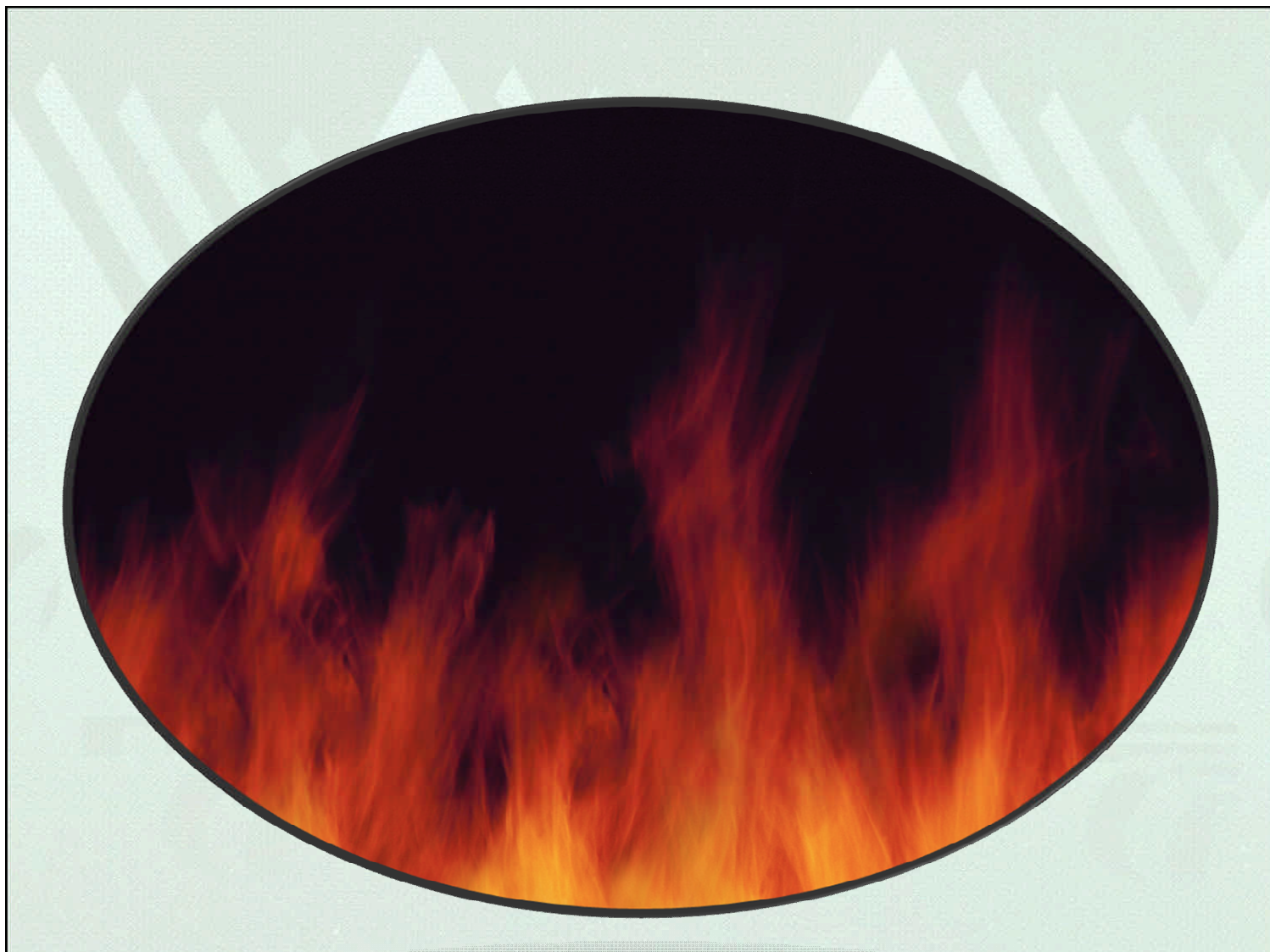
What are the Exposures for a Woodland Owner?

Exposure – Nature Based Risks

Item	Effect	Comment
Annual premium	STOPS	
Lose future premiums	€€,€€€	
Repay grants	€€,€€€	
Repay premiums	€€,€€€	
Loss of Crop	€€€,€€€	And useless land?
Fire fighting costs	€,€€€	
Bottom Line	€€€,€€€	On 15 year old 10ha woodland - €170k
Or – Insure	€€€	Replanting, Loss of Growth - €82k
Replant		Restore premium, new crop + cash

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Loss – fire - year 15

YC 22 Sitka spruce	Planted 1999	1 hectare	10 hectares
Premium p.a.		<u>€474</u>	<u>€4,740</u>
Future premium loss		€2,370	€23,700
Loss of Crop		€7,130	€71,300
Repay – Grants - Premiums (15 yrs)		€2,726 €4,520	€27,260 €45,200
Fire fighting costs		<u>€300</u>	<u>€3,000</u>
Loss		<u>€17,046</u>	<u>€170,460</u>
Insurance Cover			
Loss of Growth (16 years)		€3,915	€39,150
Reconstitution		€4,000	€40,000
Fire fighting	Limit €220,000	<u>€300</u>	<u>€3,000</u>
		€8,215	€82,150
Insurance cost	Includes Public Liability, Firefighting, fencing	€29. 70	€297

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What are the Liability Exposures for a Woodland Owner?

Exposure – Liability

Responsibility to	Effect	Comment
Employee	€€€,€€€	Health and Safety
Contractor / sub- contractor		Use BFSC / check - Health and Safety / Check Insurance; keep a log
Member of public	€€€,€€€	Duty of care / Insurance
Neighbour	€€€,€€€	Spread of fire or failure to control (?) Rylands v Fletcher – 1868 but .. Stannard v Gore (2013)*; (Accidental Fires Act, 1943) Firebreaks / fireplans / firewatch; insurance <i>"The moral of the story is: make sure you have insurance for losses occasioned by fire on your premises".</i>
<small>* Ward LJ in delivering his judgement fittingly reminded the Court;</small>		
Responsibility from		
Advisor / forester / surveyor	€€€,€€€	Public Indemnity – check that there is PI at adequate level.

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What are the Liability Risks for a Woodland Owner?

Liability Insurance

- EL Employer Liability**
– Accidental injury / disease of an employee €13,000,000
- PL Public Liability**
- Accidental injury of a third party and/or
- Third party property damage
- PI Professional Indemnity**
- Errors and Omissions
- D&O Directors and Officers**
- Personal liability and financial loss protection re wrongful acts (allegedly) committed in capacity as business officers.

Watch Business Description; Insured name, material information
Remember insurance is a contract

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What are the Liability Risks for a Woodland Owner?

Risk	Insurance?	Comment
Employee	Yes	Labour / labour only SC / Chainsaws
Public	Yes	Visitors (not necessarily invited); Impact on others e.g. fire to neighbour Falling trees?
Directors' / Officers Liability	Yes	Are you <i>acting</i> as a Director?
Professional	Yes	Does your advisor have PI?
Are you advising?	Yes	Have you PI?
Plant / Equipment	Yes	Specialised

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What other issues for an Owner?

- Loss of Pension / Asset (delayed revenues)
- Higher operational costs
- Potentially higher insurance costs / loss of insurance
- Personal – can be traumatic
- Regulatory – need to report and get replanting approval (Circular 19-2011 / Forest Service)

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What can the Woodland Owner do?

- **Site selection** / planning / Know your asset
- **Management practices** – risk assessment and prevention measures should be part of annual reporting; also ten year Management Plans
- **Fire plan** (and know where it is – inform family / contractor)
- **Firebreaks** / maintenance
- **Know the Neighbours** (not always as easy as it sounds)
- **Participate** in local / Regional fire plans
- **Prescribed Burning Code** know it, insist on it
- **Nominated person/s on call** during high risk periods
- **Report bad behaviour; make it your call**
- **Insurance – your call** – won't stop a fire ... but might ease the pain

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Causes of Fires

- Arson
- Carelessness – along roads, recreational
- Railway
- Fires from moorland, bogs
- Farm burning

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Emerging risks / Challenges

- Loss of timber supply
- Increased insurance costs
- Loss of insurance market – 2 3 major insurers
- Climate change
- Storm losses
- Environmental / pollution liability

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Thank you

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