

FORRISK Seminar
*International Conference on Private Forest
Insurance Policy*

Bilbao, 30th April 2014

Forest Insurance Scheme Ireland

Marina Conway
Manager
Western Forestry Co-op



Western Forestry Co-op
Your Local Forestry Co-op

Presentation Outline:

Forestry Sector Ireland

Forest Insurance in Ireland

History of Forest Fires

Main Causes of Forest Fires

Co-op Group Insurance Scheme

Perils

Sum Insured

Premiums

Claims History

Cancellations



Western Forestry Co-op

Your Local Forestry Co-op

Forestry Sector Ireland

Item	Value (2012)
Percentage land area under forest	10.5%
Area under forest	731,650 hectares
Area of forest which is State owned	54%
Area of forest which is in private ownership	46%
Value to the Irish economy of the forestry and forest products sector	€2.20 billion
Forestry as a % of GDP	1.3%
Employment	12,000
Government forestry budget	€116 million
Number of forest tree seedlings produced	45 million
Demand for afforestation	18,008 hectares
Demand for new forest roads	216,923 metres
Area of forest damaged by forest fire	75 hectares
Harvest of commercial roundwood	2.84 million cubic metres
Forest product exports	€303 million
Sawn softwood exports	€73 million
Wood-based panel exports	€179 million
Carbon sequestered by Irish forests	2.2 million tonnes
Recreational visits to Irish forests	18 million

Western Forestry Co-op

Established in 1985 by 7 main dairy Co-ops in West of Ireland to provide a back up service to farmers in forestry

Objectives of the Western Forestry Co-operative:

- a) Improve farm income
- b) Create employment in remote rural areas
- c) To work with local communities to maximise the benefits of a planned forestry programme on rural development, community amenity, the landscape and tourism.



Western Forestry Co-op

Your Local Forestry Co-op

Benefits of Co-operative Approach:

- 29yrs strong, long tradition of farm forestry
- Manage all forest areas, regardless of size for planting, harvesting, road building etc
- Team of Professional registered foresters
- Group Forest Insurance Scheme
- Group Certification Scheme (in progress)
- Work well with State agencies (field days, demonstrations, field sites)
- Advise the farmer on options that are best to suit their farm enterprise

Forestry Insurance in Ireland

Private Planting Scheme began in 1981

Approx 18,000 forest owners in Ireland

It is estimated a very small amount of forest owners insure their forest

1946 Forest Act – mandatory to replant forest land

Why do people not Insure:

- Cost
- Value of their Forest
- Age of forest
- Fire greatest risk but not as high as mainland Europe

Forestry Insurance in Ireland

Currently only 2 Insurance underwriters in Irish market

Forest Insurance is available from:

- Forestry Co-op
- Forest Management Companies
- Insurance Company

Insurance costs are increasing. Recent storm caused up to 7,000 ha of damage, no data on how much of this area was insured.



Western Forestry Co-op
Your Local Forestry Co-op

Incidence of Forest Fires Ireland

2012	-	75 ha
2011	-	1,500 ha
2010	-	1,000 ha



Main Causes:

- Gorse Burning
- Peatland Burning
- Accidental Fires
- Arson

It is illegal under the Wildlife Act to burn vegetation between the 1st March and 31st August.

Gorse Fires Satellite Image May 2011



Western Forestry Co-op Group Insurance Scheme

Established in 1989

Insurance Underwriters - FBD Insurance

Insurance Brokers - JLT Ireland

Scheme Manager - Western Forestry Co-op

- Complete Applications
- Collect payment
- Issue renewals
- Master List
- Claims



Western Forestry Co-op
Your Local Forestry Co-op

Why Insure?

- Mitigate Loss
- Loss of Timber Value
- Replanting Costs
- Grant and Premium Payments
- Fire Brigade Charges
- Public Liability

PROTECT YOUR MONEY TREE!



Western Forestry Co-op
Your Local Forestry Co-op

Perils Covered by Insurance Policy

- Fire (99.9% of claims)
- Lightning (No Claim)
- Aircraft (No Claim)
- Explosion (No Claim)
- Riot (No Claim)
- Civil Commotion (No Claim)
- Malicious Damage (1 Claim)
- Storm <20 yrs old (No Claim)
- Flood (1 Claim)



Sums Insured

1) Value of Timber:

Basis of cover is €750/ha at Year 1

Escalates in value at 6% per annum

Insurance premium 5% of Value of Timber

Government Levy - 5% of Insurance Premium



Western Forestry Co-op
Your Local Forestry Co-op

Sums Insured

2) Reconstitution Costs

Maximum cover up to €3,000/ha

(Removal of debris, ground cultivation, plants, replanting, fence repair, fertilising, maintenance)

3) Fire Brigade Cover

Fire Brigade call out charges to a max of €10,000 any one plantation

Government Levy - 5% of Insurance Premium



Western Forestry Co-op

Your Local Forestry Co-op

Sums Insured

4) Public Liability (Optional)

The legal liability of the insured for accidental bodily injury to third party persons or accidental damage to third party property.

Limit of Indemnity is €2,600,000 any one accident, unlimited any one period of insurance.

Does not cover people working in your plantation.

Government Levy – 5% of Insurance Premium



Western Forestry Co-op

Your Local Forestry Co-op

Sums Insured

Excess:

€127 each and every fire claim.

€2500 claim for storm damage in plantation up to 20 yrs

Exclusions:

Plantations not surrounded by green fields must have a vegetation free strip (6m wide) either inside or outside the boundary fence.

Storm cover shall not apply to plantations which are over 20 years old



Western Forestry Co-op

Your Local Forestry Co-op

Insurance Premium

Premium is based on:

Minimum

Value of Timber

Fire Brigade Cover (fixed fee/ha)

Optional

Reconstitution Cover (fixed fee/ha)

Public Liability (fixed fee/ha)



Western Forestry Co-op
Your Local Forestry Co-op

Insurance Premium

Example:

To include the Value of timber, Reconstitution & Fire Brigade

	Annual Premium
8 ha site planted in 2012	€168/annum
8 ha site planted in 2002	€197/annum
8 ha site planted in 1996	€233/annum
8 ha site planted in 1996	€317/annum



Western Forestry Co-op
Your Local Forestry Co-op

Insurance Premium

Example:

To include the Value of Timber & Fire Brigade Only

	Annual Premium
8 ha site planted in 2012	€42/annum
8 ha site planted in 2002	€62/annum
8 ha site planted in 1996	€78/annum
8 ha site planted in 1996	€116/annum



Western Forestry Co-op
Your Local Forestry Co-op

Example Claim

Value of Timber & Fire Brigade Only

8 ha site planted in 2002

6 ha burnt, Fire Brigade Charge

Value of Timber - € 7061 compensation

Fire Brigade – Based on Real Charge (to max €10,000)

Value of Timber, Fire Brigade & Reconstitution

8 ha site planted in 2002

6 ha burnt, Fire Brigade Charge

Value of Timber - € 7061 compensation

Replanting Costs - €18,000 max

Fire Brigade - €10,000 max



Western Forestry Co-op
Your Local Forestry Co-op

Claims History

Average of 6 claims per annum

Highest amount of claims was 34 in 2010

Lowest was none in 2005

2004 and 2006 had 1 claim each.

Risk was generally low (pre 2010 highest amount of claims was 10)

2010 and 2011 had periods of hot, dry weather with many ha's burnt.



Western Forestry Co-op
Your Local Forestry Co-op

Cancellations

During the economic downturn lot more policies were cancelled than any year since scheme inception

Small forest areas rarely cancelled (<6ha)

Large areas of forest planted in 1990's on peatland sites with low yield class (< 14), economic viability of insuring for loss of timber, however land **MUST** be replanted, large financial risk to forest owner

30ha site burnt = up to €90,000 replanting cost



Western Forestry Co-op

Your Local Forestry Co-op

Thank you

Questions Welcome



Western Forestry Co-op

Your Local Forestry Co-op