

Fire Technology Transfer Note

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Overview of Rural Fire Insurance Issues and Lessons Learned from Wither Hills fire, December 2000.

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Introduction

A report has been prepared by the Scion Rural Fire Research Group to look at insurance against losses from rural fires and its impact on the recovery and resilience process of communities affected by rural fire events (Graham & Langer, 2008). The report reviewed international literature on insurance studies which focused on insurance in relation to fires and floods as well as specific insurance matters concerning losses that have affected residents following rural fires in the United States (US), Australia and New Zealand. An overview of a farm insurance policy was provided as a guide to the type of insurance policies available in New Zealand. The overview also covered public liability insurance and the Forest and Rural Fires Act 1977 extension, which highlights the importance of this insurance cover.

In addition, the research examined the Wither Hills fire near Blenheim, which began on 26 December 2000, as a case study (see Figs. 1 & 2), which began on 26 December 2000. The research aimed to ascertain the major insurance problems faced by the farming community following the fire. An overview of the Marlborough District Council (MDC) insurance claims was documented, and recommendations from the study into rural fire insurance were provided.



Figure 1: The Wither Hills fire of December 2000 burnt over 6,000 hectares of farming land, destroying fences, water pipes, livestock, and plantation forests close to the main business district of Blenheim, December 2000.

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A second report was also prepared by the same authors, Graham and Langer (2009), describing a number of issues identified in fighting the same Wither Hills fire and providing an insight into the lessons learned from the fire event. The aim of this second report was to highlight some of the major problems that faced the New Zealand Fire Service (NZFS), the MDC and members of the rural farming community during the Wither Hills fire.

This Fire Technology Transfer Note presents a brief summary of the key findings and recommendations documented in both reports. The complete reports are available to download free of charge from the publications section of the Scion Rural Fire Research website: <http://www.scionresearch.com/fire>.

Case Study: 2000 Wither Hills Fire

The Wither Hills fire, the largest grass fire experienced in New Zealand since 1983, burnt through 6,159 hectares of farming land, destroying fences, water pipes, livestock, plantation forests, and the Wither Hills Farm Park, a farming and recreational complex owned by the Marlborough District Council (MDC). Fire investigators were unable to ascertain the actual cause of the fire, but it was established that it began on a grass verge approximately 5 km from the main business district of Blenheim. The fire took nearly 20 hours before it was contained, and was not officially declared extinguished until 14 March 2001.

The Wither Hills has returned to their pre-fire condition over time. This has been achieved through financial reimbursement of losses from the Council's insurance companies, through a grant obtained from several Government departments, landowners' personal insurance, recovery activities, and assistance from residents. The fire placed many of the affected farmers in dire financial positions as it was nearly two years before they were able to derive an income from their land. The majority of the farmers did not have adequate insurance cover, but they were able to rebuild their lives with some of their losses being covered by insurance, grants, hard work, and help from family and friends.



Figure 2: Location of the Wither Hills fire, December 2000 (MapWorld 2000, scale approx. 1:125,000).

Research Approach

Following a literature review, a total of 15 people were interviewed between December 2006 and February 2007. Six farming families were interviewed and provided a wealth of information about their experiences during and after the Wither Hills fire in December 2000. In addition, nine interviews were carried out with MDC staff, urban firefighters, paid rural firefighters and a volunteer rural fire-fighter and Civil Defence volunteers who assisted in the aftermath of the fire.

Key Fire Insurance Findings

The key findings from both the international literature review and the Wither Hills case study pointed to insurance problems faced by communities devastated by fire in the US, Australia and New Zealand. These include:

- lack of insurance;
- underinsurance;
- lack of awareness of the terms and conditions of insurance policies;
- incorrect calculation of sums insured;
- lack of understanding of the jargon used in insurance policy wordings;
- mistrust of the insurance industry; and
- deliberate underinsurance – taking a calculated risk.

In addition, the literature revealed that insurance incentives may not be an effective risk reduction measure, suggesting that the focus needs to move away from requesting that insurance companies offer premium reduction incentives. Rather, the focus should be towards homeowners and occupiers being made more aware of the ramifications of inadequate fire reduction measures and the need to take more responsibility towards ensuring they have adequate insurance cover.

In the New Zealand context, the two major insurance issues identified in the Wither Hills case study were lack of insurance and underinsurance. The reasons this occurred were due to either farmers not updating their policies on a regular basis because they were unaware that some assets needed to be specified; or because they elected not to insure against certain risks. The Wither Hills case study also revealed that individuals with adequate insurance cover in place and a good working relationship with their insurance broker were able to recover from the fire in a better financial position. Having adequate insurance cover in place, an awareness of what insurance policies do; or do not cover, and an understanding of how the insurance system operates assists in the recovery process. Nevertheless, there were additional costs farmers faced that were uninsurable, such as the cost of re-seeding the land and fighting the resurgence of weeds, in particular nassella tussock.

Recommendations: Rural Fire Insurance

The key recommendations regarding rural fire insurance derived from both the international literature review and study of the Wither Hills fire are:

- Homeowners/occupiers need to focus on ensuring that their properties are less susceptible to fire damage, and whether or not they are entitled to any form of insurance incentives;
- Homeowners/occupiers should have a fire plan in place that is updated at the beginning of each fire season. Part of the plan needs to be a review of their current insurance arrangements. If people are unsure about policy cover then they must be proactive in asking their insurance company or broker to clarify any matter that they are not clear about. If people then make the informed decision not to insure certain assets, or not to take out cover such as loss-of-profit insurance, then at least they are more aware of what their policy does or does not cover in the event of major loss occurring;
- Policy holders should be aware of who they are insured with and who to contact in the event of having to make a claim. They should also know the name of the person to speak to if they have any concerns about their claim once it is lodged;
- They should be aware of the claims process. They should speak to their broker or insurance company representative to ascertain what happens after a fire and what documentation the insurance company requires;
- Policy holders should be aware of what their policy does and does not cover and whether their sums insured are adequate. This is the responsibility of the policy holder;
- They should request that their broker or insurance company explain their policy cover to them. They need to make time to meet with insurance professionals;
- Insurance policies should be reviewed on an annual basis to ensure policies reflect any changes that have occurred over the previous 12 months;
- To ensure they have adequate insurance cover, it is recommended that landowners deal through a reputable insurance broker. One of the best methods of selecting a broker is to ask other property owners who deal with a broker about their service, etc. The broker should also be a member of the Corporation of Insurance Brokers. The advantage of dealing with a broker is that you have an independent person to speak to at any time and they have the ability to make comparisons about available farm insurance products;



Figure 3: The Wither Hills fire impacted on the rural and urban communities of Blenheim and surrounding districts.



Figure 4: Left: The Wither Hills fire impacted traffic on State Highway 1. Right: The fire placed affected farmers in dire financial positions as most did not have adequate insurance cover and it was nearly two years before they derived an income from their land. Farmers with adequate insurance cover in place were able to recover from the fire in a better financial position.

- From the interviews undertaken, it appears some farmers do not insure specific assets or insure their loss of profits because they believe the insurance premiums would be too expensive. It is recommended they contact their insurance representative and obtain quotations for as wide a cover as possible. All available facts could then be considered before a decision not to insure was made;
- Farmers who insure different aspects of their business with different insurance companies should consider a farm package with one insurance company to avoid having to deal with a number of assessors following a loss;
- People moving to new lifestyle-block developments need to be aware of the requirements and liabilities under the Forest and Rural Fires Act 1977, and to ensure they have adequate insurance cover in place. In this instance, it is more than likely residents will own their own homes. Local district councils could provide an introduction pack to new residents that includes a section on insurance;
- Attention needs to be drawn to the fact that people who visit rural areas for whatever purpose (work, recreation, hunting, camping, fishing etc.) can be held legally liable if they start a fire that damages third-party property and for the associated fire suppression costs. People need to check that they have adequate liability cover under their domestic and/or commercial insurance policies;
- People need to be more aware of the risks they face, with the argument that 'this will not happen to me' being challenged. Details of information from case study research such as the Wither Hills fire need to be published widely to highlight exactly what happened to these communities. It would be useful to ask Federated Farmers of New Zealand and other similar organisations to include the information in their publications. This relates to matters other than insurance (e.g. the decision to move, or not to move, stock); and
- A summary of the key points should also be listed on appropriate websites to highlight the ramifications of not insuring, or electing to underinsure, fences, stock, or loss-of-profit insurance.

Key Lessons Learned from the Withers Hills Fire

A number of issues were identified in the interviews concerning the fighting of the Wither Hills fire and in reduction and readiness activities. Issues focused on a lack of resources (i.e. inadequate numbers of fire-fighters, rural fire-fighting appliances, firefighting equipment and two-way radios), the absence of a trained volunteer rural fire force, and communication difficulties.

A significant finding of this study was the perceived differences in the way that urban and rural people respond to fires. The difference in approaches used by urban and rural firefighters, the aftermath of the fire, the issue of blame, and the importance of de-briefing meetings have led to a number of recommendations.

One of the major findings was that a tension remained at the time of the 2006 study between farmers and the Marlborough District Council (MDC) and firefighters concerning the role of farmers in fighting fires. A key recommendation was to investigate the opportunity to arrange open meetings between the farmers, the MDC and New Zealand Fire Service (NZFS) managers. This would assist in developing awareness within the community of why fire services and the MDC are reluctant to have inadequately trained people in frontline firefighting positions, as well as increasing understanding of farmers' wishes to protect stock and their properties. This may help resolve some of the tensions that still existed when the study was carried out, six years after the fire.

There have been many positive outcomes as a direct result of the fire as the MDC, in their role as the Rural Fire Authority, has purchased new appliances and equipment, and subsequently established a volunteer rural fire force in Blenheim.

It is hoped that the information obtained from the study of the Wither Hills fire will assist fire researchers, regional and district councils, and Rural Fire Authorities to improve fire management practices, thereby enhancing the resilience of communities to rural fires.



Figure 5: The Wither Hills fire came uncomfortably close to farm houses and buildings, as well as the outer suburbs of Blenheim.

Recommendations: Lessons learned from the Wither Hills fire

Lessons learned from the Wither Hills fire in December 2000 provide recommendations for all Rural Fire Authorities, and more broadly for fire management in New Zealand. These include:

- Ensure legal advice is sought to address concerns around legal liability in relation to recreational users of council land, to protect councils against the risk of people being harmed by a fire event;
- Investigate opportunities to hold regular, open meetings or seminars for landowners (farmers, and lifestyle property and vineyard owners) with the Rural Fire Authority to discuss the landowners' role in fire events to ensure adequate preparedness. Information about Rural Fire Authority and fire-fighting service requirements for public liability and statutory liability (in particular, requirements under the Health and Safety in Employment Act 1992) should also be provided;
- Examine ways of making good use of local knowledge, such as the role of a community liaison person to assist with the management of fires. Discuss issues with local residents and landowners to determine issues such as which local farmers need access in order to protect their farm properties and stock;
- Engage in more general dialogue with farmers to understand their attachment to their livestock and other property and livelihood values;
- Explore organising seminars which discuss the importance of having adequate insurance cover. These seminars could be organised by the Rural Fire Authorities, assisted by a local insurance broker, or their insurance broker;
- In addition to 'invitation-only' debrief meetings following rural fires, organise public meeting(s) to ensure that all members of the community who were involved, assisted, or who were affected by a fire event are able to voice their concerns soon after the fire debrief meeting. This will help individuals and communities manage the psychological effects of a fire event;
- Ensure a well resourced and well maintained communication system is available for emergency incident management;
- Establish and maintain a contact list of representatives from the farming community who will act as liaison people during a fire;
- Encourage farmers to establish and maintain an up-to-date contact list of farmers' mobile phone numbers in a phone-tree system to facilitate communication between local farmers and their farmer liaison representatives;
- Consider providing a level of basic training and education in firefighting to farmers and farm residents/workers outside of a rural fire force to allow them to assist in firefighting support capacities. These options should be discussed with farmers and their workers to enable this to happen. People who want higher-level training to meet fire standards should be encouraged to join and/or form a Volunteer Rural Fire Force;
- Ensure regular interaction between urban and rural fire services through joint training, simulated fire exercises, etc; and
- Establish recovery plans within fire plans (as well as Civil Defence Emergency Management plans) that highlight the importance of a coordinated fire recovery process for the local community. Rural Fire Authority staff responsible for this process should meet with representatives of organisations such as Civil Defence and Emergency Management, Federated Farmers of New Zealand, Rural Women of New Zealand, and the Salvation Army to develop an appropriate emergency plan for fire events. Where possible, fire recovery planning should also involve appropriate community groups or individuals.



Figure 6: Starting on the outskirts of suburban Blenheim, the fire spread rapidly onto the Wither Hills.

References

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