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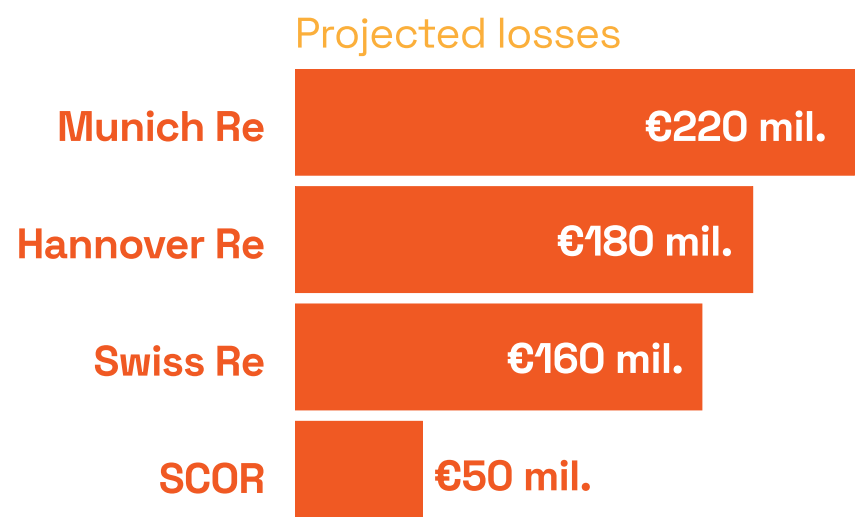
Wildfires Redefining Risk

How Veridion Data Empowers Commercial Insurers in a Changing Climate

Wildfires like those currently raging in California are profoundly reshaping the commercial insurance landscape. The Palisades and Eaton fires alone have destroyed over 12,000 structures in less than a week, displacing families and businesses alike. Estimated insured losses for California's insurance market have surpassed $20 billion, with global reinsurance firms bracing for further claims.

The unexpected severity of these events underscores the urgency for insurers to rethink their risk strategies and incorporate more dynamic data solutions to better understand and price risks.

The financial impact is reverberating across the globe, with losses projected to range from $15 billion to $40 billion. This strain is especially felt by international reinsurers, with Berenberg analysts reporting wildfire-related losses exceeding $1 billion (€0.98 billion) for European firms, adding to pressures in an already hardening market.

Among the hardest-hit reinsurers are:

Projected losses

Reinsurer	Projected losses
Munich Re	€220 mil.
Hannover Re	€180 mil.
Swiss Re	€160 mil.
SCOR	€50 mil.

Three Key Factors Behind California's Insurance Crisis

1 UNDERPRICED PREMIUMS IN HIGH-RISK AREAS

California's wildfire-prone areas have historically had some of the lowest insurance premiums in the nation. For example, Pacific Palisades, one of the hardest-hit regions, has enjoyed premiums cheaper than 97% of U.S. zip codes, despite its high wildfire risk. This underpricing has left insurers with inadequate reserves to address the surging losses.

2 REGULATORY CONSTRAINTS

California's historically consumer-friendly regulatory environment has hindered insurers from adjusting rates to reflect rising wildfire risks. Proposition 103, for instance, imposes strict limits on rate increases, requiring lengthy reviews and approvals.

Under recently enacted regulations, insurers must not only adopt risk-based pricing but are also required to continue writing policies in fire-prone areas. **California's Insurance Commissioner** recently issued a moratorium preventing insurers from canceling or non-renewing policies in affected areas for the next year. While these measures are intended to stabilize the market, they could lead to further strain as insurers contend with escalating losses and rising claims.

3 CLIMATE CHANGE INTENSIFYED WILDFIRE ACTIVITY

Shifting precipitation patterns and stronger winds, driven by climate change, are exacerbating wildfire frequency and severity. While personal lines insurance is often the most affected, **commercial insurance portfolios are increasingly exposed.** Major insurers, such as State Farm, have responded by scaling back exposure, either by canceling policies or withdrawing from high-risk markets entirely.

With insurers pulling back, many homeowners and businesses have turned to California's FAIR Plan, the state's insurer of last resort. This industry-funded program offers basic coverage, but its limitations leave gaps in protection for policyholders in high-risk areas.

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A Changing Risk Landscape:
The Suburban Shift

Traditionally, wildfires were seen as a rural problem, affecting residential properties and forested areas. However, the Palisades and Eaton fires represent a new paradigm, targeting suburban zones where commercial properties are densely concentrated. These regions present unique challenges for insurers:

- **Higher property values** drive up claims costs.
- **Dense infrastructure,** such as offices, logistics hubs, and retail centers, amplifies potential losses.
- **Complex evacuation logistics** increase the severity of insured events.

Chris Zoidis, CEO of Atain Insurance Companies, explains: "Typically, when we think wildfire, we think rural areas and more of an impact on homeowners than commercial buildings. But this is hitting suburban areas, and it's moving quickly."

This shift underscores an urgent need for insurers to recalibrate risk models that previously underestimated the wildfire exposure of suburban and commercial portfolios.

Understanding the Impact of LA wildfires
with Veridion's data

The extent of wildfire disruptions is showcased in the vizualization below, powered by Veridion's data. Our analysis identifies the key business activities affected and quantifies the economic and operational, providing detailed insights into the specific types of locations impacted.

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LA **wildfires'** impact on key business sectors

A look at the top 20 business activities affected by the wildfires

Chart (y-axis in thousands, from bottom to 7K):
- Real Estate - Agents & Managers
- Hospitals & Clinics
- Mental Health Specialists
- Other Durable Products
- Art & Music Publishers
- Therapy & Alternative Medicine
- Restaurants
- Accommodation
- Clothing
- Software & IT Services
- Marketing & Advertising Agencies
- Photographers & Photographic Studios
- Lawyers
- Finishing Contractors
- Entertainment
- Architecture & Planning
- Professional Schools
- NGOs
- General Contractors & Heavy Construction
- Investment Firms & Consultants

Total overview

🏢 **65k** Companies

👥 **527k** Employees

💳 **115B** Overall total revenue
projected for all business locations

Affected Businesses Type

73%		13%	7%	3%	4%
Services		Retail	Manufacturing	Non Profit	Others*

*Education, Wholesale, Government, Blogs & Publications

Type of Location

19%	15%	13%	11%	10%	6%	4%	4%	4%	4%	2	2	6%
Medical Facility	Establishment	Office	Transportation Facility	Retail Outlet	Financial Services	Public Services	Construction Facility	Education Facility	Recreational Facility	Media and Entertainment	Religious Facility	Other*

*Art and Cultural Spaces, Manufacturing Facility, Storage & Logistics Facility, Entertainment Facility, Government Facility, Energy Facility, Laboratory, Utilities

Powered by Veridion's data, our analysis provides an unparalleled understanding of the wildfire disruptions in **Los Angeles County:**

65,000 companies and **527,000 employees** were affected, with an estimated **$115 billion in revenue losses.**

The majority of impacted businesses belong to **services (73%),** followed by **retail (13%)** and **manufacturing (7%).**

Among facility types, **medical facilities (19.24%), offices (13.33%),** and **retail outlets (9.72%)** were most affected, highlighting diverse vulnerabilities across key locations.

Location Intelligence:

A Competitive Advantage for Commercial Insurers

Veridion provides unparalleled location intelligence by identifying secondary locations, classifying address types, and validating business activities, including operational status and address functions. Additionally, Veridion's ability to analyze a company's website listings —such as connections with dealers, partners, and subsidiaries—offers a complete and actionable view of a business's ecosystem. This level of precision empowers commercial insurers to:

→ More precisely evaluate property and liability risks tied to individual locations.

→ Tailor policies to reflect the specific operational realities of their insureds.

→ Reduce claims costs by identifying vulnerabilities within interconnected ecosystems.

→ Strengthen portfolio management by identifying high-risk zones or inactive locations.

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Veridion Data:

Empowering Commercial Insurers with actionable insights

The insights provided by Veridion extend well beyond identifying the businesses and facility types impacted by disasters like wildfires.

With comprehensive data offerings—including ESG (Environmental, Social, and Governance) metrics, location-specific insights, and precise business descriptions and classifications—Veridion addresses critical gaps in risk management and resilience planning. Its actionable intelligence enables insurers to revolutionize underwriting, refine risk assessment, and optimize portfolio management in a landscape increasingly shaped by climate-related challenges.

As the commercial insurance industry faces rising claims and shrinking coverage options due to escalating climate risks, here's how Veridion's data empowers insurers to adapt and thrive:

Risk Assessment and Tailored Pricing

The combination of Veridion's granular location data with climate risk insights allows insurers to pinpoint specific vulnerabilities across a region. By accurately identifying high-risk zones—whether wildfire-prone suburban areas, coastal regions susceptible to hurricanes, or floodplains —insurers can refine their risk modeling. This precision supports the development of tailored premium strategies, ensuring pricing reflects the true risk exposure while mitigating portfolio-wide risks.

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Enhanced Underwriting with Granular Insights

Veridion's dynamic, real-time data uncovers critical details about businesses and their operations that might otherwise go unnoticed. From identifying the operational status of a location (active, inactive, or temporarily closed) to understanding whether a facility is an R&D center, a manufacturing plant, or a retail outlet, Veridion's data enables underwriters to better evaluate risk factors. This level of detail ensures that underwriting models are informed by accurate, up-to-date information, reducing the risk of misclassification and unexpected claims.

Driving Climate Resilience

Insurers can leverage Veridion's insights to encourage businesses to adopt climate-resilient measures. By identifying vulnerable locations and operations, insurers can incentivize businesses to invest in preventative systems—such as fire mitigation tools or flood-proof infrastructure—through tailored premium reductions. This approach not only reduces potential claims but also fosters a more resilient commercial environment.

Streamlined Policy Renewals

Veridion's enriched business profiling simplifies the policy renewal process by verifying the accuracy of commercial activities and classifications. Misclassifications, which often lead to disputes or escalated claims, are significantly reduced, allowing insurers to renew policies with confidence and efficiency. Moreover, Veridion's ability to map secondary and group addresses ensures that insurers have a complete view of a business's physical footprint, which is critical in evaluating exposures tied to subsidiary or corporate group structures.
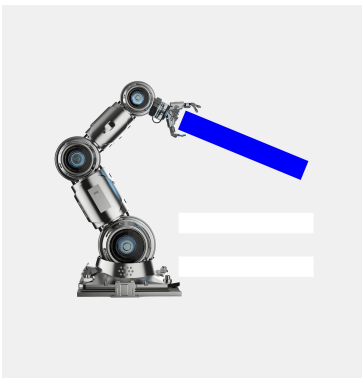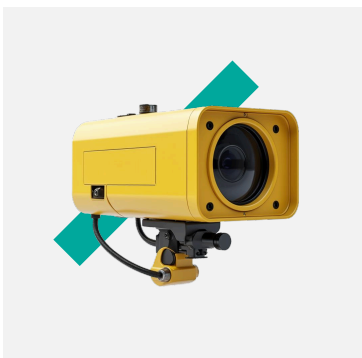
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Why choose Veridion?

EXTENSIVE GLOBAL COVERAGE:
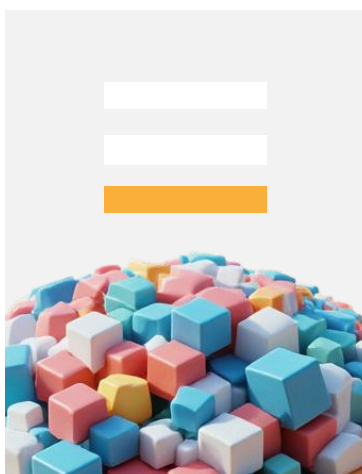Over 129 million company profiles, spanning SMBs across 250+ countries and territories.

LOCATION-SPECIFIC INSIGHTS:
Detailed data on headquarters and secondary locations ensures comprehensive geographic risk assessments.

REAL-TIME UPDATES
Weekly refreshed data ensures businesses can monitor supply chain changes as they occur.

PRODUCT DATA:
With over 550 million products and services cataloged, Veridion's data enables companies to verify supplier compliance with regulatory and sustainability standards.

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Interested in learning more about how Veridion's data and products can support your business?

Explore Veridion

Additionally, dive into our latest case studies and reports to see the impact of our solutions in action:

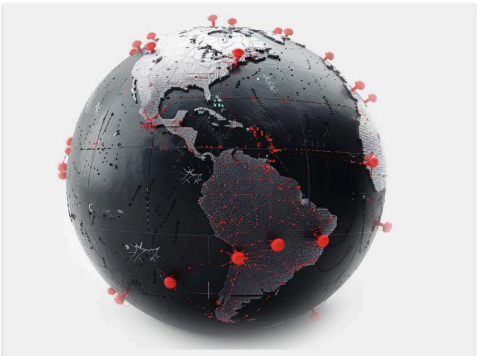All | Risk Management | ESG | Procurement | Insurance

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