



Southern California Wildfires

Businesses Mainly in Good Shape, but Smoke Has Yet to Clear

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As of press time, more than one dozen wildfires in southern California have caused an estimated \$1 billion of damage in San Diego County alone, destroying more than 1,000 homes, scorching roughly 700,000 acres of land and displacing nearly 1 million residents throughout the region.

But the affect on area businesses is more difficult to quantify. The fires still are largely uncontained and dependent on the weather, while most offices in San Diego remain at least partially closed.

An executive for a large, San Diego-based workers' compensation insurance carrier, speaking on condition of anonymity, says the business impact of the fires remains to be seen.

"Once the fires start to get under control, we should hear more about the business impact," the insurance executive says, via email. "Everyone got plenty of notice, so actual work injuries should be minimal, as most businesses were shut down late Monday through today."

One attorney in Los Angeles says the fires have not affected her or her colleagues "yet," stressing the importance of preparation and flexible communication technology.

"Having the capacity to work from home is clearly critical if roads are closed," says Susan Fowler McNally, partner with Gilchrist & Rutter PC, via email. "One of our lawyers has been working from home due to road closures which would make his commute over two hours each way, so having the Citrix system [encrypted access to the desktop computer] has been useful."

California Executive was unable to contact other business owners or interested parties located in southern California on such short notice, but others experienced with the business aspect of natural disasters were willing to discuss the wildfires in a business context.

"Now, everybody's doing assessments," says Bob Boyd, president and CEO of Agility Systems Inc. "The word I'm getting from customers is that it's a day-to-day, hour-by-hour type of thing."

Agility, which is based in Charlotte, N.C., provides a subscription-based contingency service – in the form of mobile workstations with computers, power-generation and communications – for businesses impacted by disasters. Since residential areas are bearing the brunt of the damage, most of Agility's southern California business customers remain in the clear, Boyd says.

"Some of them have put us on alert. Two members think they will have us bring mobile offices for them, since they need to be able to take calls," Boyd says.

Should the fires encroach on more commercial areas and threaten more businesses, the smallest operations likely will suffer the most, says Sam Gutmann, co-founder and CEO of off-site data backup company Intronis Technologies LLC.

"IT backup concerns don't usually come to the front of mind of small business owners," says Gutmann, whose company is based in Englewood Cliffs, N.J. "For fire, as opposed to other disasters, any on-site backup doesn't cut it. If your whole building burns down, then you're out of luck."

Intronis has not yet received any calls from southern California clients for backed-up data, which the company makes available to clients whose on-site data is lost or destroyed, but Gutmann says it is still too early to determine the fire's impact.

"We really won't find out until the next couple of days, until after the fires are put out," Gutmann says.

The main issue for insurers and their insured businesses will be the question of valuation, since determining business loss from the wildfires will be a very difficult task, says attorney Rachel S. Kronowitz, partner with Gilbert Randolph LLP, based in Washington, D.C. Kronowitz, who specializes in risk-assessment and insurance recovery, worked with a number of business and residential clients in the aftermath of Hurricane Katrina.

"The valuation of the loss of business on a daily basis is very difficult to assess. The real question is when you go and try to recover under those policies, how you will be able to collect? That is especially troublesome if your records are not accessible," Kronowitz says.

But until the embers have cooled, it is very difficult to assess the extent of the damage in southern California.