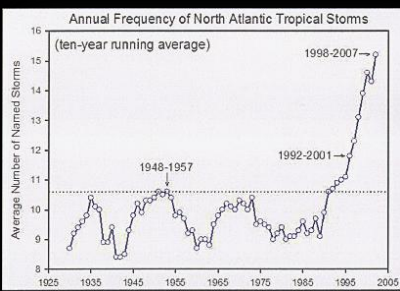


**IS CLIMATE CHANGE AFFECTING FORESTS?**

Yes. Recent scientific studies show that what was once thought of as a 1 in 100 year event for extreme temperatures, is now nearer 1 year in 12. This is an 8 times increase in frequency. Extreme temperatures drive hurricanes and typhoons, extreme rainfall, floods, droughts and forest fires (chart source; [pewclimate.org](http://pewclimate.org)). Similar charts can show fire loss trends in forestry. Fires are growing in frequency, severity and cost. Frequency is a function of increased human activity creating ignition sources, while severity is responding to fuel moisture, wind and temperatures. US data illustrates this well, and is typical of the pattern worldwide.



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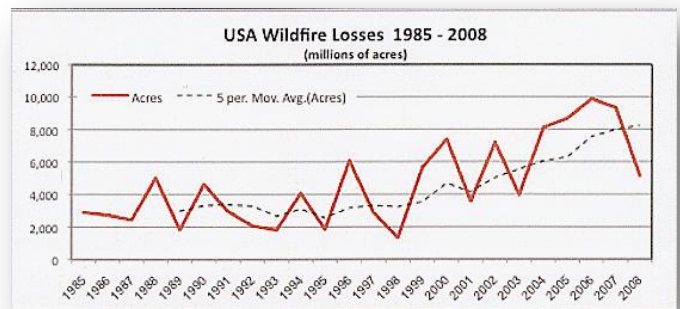
**MOTHER NATURE'S SHOCK & AWE**  
(or, Where did THAT come from?)

**FORESTRY: A FIRST CLASS ASSET**

Forestry investment is an established and respected asset class, delivering stable strong returns compared with other more volatile established investment portfolios, provided Mother Nature is kind. The asset class however, needs protecting from catastrophic events that could wipe out or severely curtail the investment return. With strong evidence that climate change is increasing forest losses, can you afford to let this happen without fully understanding the risk for your investors?

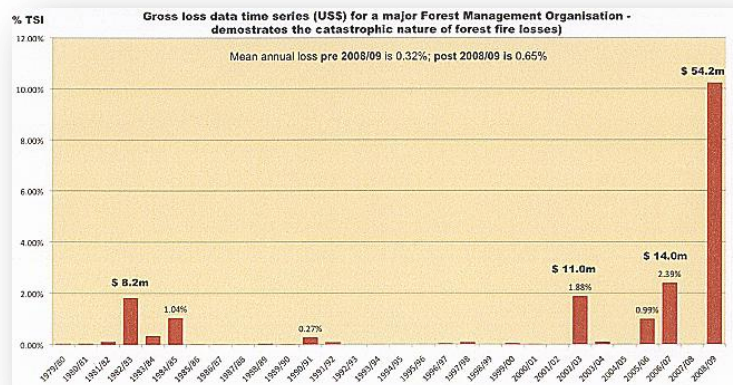
**WHAT IS A CATASTROPHIC LOSS?**

It is an infrequent and severe event, and may be caused by fire, and in some parts of the world, hurricane, typhoon or ice & snow. Typically a single catastrophe event can be in the order of US\$ 35 million for forestry. But they can be much bigger.



**Fire**

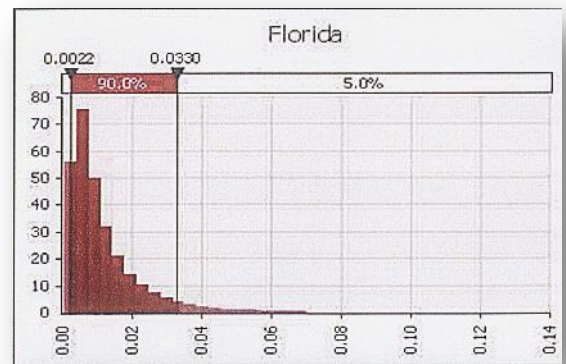
All companies self-insure frequent losses. Such losses may be only 0.1% or 0.2% of total values, with many years loss free.



However, the problem is for the unexpected catastrophe event that shocks timberland managers who consider fire threat as 'controllable'. Over 10% of the area may burn in a single year.

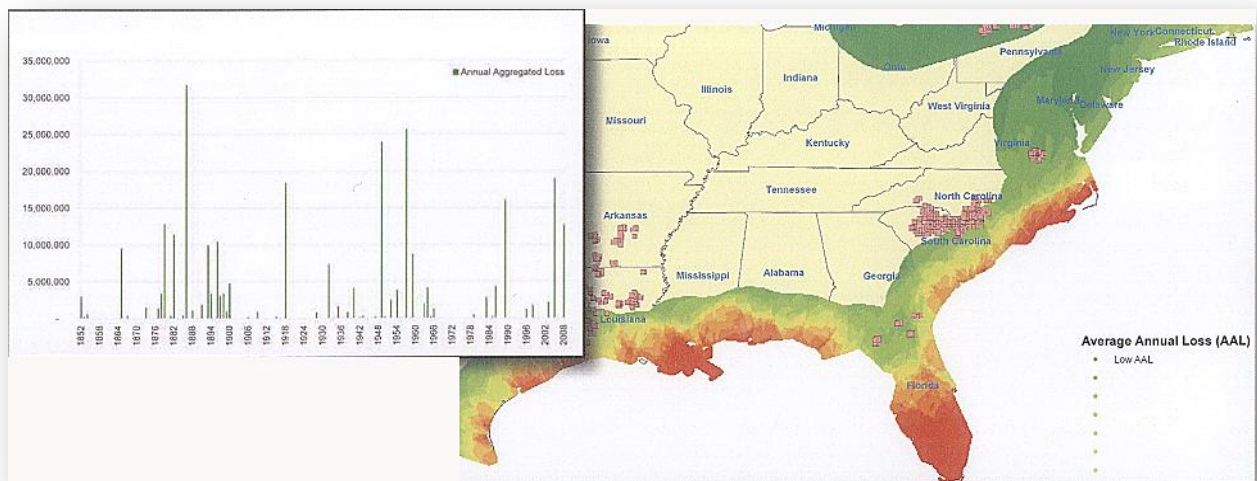
In this example the average annual loss over 29 years was 0.32%. After the catastrophic loss, the average loss doubled to 0.65%. Such catastrophe events can be insured. As shown, annual fire losses are very variable. It is clear that fire cannot be managed when conditions are severe.

To determine losses that might occur due to fire, ForestRe use the best data available on commercial timberland to generate a modelled loss profile. This helps you to estimate for any state or for the entire portfolio, the potential value of the catastrophic loss and its frequency.



## HURRICANE RISK PROFILES

Hurricanes trample across the southern and eastern states of the USA. ForestRe have produced the first map of hurricane impact on timberland for southern and eastern US states. Our risk map is able to generate annual average gross losses for any forests or portfolio spread over the last 157 years of tropical storms. We do this to a 5 X 5 mile accuracy for the critical 100 miles in from the coast. We can overlay any institutional portfolio and determine the total losses any one year, all years (as shown) and the mean loss US\$. Our results show us that the danger is from multiple storms in any one year. Ice storms and fire pose similar threats.



## LATIN AMERICA, EUROPE, ASIA AND AFRICA

Protecting forestry as an asset class has to be a critical issue for any investor, whether Pension Fund, TIMO or Real Estate Investment Trust. ForestRe has over 20 years unparalleled GLOBAL forestry expertise in gathering data and has the ability to understand risk, relative to the life cycle of the investment. All investments have different risk characteristics and coupled with the timeline and location, every risk has a unique profile.

Errors and Omissions, Directors and Officers liability and increased Fiduciary responsibility necessitates that any catastrophic exposure must be quantified and that exposure managed – possibly insured. ForestRe is considered to be at the forefront of profiling the risk of these valuable assets; indeed we are regular contributors on the global stage. To view some of our case studies and our credentials please visit our web site [www.simmlands.com](http://www.simmlands.com).



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