

---

# PERSPECTIVES

## **WHEN THE SMOKE CLEARS:**

Business Interruption Claims from Wildfire Evacuations Without Physical Damage

---



Our perspectives feature the viewpoints of our subject matter experts on current topics and emerging trends.

Copyright © 2025 J.S. Held LLC, All rights reserved.

## Introduction

Over the past three to four summers, the insurance industry has seen a significant increase in wildfire evacuation claims (also known as civil authority). The Insurance Bureau of Canada ranked the summer of 2024 as the “most-destructive season in Canadian history for insured losses due to severe weather,”<sup>1</sup> and beyond the destruction of property, these wildfires are causing losses from the related evacuation orders that expand the impacted area beyond where the fire is physically located. Numerous towns have been evacuated under the threat of fire from coast to coast, resulting in interruptions to businesses even without the usual necessity of physical damage. So far in 2025, there have been evacuation orders lasting as short as 24 hours and as long as 30 days or more.

As of July 2, 2025, there have been a recorded 2,672 wildfires in Canada—approximately 2% more than the historical 10-year average in the number of fires, but the severity and size of these fires is more than 200% above the 10-year average, with over 4.3 million hectares burning this year.<sup>2</sup>

The insurance industry is used to dealing with losses driven by physical damage, but what about those losses where there is no physical damage component for the insured party? This article explores some of the unique considerations for wildfire evacuation claims where the businesses suffer no physical damage. The following information may be of particular interest to claims adjusters and commercial insurance brokers.

## Indemnity Period Limits in Business Interruption Insurance

While each policy is unique and comes with its own terms and conditions, there are a lot of commonalities between policies and insurers when it comes to what indemnity periods will be considered for a claim, based on the nature of that claim. In physical damage claims the indemnity period may be limited to either the resumption of business or when operations/sales return to “normal,” potentially subject to a maximum of 12 months, 24 months, or some other time limitation.

The indemnity limitations for evacuation claims can be more limited compared to physical damage claims. Claims may be strictly limited to the dates on which a formal evacuation order is in place. There is no margin for businesses choosing to close and evacuate prior to the official evacuation order or for those who take days beyond the end of the order to return to the area and resume operations.

The maximum indemnity periods available for evacuation claims are also much shorter, often capped at 14 or 30 days from the start of the order period, compared to the 12+ months a physical damage claim would be eligible for.

<sup>1</sup> “Summer 2024 shatters records for severe weather damage: Over \$7 billion in insured losses from floods, fires and hailstorms”, September 24, 2024, Insurance Bureau of Canada, <https://www.abc.ca/news-insights/news/summer-2024-shatters-records-for-severe-weather-damage-over-7-billion-in-insured-losses-from-floods-fires-and-hailstorms>  
<sup>2</sup> National Wildland Fire Situation Report, July 2, 2025, Natural Resources Canada, <https://cwfis.cfs.nrcan.gc.ca/report>

## Projecting Profits & Losses After Wildfire Evacuations

The size and location of the towns which have been most heavily impacted by the wildfire evacuations in the past few summers create some unique issues that must be considered when assessing the loss of revenue. When we are speaking about Canadian wildfires and the corresponding evacuations, many of the towns we are talking about are quite small and frequently located in more remote areas. Often these towns are heavily dependent on seasonal tourism to generate income, and the summer fire season also happens to be peak tourism season.

When examining the situation to identify potential losses, there are a few things to keep in mind:

» *Prior Year Performance vs Performance in Prior Weeks* - When projecting revenue for shorter indemnity periods, projections are often based on the actual performance that the insured was achieving in the weeks prior to the interruption. However, the impact of seasonal changes like tourism can negatively impact the accuracy of this approach.

Looking at sales in the corresponding period of the prior year in conjunction with performance just prior to the evacuation can help establish a more accurate projection of what sales may have looked like but for the occurrence of a wildfire.

It is also important to understand what may have happened in those prior years when assessing applicability to the current situation. For example, the wildfires in Jasper, Alberta, in the summer of 2024 are expected to take

several years to recover from, with much of the town destroyed and the national park damaged. The national park was a large tourist draw for that region, and damage will deal a blow to tourism in that area potentially for years to come. At the same time, the fire danger rate for the same area was moderate-to-high at the time of writing this article (July 2025).<sup>3</sup> As a result, should an evacuation order be issued again, projections of revenue should account for the reduced economic performance of the region resulting from previous fires.

» *Long Weekends/Holidays* - Beyond the general seasonal shifts associated with tourism areas, the impact of holidays and long weekends can also have a significant influence on revenue. With holidays that vary slightly from year to year, such as the timing of the long May and August weekends, it is important to consider the timing of these relative to both the evacuation period and the historical performance.

A great example of this impact can be found in evacuations that took place in eastern Manitoba in May 2025, impacting primarily hunting and fishing resorts over a seven-day period which included the Victoria Day holiday. In reviewing the performance of those businesses, we found most of their revenue for the entire month was generated in that one long weekend.

» *Pre-Evacuation Sales Surge* - In the days leading up to an evacuation, certain businesses such as hardware stores and grocery stores may experience a surge in sales as people prepare to leave their homes for an unknown period. When examining the revenue of a business in the days prior to an evacuation, it is important consider if a portion of the sales may be unsustainably impacted by this bump in sales.

<sup>3</sup> Government of Alberta - Fire Danger Rating, ESRI, CGIAR, USGS, July 8, 2025 - <https://experience.arcgis.com/experience/0e45bd0ef9814d5e9ec3f87900a4cfe9/page/Wildfire-status?views=Fire-danger-rating>

## Loss of Business Due to Power Outage

Existing in between business interruption claims for physical damage and those related to wildfire evacuations, a third related but distinct set of claims can also arise—claims due to power outages. The damage to infrastructure resulting from wildfires can easily result in loss of power to businesses not otherwise directly affected by the fires or evacuations.

Many power outage coverages have distinct limitations worth noting:

» *Waiting Periods* - Claims for power outages are typically subject to a waiting period or time-based deductible. This limitation most often means that losses during the first 24, 48, or 72 hours of a power outage are not eligible for compensation and are excluded from the loss assessment.

» *Period of Coverage* - The second important limitation is that coverage is typically ended once the power has been restored, and the maximum indemnity period is often limited to days or weeks. There is generally no provision for the consideration of losses after power is restored, regardless of whether the insured can resume operations immediately. This is important, because in the event of a prolonged power outage the insured may not have staff readily available to immediately resume operations, and it may take additional time to get equipment back online and operating.

» *Mitigation of Losses* - In the event of a prolonged power outage it is possible to have power supplied through the rental of generators. These rentals can mitigate the loss of profit but also come with the potential for an extra expense claim.

## Business Continuity Challenges

Many insurers, when dealing with wildfire evacuation claims, are firm in the position that the indemnity period ends on the date the evacuation order is lifted, unless the claimant suffers physical damage. As a result, insureds who believe they are not fully compensated may attempt to position they are entitled to [consideration of losses](#) beyond the evacuation period. As such, it is worth highlighting some of the issues these insureds may face after an evacuation:

» *Slow Return of Residents* - When an evacuation order is lifted the residents of the area may not immediately return; this may include the employees of a business, which may prevent reopening, or it may mean there is no customer base to reopen for. For example, during the recent evacuation of Red Earth Creek, Alberta, while the evacuation order was lifted on June 25<sup>th</sup>, many of the business owners did not return to the town until June 27<sup>th</sup> or 28<sup>th</sup> and did not reopen their businesses until June 30<sup>th</sup> as they tended to their homes first.

» *Spoilage* - For many restaurants and grocery stores, perishable food products must be disposed of and replaced prior to reopening for food safety reasons. Insurance professionals might have conflicting positions as to whether the spoilage of food products constitutes physical damage, which may result in extending coverage. Regardless of whether coverage is extended, it will take days for those products to be replaced.

- » *Loss of Tourism* – When an area experiences a significant event like a fire, tourists may choose to stay away during the recovery period for a variety of reasons, such as:
- Loss of attractions (e.g., portions of Jasper National Park remain closed for nearly a year after the fire).
  - Loss of amenities (hotels, cottages, restaurants).
  - Ongoing air quality issues.
  - Fires in neighboring areas that inhibit travel.

## Conclusion

With the increase in size and number of wildfires in Canada each year, we expect to continue to see a rise in business interruption claims caused by wildfire damage or evacuation. As with all disasters, ensuring proper coverage prior to disaster striking is extremely important, and knowing what to look for when quantifying a loss can have a significant impact on the claim cost and the efficiency with which these claims can be handled. If you or your organization have concerns about these or other potential impacts of wildfires, be sure to reach out to expert forensic accountants who may be able to assist with planning and loss assessment before, during, or following a wildfire event.

## Acknowledgments

We would like to thank our colleagues Juliet Brooks, CPA, CMA, DIFA, and Lisa Jackson, CPA, CGA, for providing insights and expertise that greatly assisted this research.

[Juliet Brooks](#) is a Vice President in [J.S. Held's Forensic Accounting – Insurance Services practice](#). She has worked in the insurance industry providing financial advisory services since 2008. With over 16 years of experience in damage quantification and investigative accounting, her expertise has been determining, verifying, and analyzing matters by examining accounting, operating, and financial records and interviewing various stakeholders. She is

also experienced in interpreting and communicating these financial facts, calculations, and recommendations concerning litigation support and investigative insurance loss accounting services into easy-to-understand, unbiased, plain-language reports for various parties. Juliet is extensively involved in J.S. Held's Canadian property insurance practice. She specializes in quantifying losses for commercial property claims. Based in southern Ontario, she actively handles claims from coast to coast, collaborating with several national insurers.

Juliet can be reached at [juliet.brooks@jsheld.com](mailto:juliet.brooks@jsheld.com) or +1 289 206 0730.

[Lisa Jackson](#) is a Senior Vice President in [J.S. Held's Forensic Accounting – Insurance Services practice](#). She is a forensic expert with extensive experience preparing damage quantification reports, specializing in accident benefits, loss of income/economic loss, pension loss, and costing of future care reports. In addition to preparing and reviewing these reports, she is involved in team leadership and providing client consultations. Lisa is qualified as an expert witness in the Ontario Superior Court of Justice and the Licence Appeal Tribunal. Prior to 2012, Lisa worked as a tax associate and licensed insurance representative.

Lisa can be reached at [lisa.jackson@jsheld.com](mailto:lisa.jackson@jsheld.com) or +1 647 494 3839.



This publication is for educational and general information purposes only. It may contain errors and is provided as is. It is not intended as specific advice, legal, or otherwise. Opinions and views are not necessarily those of J.S. Held or its affiliates and it should not be presumed that J.S. Held subscribes to any particular method, interpretation, or analysis merely because it appears in this publication. We disclaim any representation and/or warranty regarding the accuracy, timeliness, quality, or applicability of any of the contents. You should not act, or fail to act, in reliance on this publication and we disclaim all liability in respect to such actions or failure to act. We assume no responsibility for information contained in this publication and disclaim all liability and damages in respect to such information. This publication is not a substitute for competent legal advice. The content herein may be updated or otherwise modified without notice.

J.S. Held, its affiliates and subsidiaries are not certified public accounting firm(s) and do not provide audit, attest, or any other public accounting services. J.S. Held is not a law firm and does not provide legal advice. Securities offered through PM Securities, LLC, d/b/a Phoenix IB or Ocean Tomo Investments, a part of J.S. Held, member FINRA/SIPC. All rights reserved.