

## Facing Forest Landowners

Forest landowners face a range of risk management issues, from fire to weather to legal liabilities. The long time horizons and public visibility associated with forestland management further complicate matters. While the list of potential risks seems lengthy, the relative importance—the potential for a negative financial impact—of each risk varies.

For smaller timberland tracts, an owner and his or her forester may rely on judgment and previous experience to assess the risk and uncertainty associated with traditional forestry activities. However, as ownerships and forest management activities grow in detail and complexity, landowners and forestry professionals may seek help in quantifying their exposures or, at a minimum, putting the range of exposures into perspective.

The objective of this article is to provide a perspective on how to think about these risks, and to summarize useful, available resources for additional information. Specifically, the article addresses the following questions:

- 1) What are the key physical and financial risks facing forest landowners?
- 2) What relevant liability concerns face forest landowners?
- 3) What readily accessible resources exist to answer forest risk-related questions?

### Timberland Risks

In *Timber Management*, Clutter et al (1983) note, "the inability to estimate future cash flows with certainty is the basic cause of risk in an investment."

The quote implies that risk may be positive, as well as negative, and may be thought of as potential variation in expected outcomes. Forest risks can affect expected outcomes—whether measured in timber volume, financial returns, or the ability to enjoy one's forestland freely—positively or negatively. For our purposes, we assume a forest landowner would gladly accept a "positive" variation and thus focus our comments on sources of potential loss.

Timberland investment risks can be classified as physical, financial, operational, and regulatory (Mendell 2004). Physical risks—such as fire, insects, and disease—affect timber volume and quality. Financial risks include the changing prices of forest management inputs and outputs. These inputs include fertilizers and seedlings; outputs include timber and hunting leases. Operational risks—such as weather and access limitations—affect daily forest management activities. Finally, regulatory risks include changing land use regulations and tax policies.

How much do these types of risks matter? Financial losses associated with physical and operational risks reported by timberland investment management organizations (TIMOs) such as Hancock Timber Resource Group and The Campbell Group, and major forest industry forestland owners, average less than 0.03% per year. Losses from catastrophic events, such as the recent hurricanes in South Carolina and Florida, have more severe impacts, particularly for smaller or regionally focused landowners. Currently, insurance products for severe weather events are not priced competitively, and forest

managers have focused on minimizing loss through aggressive salvage efforts.

### Liability Concerns

The above discussion of risks centers on the timberland investor and neglects a critical concern of the forest landowner: liability. In addition to environmental issues, landowner liabilities may arise from: (1) personal injury to recreational users of the property, (2) damage caused by fire escaping onto adjacent lands, and (3) the unauthorized cultivation of marijuana on the property (Pottorff and Smith 1995). How severe are these exposures and how can landowners minimize their exposure to these risks?

Landowner liability for injuries that occur on their property varies, depending on why the injured party was on the land (Pottorff and Smith). Recreational users invited onto the land represent the highest exposure, followed by licensees and trespassers, with whom the greatest concern is child trespassers. While most states limit landowner liabilities (Becker 1991) to encourage landowners to keep their lands open for recreational use, these protections are neither uniform nor complete. Liability insurance and written agreements with recreational users provide substantive options for protection.

Most regions will hold landowners—including "Uncle Sam" (Wiener 1985)—liable for negligent fire lighting and the escape of this fire on adjoining lands. Casualty loss insurance, available for fire damage to buildings and equipment, is expensive if loss of standing timber is included. However, liability

ity insurance— commonly called Logger's Broad Form B —is available. This covers damage to adjoining property from "logging" operations, which is broadly defined to include the ownership and management of timberlands.

Efforts to combat the production and sale of marijuana increasingly involve the lands of innocent timberland owners whose pine plantations—with their prepared soils, abundant water, and pine over story camouflage—provide ideal conditions for marijuana cultivation. In response, state and federal governments have enacted a series of civil forfeiture laws (Pottorff and Smith). For example in Georgia, any property used to facilitate law violations with respect to illegal drugs is subject to forfeiture. This goes beyond the specific lands used for the drug activity, and may include the entire lands described in the owner's deed.

To avoid government initiated forfeiture actions, minimize the likelihood of marijuana cultivation. Strategies include controlling access to the property to a reasonable degree; keeping current lists of hunting club members and contractors with access to the land; requiring leaseholders to report detected illegal activities; and establishing a procedure for discovering and reporting marijuana cultivation on the property.

### Informational Resources

The above comments provide a summary overview of the common physical and legal risks faced by forest landowners. In addition to speaking with regional forestry consultants, researchers and fellow forest landowners, publicly available sources provide substantial information with respect to physical risks and liability insurance.

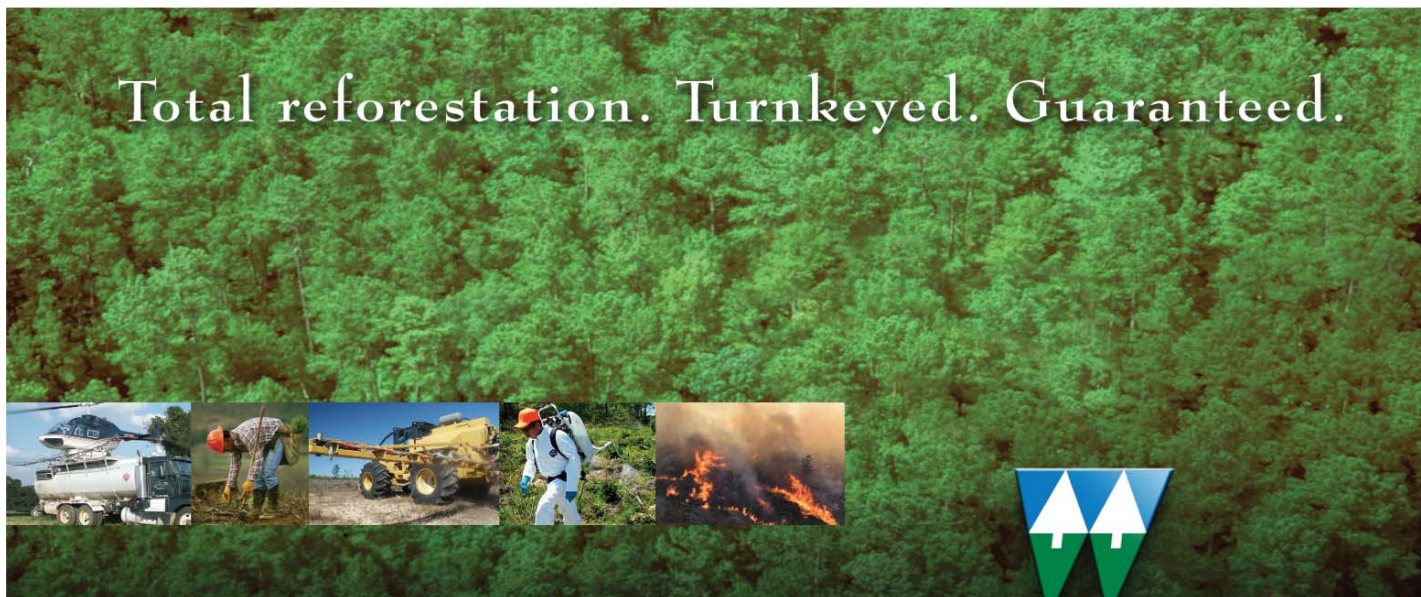
### Physical Risks

Internet resources with the Forest Service ([www.na.fs.fed.us](http://www.na.fs.fed.us)) and the National Intragency Fire Center ([www.nifc.gov](http://www.nifc.gov)) summarize key physical risks. Centralized forest management resources are available with the Association of Consulting Foresters of America ([www.acf-foresters.com](http://www.acf-foresters.com)), the Southern Regional Extension Forestry (<http://sref.info/>), and the Bugwood Network ([www.bugwood.org](http://www.bugwood.org)).

### Insurance and Woodland Security

State and regional forestry associations are currently the best source of information on available liability insurance, including products targeting hunting and recreational leases, and woodland security tips and resources.

*Editor's Note: Forest Landowners Association markets a Hunting Lease Liability Insurance program to its members.*



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