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In the Eye of the Storm: Lessons Learned

I. All Enterprises Are Impacted by Severe Weather Events

Manufacturing facilities, warehouses, and storefronts are home to the nation's workforce and buzz with commerce activity every day. Business owners constantly wrestle with the question of how to effectively mitigate property losses and return to business as usual following a catastrophe or even routine property damage. Negotiation and placement of well-defined property coverages and astute knowledge of contract language are essential. The need for preparation and effective loss prevention plans prior to events cannot be overemphasized. Business interruption, in the wake of a natural disaster or human catastrophe event, can be a daunting and costly scenario. And delays in remediation and repair can cause even greater impact to the overall costs. Deploying and managing the right resources at the right time is not only a science, but an art. Ideas and perspectives on the best ways to get back to business in the wake of significant property damage are invaluable.

II. Weather Events Are Becoming More Expensive

According to the National Oceanic and Atmospheric Administration (NOAA), ten U.S. weather events have inflicted at least \$1 billion in damage in 2019. In an October report for weather.com, Jonathan Erdman notes this included major flood events, a hurricane and a soaking from a tropical storm. Severe weather drought and river flooding also made the list.

Similarly, NOAA reports the 2018 storm season produced 15 named storms, including eight hurricanes, with Hurricane Florence and Hurricane Michael leading the way.¹ In September 2018, Hurricane Florence was one of four named storms that were active at

the same time and caused destructive flooding in both North Carolina and South Carolina. Several rivers in these states broke record flood levels in the days and weeks following the storm.² Hurricane Michael followed in October. As a category 5 storm, Hurricane Michael is the strongest storm on record to hit the Florida panhandle. At its peak, Hurricane Michael reached sustained wind speeds of 161 miles per hour. The storm remained strong as it tracked inland. With maximum sustained winds speeds of 115 miles per hour, it was a category 3 hurricane when the eye passed into Seminole County, Georgia.³ Winter weather also took its toll on businesses and property in 2018. In March, a Nor'easter moved up the eastern coast spreading rain over New York and Pennsylvania; it then turned to snow. Characterized by fierce winds, widespread flooding, and snowy conditions, this particular storm resulted in power outages, travel disruption and property damage in several states. Hailstorms also made headlines in 2018.

Records show that 2019 is the fifth year in a row with at least 10 such costly weather disasters in the U.S. Since 1980, 254 such weather disasters have inflicted combined \$1.7 trillion in damage. Out of those 254 events, 65 have occurred in the last five years. That's more than twice as many per year as the annual average since 1980. Inflation doesn't explain the increase, because the figures are inflation-adjusted.

Weather events of this magnitude make deploying and managing the right resources at the right time essential. Businesses today need to understand how to prepare for and respond to these types of weather events to prevent and mitigate ensuing damage. Preparation and planning are necessary for recovery, restoration, and resuming business operations.

III. Preparing for the Weather Event

When a severe storm or weather event occurs, the influx of property claims can be widespread. Organizations need to be proactive before, during and after occurrences. Immediate and timely response is critical. The longer the response time, the greater the financial risk to an organization as property damage, economic loss and business interruption can worsen quickly.

Businesses must understand their risk exposure prior to a storm or weather event. Most organizations secure many types of insurance policies for protection against different types of loss. For example, property policies cover property damage and loss. Business interruption insurance is designed to protect against loss of income when operations are disrupted. Contingent business interruption protection covers the physical damage

to a supplier or customer that impacts an organization's ability to conduct business. Liability insurance protects the business in the event of a legal suit.

But having insurance is not sufficient. Businesses must secure insurance policies that are broad enough to cover operating needs and exposures. They must also know how these policies work and what coverage they provide.

Businesses should meet with their insurance brokers frequently to ensure coverage is up to date and address any change in operations or exposures. Similarly, insurance brokers should be notified immediately of any property purchases or sales. Locations should be added to or deleted from the organization's insurance property schedule to ensure adequate coverage is in place.

Businesses also need to meet with their claims administrator to explain business operations and review coverages. All parties should understand coverage terms and conditions and how the policy would be applied in the event of a loss. A lack of adequate coverage for a loss can be devastating and lead to delays in recovery and restoration. This only serves to magnify the impact of the original event.

Large companies must understand the insurance laws in each jurisdiction in which they operate and how these regulations impact their coverage and emergency response. Having quality partners who can provide local expertise, ground personnel and technical support is essential to mitigating loss on a wide scale basis.

Ultimately, organizations must be prepared to respond to the different needs presented by different type of perils, whether hurricanes, nor'easters, hailstorms, tornadoes or earthquakes. The technical knowledge needed to address each type of incident regardless of the terrain or location is essential.

While companies strive to increase productivity, improve efficiency and achieve higher levels of profitability, many fail to properly plan and prepare for weather events. Without a properly devised plan and the right partners, recovery from a disaster can take significantly longer than expected. The cost of these delays can be sizeable and even lead a business to financial ruin.

An emergency response plan should outline essential actions for both internal and external resources. Loss prevention and safety resources can help develop effective plans that take into account both internal business policies and local regulations. The

plan also should reflect established partnerships with reliable contractors and other service partners needed for damage control and recovery efforts. Businesses should consult with their insurance brokers, carriers, claims administrators and other service partners when developing a plan to ensure that all facets of the business operations and exposures are addressed.

Disaster recovery plans must identify emergency response team for the business. This group is charged with creating, monitoring, and implementing the plan when necessary. Disaster response team members should know how to access the plan at all times and ensure it remains current and up to date.

Additionally, emergency response planning should address a range of areas. In general, these should include physical risk mitigation, business recovery, emergency response plan implementation, securing the site after the storm or weather event, business interruption, site clean-up and repair, and how to file a claim.

These components need to be tailored to each business' specific needs and risk exposure. Such a plan should consider pre-event staffing and risk partners, identifying exposures, training, and protocols, establishing the use of emergency notification systems and use of apps and systems integration.

Before a storm or weather event, organizations should provide as much exposure information as possible to the emergency response team. Team members should inspect the property and perform routine safety checks. Keeping accurate records of safety inspections and maintenance helps ensure the company is prepared for all types of disasters and severe weather events.

IV. Actions to Take During a Weather Event

While one can never fully predict the impact of a severe storm, a disaster preparedness plan helps ensure businesses can respond quickly and effectively when a weather event occurs. Often, a business can make an initial assessment immediately following an event. Keeping a close eye on weather conditions before, during and after an extreme weather event can help ensure a company follows the appropriate plan. In some cases, businesses will need to determine if and when operations will be shut down and when employees should be released from duty to take shelter.

A disaster recovery should also outline communication procedures. In many cases, businesses need to notify and communicate with employees, customers, emergency services and other key stakeholders. Various avenues of communication should be considered because telephone, computer, or mobile services are often unavailable. Executing the emergency response plan can be a company's best defense to protect employees and minimize business loss and interruption.

V. Recover and Restore Operations Following a Weather Event

Technology continues to play an increasingly important role in assessing damage following an event. While the use of drones was little more than a buzzword 5 to 7 years ago, today they are playing a notable role in addressing some of the more high profile catastrophes. Drones are becoming more widely used to survey the hardest hit areas and help first responders access people and properties. In turn, these actions cleared the way for specialists to follow and begin work sooner than would have otherwise been possible.

In these situations, communities can be devastated, and a staggering number of claims may begin to pour in. All organizations want to minimize disruptions and get back on their feet as quickly as possible. Organizations should establish relationships with trusted contractors, construction engineers, plumbers, electricians, and other specialists prior to a disaster event. Talent and labor shortages could be especially devastating in the event of multiple hurricanes should they hit densely populated areas anywhere in the U.S. or if earthquakes occur along any of the major fault lines. Experienced loss adjusters can help manage the mitigation process and provide access to these types of service providers that are in high demand. This type of approach can produce peace of mind that services are being managed and can drastically reduce project duration and costs. Otherwise, businesses must get independent contractors to the job site as scheduled. When contractors do not show up, this can lead to delays and added business disruption.

Regardless of whether a company chooses to work with vendors directly or use a third-party approach, it is critical to establish vendor relationships and service expectations before a disaster strikes. Similarly, it is important to have resources identified for replacing essential business equipment, establishing an off-site location in the event facilities are inoperable or identifying alternative distribution chains, if needed.

Use of mobile apps are helping to facilitate the loss adjusting process. Apps contain adjusting guidelines, pricing data, and other valuable information needed to survey and assess damage. What this means is that loss adjusters can survey damage, input their observations and assessments on their mobile phones, and have a report ready to issue upon completion. In turn, this can be delivered to an insurance company who can issue a check for damages within days. These are remarkable advancements for business and property owners alike.

It is important for organizations to evaluate their emergency response plans on an ongoing basis. Team members should be fully trained and equipped to act on the plan as needed. Regular review and practice drills are helpful to improve response effectiveness.

VI. Businesses Can Prevent and Mitigate Damage from a Weather Event

Weather trends show the threat of natural disasters continues to grow. It is important to be prepared to deploy at a moment's notice when the next storm event occurs. This includes understanding business exposures and creating a disaster response plan designed to address specific business needs. Businesses should be armed with the latest technology to expedite the evaluation and assessment process. Team leadership should be able to communicate quickly with other stakeholders to coordinate remediation, repair and recovery resources. And it is important to build and establish relationships with these experts and negotiate service agreements prior to any occurrence. With proper planning and strong partnerships, businesses can be prepared to weather virtually any storm.