



Prepared by Aon's Property Claims Preparation, Advocacy & Valuations Practice

## Planning for the 2018 Hurricane Season — Steps to Help You Prepare

According to Aon Benfield's Impact Forecasting group, of the 330 natural catastrophe events in 2017, an unprecedented 97 percent (USD344 billion) of losses were due to weather<sup>1</sup>, in large part, attributable to losses from Hurricanes Harvey, Irma and Maria.

These dramatic losses underscore the need for effective planning by risk, operations and property managers to mitigate the potentially devastating effects of a storm. Hurricane and disaster plans should be reviewed on an annual basis, accounting for and addressing changes to properties, new plants/sites in disaster-prone regions, and also to ensure alignment with updated property insurance portfolios.

Effective hurricane preparation and claim planning can help an organization become more resilient and maintain critical operations, resume them more quickly after a loss, and manage a complex claim.

### 2018 Tropical Storm Forecasts

As of the May 31 Aon Impact Forecasting update, Colorado State University (CSU) and Tropical Storm Risk (TSR) forecasts are listed below. CSU's is projecting 14 named storms whereas TSR is projecting a significant reduction in tropical activity for 2018. Of note, CSU's 2018 Atlantic Hurricane Season forecast is nearly identical to their 2017 Atlantic Hurricane Season forecast (dated June 1, 2017).

#### Colorado State University

Dr. Philip Klotzbach of Colorado State University (CSU) has issued his latest forecast for the 2018 Atlantic Hurricane Season. The forecast calls for **14 named storms, 6 hurricanes and 2 major (Category 3+) hurricanes** between the months of June and November. This is a slight reduction from the April forecast, and also includes May's Subtropical Storm Alberto.

#### Tropical Storm Risk

Tropical Storm Risk (TSR) has issued its April forecast for the 2018 Atlantic Hurricane Season. TSR's Professor Mark Saunders and Dr. Adam Lea are forecasting **9 named storms, 4 hurricanes and 1 major (Category 3+) hurricanes** between the months of June and November. This is a significant reduction from TSR's initial projections of tropical activity released in December 2017 and April 2018. TSR says there is a 69 percent likelihood that the projected activity would be in the bottom one-third of Atlantic Hurricane Seasons dating to 1950.

## Properly Identifying Resources and Assessing Storm Exposures

A critical element of a proactive response plan is to identify key personnel and external consultants and resources, such as your broker, insurance adjuster, legal, accounting/finance, restoration contractors (along with their contact information), should an event cause damage or render sites temporarily inoperable.

Designate an internal leader, such as the CFO or risk manager, and alternate staff to coordinate the response and claims teams to ensure all plan elements are implemented on a timely basis. Creating a flowchart or playbook showing the response and claim elements will help make the entire process more efficient. In addition, simulating the plan using various event scenarios will help work out any issues. Consider implementing "call trees" within the organization, ensuring you can effectively reach all members

of your team during and after an event. It is also highly recommended that these items are included, or cross-referenced in business continuity plans.

The plan should also include a comprehensive evaluation of all of your organization's plants and locations situated in hurricane regions to ensure a thorough understanding of business interruption and asset values and their general exposure to hurricanes and other major storm events. One lesson learned from Sandy, Katrina and other major storms is that planning must address not only wind-related loss, but storm surge, flooding, extended power outages, and site inaccessibility.

## ***Before the storm...***

### **Planning**

- Contact your local Emergency Management Office to learn of community evacuation plans.
- Purchase a NOAA Weather Radio with a warning alarm tone and battery backup. Listen for hurricane watches and warnings.

### **Employee Care**

- Establish facility shutdown procedures. Plan to assist employees in need of transportation.
- Ensure that staff "call trees" are current and functional.
- Make plans for communicating with employees before and after a hurricane. Disseminate emergency contact lists and procedures.
- Alert employees to your organization's emergency action plan.
- Ensure that any employees who stay on site have access to emergency supplies (potable water, nonperishable food, first aid kits and communication devices).

### **Facilities Protection**

- Plan to protect or otherwise secure outside equipment and inventory.
- Protect windows with permanent storm shutters. Covering windows with marine plywood is an option to reduce the chance of breakage.
- Plan to divert water from holes in foundations, doorways and sills, and other openings.
- Check roofs, HVAC systems, elevators, docks, etc., for exposures.
- If your facility contains perishable goods, make plans to safeguard them (back-up generators for refrigerators/freezers) or transport the goods to another facility.

### **Business Continuity**

- Prepare contingency plans to support continued operations (including production, shipping and receiving, administration, financial, data processing, internal and external communications, security, transportation, portable pumps, generators, batteries and battery-powered devices).
- Prepare to move records, computer equipment, and other sensitive equipment / items to another location.
- Create electronic and redundant back-ups of paper documentation.
- Prepare Customer/Supplier awareness and contingency plans.

## *As the storm approaches...*

Monitor National Weather Service (NWS) broadcasts. If a hurricane watch is issued, convene your emergency response team to review personnel availability and your action plan. In the event a hurricane warning is declared, activate your emergency action plan and take the following precautions as soon as possible. It may take considerable time to obtain the materials you need to protect facilities:

### Employee Care

- Inventory adequate provisions (i.e.: 72 hours of food, water, first aid equipment, lighting and communications equipment, etc.) for employees remaining on premises.
- Employees remaining on site should have access to safe refuge from floodwaters and structural collapse.
- Assemble supplies (lumber, nails, tarps, power/manual tools, roofing paper, tape, etc.)
- Isolate gas, electric and other utilities. Shut down operations and equipment that depend upon outside utilities. Maintain fire protection systems in service if possible.

### Facility Protection

- Ensure you have contact details (preferably on cell phone) for remediation and response engineers and consultants. If the facility sustains damage, your claims consultant and remediation vendor need to arrive as quickly as possible to begin clean-up and also begin claim identification and adjudication on your behalf with insurance adjusters.
- Inspect roof edging strips, flashing, gutters, and drains. Secure or weigh down loose roof coverings.
- Inspect wall panels, door and window latches and hardware. Inspect exterior signs, supports, guy wires and anchorages.
- Protect exterior windows from flying debris by taping or covering with wooden marine boards or storm shutters (especially on the windward side).
- Anchor or move yard structures and equipment (trailers, cranes, loose yard storage, high profile materials, storage racks, etc.) which may be vulnerable to high winds.
- Move drums of hazardous chemicals to a sheltered area, especially those that might be reactive with water. Segregate incompatible chemicals.

### Business Continuity

- Update/back up critical records (financial, inventory, computer, etc.) and move to a location out of the path of the storm.
- Prepare for disruptions in telecommunications. Reserve a plant or citizens band radio system.
- Prepare for disruptions in electric power or other utilities. Fill diesel engine driven emergency generator and fire pump fuel tanks.
- Advise customers and suppliers of a potential disruption in operations.
- Inquire with suppliers of their plans to address any loss in distribution or service to prevent (or mitigate) breaks in the supply chain.

## *After the hurricane passes...*

### Recovery

- Cordon off areas where power lines are down to prevent injuries. Coordinate repairs with the local utility. Prioritize power restoration for critical locations/operations.
- Check for leaking natural gas, propane gas, or gasoline from storage tanks or vehicles.
- Identify and control potential ignition sources if flammable liquids or combustible gases are present.
- Work with salvage crews to prioritize items that require immediate attention above those less susceptible to damage if left for a day or two. Quickly remove standing water and debris, clean and dry vital equipment, and dehumidify damp areas.
- Check and replenish hurricane protection supplies.
- Isolate damaged areas and evaluate, prioritize and expedite necessary structural repairs to minimize business interruption exposure. Provide temporary covers for windows, wall openings and roofs that have been damaged. “Laydown” areas, for the accumulation of combustible debris, should be designated away from any significant buildings or structures.
- Return fire protection systems (water supplies, suppression systems, alarm and detection systems, etc.) back into service as quickly as possible.
- Suspend cutting, welding and other hot work operations until fire protection systems are returned to service.

### Should a loss occur, remember to *document everything*...

- Develop a claim timeline with milestones for your team and the insurance adjustment team to manage expectations on both sides of a claim.
- Capture all invoices, contracts, etc., for loss-related work, including detailed descriptions of the temporary and/or permanent repair/replacement work to be performed.
- Ensure that all loss-related incurred costs are classified and categorized in real-time per your “bucket” of policy(s) coverage and by loss area/component, such as location, individual equipment, structures, and contents.
- Track – with detailed descriptions describing loss related activity – all in-house costs, such as hourly labor time and cost [with fringes] per person, salaried labor time and cost per person, in-house parts/materials consumed, expenses incurred, time sheets, expense reports, etc.

### Footnote

<sup>1</sup> Weather, Climate & Catastrophe Insight, 2017 Annual Report, Aon Benfield

## Contact the Experts

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