

Hurricane Season: Key Considerations for Financial Recovery

Businesses that recover quickly from a hurricane are usually the ones that prepared in advance, have a sound recovery plan, understand their insurance policy, and have the right recovery and insurance teams in place. Even for well-prepared organizations, it is prudent to spend some time this hurricane season double-checking your recovery plan and your insurance coverage. Below are some useful steps to take to before the next hurricane hits.

Review Your Disaster Recovery Plan *Before* a Storm Event

Companies at risk of hurricane or tropical storm damage – and that's most companies in coastal states – should assess physical assets on a location-by-location basis and ask how a windstorm or flood could impact facilities and operations. What kind of property damage and business interruption could 120 mph winds cause? What kind of property damage and business interruption could storm surge, river flooding, evacuation orders, prolonged power outages, or regional supply chain interruptions cause?

Your disaster recovery plan should be designed to mitigate all these risks with a goal of creating a hurricane resistant, resilient business. Important elements of your plan are a strong internal team equipped to respond promptly, prepositioning of recovery resources, and a pre-established partnership with an experienced emergency restoration company with the bandwidth to deliver for you in case of a widespread disaster.

A good plan with the right people and resources and people in place is one of the keys to a successful business recovery. But remember even the best plan can fall short in the face of a true catastrophe – and that's why the risk transfer of property insurance is part of your plan.

Review Your Insurance Policy

Property insurance policies vary in how they respond to hurricanes and other storm damage losses. The first question of course is, "Are we covered?". But even if the answer is yes, it is important to understand the key coverages you will need to rely on if you make a claim.

A checklist of what to look for:

- Review your property limits and, if applicable, sub-limits for Flood and Named Storm. Read and understand these coverages.
- Find your deductibles for Flood and Named Storm. Look for whether, in case of loss at multiple locations multiple, deductibles may apply.
- Review your business income coverage to understand what income losses and business expenses are covered, and what's not covered. Review any extensions of coverage.

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- Look for your extra expense coverage. It may cover some of the extra costs for cleanup and business recovery, e.g., emergency repairs and temporary measures to reduce loss and keep operating.
- Review your service interruption and contingent time element coverages. Some of your losses may be covered if your business is shut down by power outages or customer or supplier disruptions.
- Read over your ingress/egress coverage and civil authority coverages. Understand what the applicable waiting periods or deductibles may be. Some of your losses may be covered if your business is shut down due to flooded roads or evacuations, but you need to understand the distance conditions and other requirements of these coverages.

Even the soundest disaster recovery plan will not always prevent you from incurring storm losses. Insurance exists so you can reduce these losses. Knowledge of your policy will help you understand what's covered and why as you go about the important work of preparing a successful insurance claim.

Review Your Insurance Claim Plan Now

Any significant endeavor involving your company's financial resilience requires a plan. A storm insurance claim is no different. The first element of your plan is to fully understand your coverages. Another key element is identifying the right consultants – with proven experience – to get help during tumultuous recovery periods. For many policyholders, the best approach is to have a claim team in place before the hurricane, one experienced in dealing with the complexities of a storm insurance claim.

Two of the most important members of your claim team will be a *claims advocate* to help you maximize your coverage under the policy and a *claim preparation accountant* to substantiate your business income and other losses with detailed accounting support. Large commercial insurance claims take months, sometimes longer, to resolve. You will need trusted partners to guide you, support you, and advocate on your behalf.

Your claims advocate and claims preparation accountant may be independent professionals or, if you are an Aon client, part of your Aon claim team. Whoever you work with, if your business is likely to have storm claims every few years, your claim advocate and accountant should be long-term partners, given their understanding of your program and operations.

Preparation and Foresight are the Keys

Preparation and the foresight to act are the ultimate keys to hurricane and disaster recovery. It is worth repeating that businesses that recover quickly from a hurricane are usually the ones that prepared for it in advance, have a good recovery plan, understand their insurance policy, and have the right recovery and insurance teams in place. We can also provide mitigation options, including potential alternative sites, to reduce the financial impact of various events.

Be Prepared

Visit our *Be Prepared Response* site, which includes hurricane and nat CAT checklist, claim checklists, storm forecasts, and other resources at aon.com/beprepared.

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