

Brief Review of 2018 Hurricane Season

Hurricane Florence made landfall in North Carolina on September 14, 2018, leading to widespread coastal and inland damage. At least 57 people were killed, including 43 alone in North Carolina. Once a Category 4 storm at its peak, Florence made landfall as a Category 1 hurricane with 90 mph (150 kph) winds near Wrightsville Beach, North Carolina. Florence led to a coastal storm surge inundation, gusty winds, and catastrophic inland flooding. States of emergency were declared in North Carolina, South Carolina, Virginia, and Georgia.

Continued loss development has led to a revision of Florence's financial cost. The total economic loss was estimated at USD24 billion. Due to most damage being caused by inland and coastal flooding, the lack of flood insurance penetration meant that only USD5.5 billion of the total cost was covered by public and private insurers.

Hurricane Michael made landfall in the Florida Panhandle on October 10, 2018 as a 155 mph (250 kph) Category 4 storm, leaving at least 57 people dead (30 directly due to storm impacts) in the United States. Fifteen others were killed in Central America due to Michael's initial heavy rainfall. The cyclone caused significant wind and coastal storm surge damage in Florida as winds gusted beyond 120 mph (195 kph) and water heights topped 20 feet (6 meters) in height. Additional wind and inland flood damage was noted in Georgia, Alabama, the Carolinas, Virginia, and Maryland.

Continued loss development has led to a revision of Michael's financial cost. The total economic loss was estimated at USD25 billion. While most of the storm damage was wind-driven, and a large portion of residential and commercial property damage was covered by insurance, a sizable amount of damage to agriculture and infrastructure was not fully covered. Insured losses were listed at up to USD11 billion.

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.

2019 Tropical Storm Forecasts

As of the Aon Impact Forecasting updates issued on June 3 and 4, Colorado State University (CSU) and Tropical Storm Risk (TSR) forecasts are listed below. CSU's is projecting 14 named storms whereas TSR is projecting 12 named storms.

Colorado State University

Colorado State University (CSU) has issued its June forecast for the 2019 Atlantic Hurricane Season. The forecast calls for 14 named storms, 6 hurricanes and 2 major hurricanes (Category 3+) between the months of June and November. The updated forecast, which includes Subtropical Storm Andrea, is a slight increase from the April outlook. Overall, CSU predicts near-normal tropical cyclone activity in the Atlantic Basin during the 2019 season.

Tropical Storm Risk

Tropical Storm Risk (TSR) has issued its latest forecast for the 2019 Atlantic Hurricane Season. The agency forecasts 12 named storms, 6 hurricanes, and 2 major hurricanes (Category 3+) between the months of June and November. This is generally unchanged from TSR's initial projection of tropical activity released in April; only difference is one additional expected hurricane. The projected activity is expected to be 10 percent below the long-range norm (1950-2018) and 20 percent below the recent 10-year norm (2009-2018).

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. There are a number of “apps” available to provide Business Continuity plans on mobile devices to ensure that all team members have the details at their fingertips.

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 interruption of land line, cell phone and internet access, as well as 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.
- Work with your Property Risk Control Consultant to be aware of each of the steps you need to take to reduce the impact of any storm.

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).
- Work with your organization to bring in employees from other locations to allow your employees in affected areas to focus on their homes and families.

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.
- If necessary, move susceptible equipment from lower or ground levels to higher levels.

Business Continuity

- Review 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, including email and internet access. 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. Ensure that you have full gas cans for extra supplies.
- 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...*

- Take photographs of everything – all damage and areas where your site is impacted.
- 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

¹ Weather, Climate & Catastrophe Insight, 2018 Annual Report, Aon Benfield

Contact Us:

To engage a leader in Aon Global Risk Consulting's Property Risk Consulting Group, please reach out to:

Jill Dalton

Managing Director

Aon Risk Solutions | Aon Global Risk Consulting | Claims Preparation, Advocacy and Valuations

1.212.441.2136

jill.dalton@aon.com

Peter Jagger

Managing Director

Aon Risk Solutions | Aon Global Risk Consulting | Claims Preparation, Advocacy and Valuations

1.214.989.2623

peter.jagger@aon.com

Ronald Hajjar

Managing Director

Aon Risk Solutions | Aon Global Risk Consulting | Claims Preparation, Advocacy and Valuations

1.469.304.3540

ron.hajjar@aon.com

Chris Ford

Director

Aon Risk Solutions | Aon Global Risk Consulting | Claims Preparation, Advocacy and Valuations

1.330.836.8945

christian.ford@aon.com

Frank Oliver

Senior Vice President and Director

Aon Risk Solutions | Aon Global Risk Consulting | Claims Preparation, Advocacy and Valuations

1.212.479.4657

frank.oliver@aon.com

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