



# When weather-related disasters strike

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In January 2017 alone, severe weather events in the United States caused insured losses in the hundreds of millions of dollars. These destructive storms claimed lives and damaged homes and businesses. Tornadoes and severe storms caused extensive damage in Georgia, Mississippi, Alabama, Louisiana and Florida, and winter storms with flash floods, mudslides and debris flows caused significant damage in California.<sup>1</sup>



Now that spring is here, many areas of the country are enjoying the warmer temperatures, but this season also brings the continuing threat of severe weather.

When businesses are physically damaged and financial losses occur due to severe weather, it is important to have the resources needed to get up and running again as quickly as possible. If your company has a plan in place that they can execute when severe weather strikes, they will be in a much better position to respond and it makes the claims process proactive vs. reactive.

## BEING PREPARED

From the standpoint of being prepared for weather, businesses can be proactive by completing an exterior walk around of the building to make sure there are no loose pieces of siding, shingles or roofing materials. When storm season starts, these small issues in the building envelope can allow water into the building and can quickly turn into a much more severe loss if loose materials are grabbed by the wind. That's where a little bit of maintenance spending can go a long way toward preventing a catastrophic loss.

In addition to inspections by your own employees, partnering with your insurance carrier's risk engineers is a great opportunity to get some outside perspective on identifying risks that may impact your most crucial locations.

Planning ahead puts businesses in a better position no matter what the weather brings. One of the most important things a company can do to prepare for severe weather is to develop a business continuity plan. Many of these plans include steps to address each aspect of the operation such as their supply chain, manufacturing capabilities, distribution, communication, and repairs and restoration if any damage occurs to the building.



*According to the National Oceanic and Atmospheric Administration (NOAA), 2016 brought Hurricane Matthew and various other weather events including hail storms in Texas; flooding in Louisiana, West Virginia and Texas; tornadoes in the East, Southeast and Ohio Valley; and severe weather and tornadoes in the Rockies and Southern U.S.<sup>2</sup>*





2016

were

# 13 WEATHER EVENTS

across the United States with losses exceeding

\$1 BILLION EACH



For this spring, NOAA is forecasting higher than average precipitation for the northern Plains, northern Rockies and the Gulf Coast from the western Florida Panhandle to Texas.<sup>3</sup>

If your company has a plan in place that they can execute when severe weather strikes, they will be in a much better position to respond and it makes the claims process **proactive vs. reactive.**

Risks are unique for each type of company. As a result, business continuity plans for factories, retail stores, distribution centers, financial services companies and other types of organizations will all be different. Plans can be customized for each type of business, but the key steps that are common for most companies include:



Identify the scope of the plan



Identify key business areas



Identify critical functions



Identify dependencies between various business areas and functions



Determine acceptable downtime for each critical function



Create a plan to maintain operations<sup>4</sup>

Consider an example of a manufacturing facility in Oklahoma – for this company, the main weather-related concern would be a direct hit by a tornado. The first line of defense is making sure that small, preventable losses don't become issues. The company will want to make sure the outside of the building is maintained so there is



no easy way for water to make its way into the building and cause larger damages. If the building gets hit, the business will need to identify other facilities that can step in and help with production and distribution activities. The objective is to continue to be able to get products delivered and minimize the impact on customers. It is important to have a preferred emergency mitigation contractor, demolition contractor and general contractor in the event that they have to make large-scale building repairs. In addition, having a back-up generator or an agreement with a service provider that can supply power will make a world of difference when it comes to their capabilities and the safety of their employees.

## EMPLOYEE-RELATED CONCERNS

Many weather events like floods and tornados can cause widespread damage so, in addition to your business, your employees' homes may be damaged. Your facility may not have gotten hit, but most of your employees might live in areas damaged by the tornado or they are dealing with flooding and your workforce is strained. You may not have access to labor even though your facility is able to operate. If your employees suffered damages of their own, it may impact their ability to complete their normal day-to-day operations. They may not be able to be at work for a period of time so you may need to bring in a temporary workforce until your employees are able to return.

## KEEPING CUSTOMERS UPDATED

When it impacts service to customers, communication is the primary focus. If you have the big plant in the area and it just got hit by a tornado, it will most likely be covered multiple times a day on the news.



## REFERENCES

<sup>1</sup> NOAA National Centers for Environmental Information (NCEI). U.S. Billion-Dollar Weather and Climate Disasters (2017). [www.ncdc.noaa.gov/billions/](http://www.ncdc.noaa.gov/billions/)

<sup>2</sup> PropertyCasualty360. Weather losses in U.S. exceed \$1 billion in January for insurers, Aon reports. February 9, 2017. [www.propertycasualty360.com/2017/02/09](http://www.propertycasualty360.com/2017/02/09)

<sup>3</sup> NOAA. Spring Outlook: Risk of major flooding in North Dakota, moderate flooding in Idaho. March 16, 2017. <http://www.noaa.gov/media-release/spring-outlook-risk-of-major-flooding-in-north-dakota-moderate-flooding-in-idaho>

<sup>4</sup> CIO magazine. How to Create an Effective Business Continuity Plan. November 14, 2013. <http://www.cio.com/article/2381021/best-practices/how-to-create-an-effective-business-continuity-plan.html>

## RESOURCES

Claims Journal. More Extreme Weather Expected in 2017. March 23, 2017. <http://www.claimsjournal.com/news/international/2017/03/23/277548.htm>

Why you should have a business continuity plan. Sedgwick blog. Mike Arbour, Group President, Vericlim, Inc. <http://blog.sedgwick.com/2016/01/29/why-you-should-have-a-business-continuity-plan/>

American Red Cross. Workplaces and Organizations. <http://www.redcross.org/prepare/location/workplace>

The Weather Channel. Safety and Preparedness. <https://weather.com/safety>

To be successful, communicate early and communicate often.

It is critical to communicate effectively with customers and stakeholders about what you're doing, what you have in place and how you're taking steps to reduce the impact on them as much as possible.

Manage expectations by telling customers what your capabilities are going to be and when they are going to be available.

In the case of the factory damaged by a tornado, the sales team may not be able to tell customers when they will be shipping products again, but they can tell them that they don't have an answer right now and they'll give them an update in 48 hours. If they still don't know at that point, then they can tell them they think it could be as early as five days from now and give them another update in 48 hours. Continual communication ensures the customer receives correct information as opposed to being in the dark and drawing their own conclusions.

If it is a retail location that cannot reach out to customers by phone or email, managers can use signage on the building to direct them to the next closest location so they have another option while the store is being repaired. Redirection demonstrates to the customers that the store has considered the impact the closure may have on them, which can help reinforce brand loyalty.

## INDUSTRY EXPERTISE MAKES ALL THE DIFFERENCE

A claims management company that provides loss adjusting services will help the insurance carrier by measuring the scope of the loss, communicating with all of the service providers involved, reaching agreements regarding the evaluation and ultimately making payment recommendations. Vericlim, a subsidiary of Sedgwick, is a global loss adjusting and claims management company with extensive experience assisting businesses with weather-related property losses. Our expert team takes care of coordinating with engineers, accountants, architects and all of the parties involved to streamline the process, and ensures the best possible outcome for our customers.