

Natural Disaster Planning: Expect the Worst, Leave Nothing to Chance

The best way to physically and financially survive a natural disaster is to be prepared in advance with a plan that considers the worst-case scenarios and leaves little to chance.

Over the past decade, thousands of U.S. property owners have experienced the devastating consequences of natural catastrophes, such as flood, fire, earthquake, wild fires, or windstorm. Combined, these catastrophic events have increased in severity and frequency, causing billions of dollars in losses and hundreds of fatalities and injuries in recent years.

Indeed, the period from 2008 to 2015 is on record as the most expensive for insured losses from convective events, which include severe thunderstorms, tornado, hail, lightning and flash flood. Windstorm losses continue to cause the most catastrophe damage; fire remains the most frequent cause for displacement; and tornadoes' share of U.S. catastrophe losses is rising rapidly.

In addition, recent winter storm and wildfire losses, driven by El Niño, warm ocean current associated with severe weather conditions, have been unusually costly and erratic. For example, in 2015, the number of acres burned in wildfires in the United States was approximately 10.1 million acres, compared to 3.8 million the previous year. Meanwhile, winter storms caused an estimated \$3.5 billion in insured losses in 2015, up from \$2.6 billion in 2014.

Despite these troubling trends, many homeowners are not adequately prepared for natural disasters, and often place their properties and financial well-being at substantial risk.



At USI Insurance Services, the Personal Risk team has been advising clients on ways to better prepare for natural disasters. Based on its vast experience handling natural disaster claims, the team has compiled a comprehensive disaster preparedness checklist, best practices and key resources to help clients better manage natural disaster risks.

Following are a few must-do items.

Safeguard Important Documents

Creating a hard copy file of key documents such as insurance declaration pages for home, auto and other personal assets, healthcare coverage cards or list of emergency contacts for medical, financial, legal, insurance and contractors are an essential part of disaster planning.

The cost of labor and materials, additional living expenses while waiting for restoration of property could range from tens of thousands of dollars to more than \$100,000, depending on the extent of damage and property values.

For example, while conducting a risk assessment for a client whose home was susceptible to flooding from storms, the

USI Personal Risk team recommended the creation of hard copies with key contacts and documents be kept at a separate work location.

USI's advice proved critical when the client's home was flooded after a severe thunderstorm. Although the client and his family were forced to evacuate their home, access to the emergency files at work made it possible to quickly contact USI and carriers to get the claim started. As a result, the restoration of the client's home was completed well ahead of others in the neighborhood with similar losses, and the anticipated recovery period was significantly shorter. The rapid response resulted in a saving of time and more than \$10,000 in the cost of recovery.

Hurricane Mitigation Retrofits

Hurricane protection technology has advanced dramatically since the 1990s. Indeed, a number of hurricane-prone states like Florida are actively promoting simple, sometimes cost-effective retrofits to allow buildings to become more hurricane resistant. Understanding how these changes can impact you in the event of a natural disaster is critical.

From roof reinforcements to leak-proof window shutters to vertical bracing of garage doors, USI can work with clients to conduct risk assessments to determine what retrofits can be installed to not only strengthen homes against hurricanes but also earn insurance premium discounts.

For example, at the recommendation of USI and an insurance carrier, a client replaced a garage door to meet the building code for Miami-Dade. The new garage door cost approximately \$2,800.

Soon after the upgrade, the client, whose home was insured for \$1.3 million, suffered damage from Hurricane Wilma. Fortunately, the garage door was able to withstand the hurricane-force winds, limiting damage. In addition, the deductible on the USI policy was 2% instead of 5% due to the new garage door. The deductible applied to this loss was \$26,000, rather than \$65,000, saving the client \$39,000.

Protect Against Power Failure

Loss of power is a significant threat during natural catastrophes. In fact, 70% of power outages in the United States are weather related.

In regions that are prone to catastrophic loss it is good risk management to install a gas generator that may also provide a premium credit.

Based on USI's experience, a \$7,000 investment in a new generator could result in a premium credit of \$600 in addition to the reduced damage from a potential power failure.

Build a Safe Haven

Residential safe rooms are becoming more popular as families seek protection

from violent tornadoes, a thousand of which occur every year in the United States, leading to roughly 60 fatalities. For residents in tornado or windstorm-prone areas, a safe room or pod in a home can be used as a temporary shelter during an event and may also serve as a place to secure valuable items.

Designed to meet stringent specifications set by the Federal Emergency Management Agency and the International Code Council, a safe room is a hardened structure designed to provide near absolute protection from wind events such as tornadoes and hurricanes.

In the case of an imminent wildfire, it is always best to evacuate quickly. However, the safe area or facility can be constructed using high-grade fire retardant products to minimize property loss. Many carriers now provide wild fire protection services that treat a home under threat from a wild fire with a flame retardant solution to safeguard the insured property from the impending wild fire. Some carriers require that the client pre-register for this service. USI Personal Risk advisors can assist clients in completing the required enrollment process.

Secure Secondary or Seasonal Homes

As part of its pre-disaster planning, USI works with insurance carriers to assess clients' vulnerability to natural disasters, including:

- Registering properties in a database to identify if they are in the path of a storm
- Inspecting properties to determine their ability to withstand a loss
- Providing guidance on steps that can be taken as a storm approaches
- Offering post storm assistance to reduce further loss.

Take the case of a USI client with a Florida secondary home. When Hurricane Wilma hit, the client, who was in his primary home in Connecticut, was unable to travel immediately to assess the damage. USI's Personal Risk Management team and the insurance company coordinated loss control steps with a local caretaker pre-storm and arrived at the property post storm to assist with boarding broken windows, tarping the roof and securing entry doors.

Due to the magnitude of the storm, contractors were unavailable immediately after the storm and the estimates to secure the home exceeded \$15,000. Still, based on USI's pre-assessment the client did not incur any out-of-pocket cost and was able to negotiate an agreement that included post storm services into the claim.

These are only a few examples of how USI works with clients to prepare for natural disasters. For more on disaster preparedness, read USI's Disaster Checklist and contact your local USI Personal Risk representative.

The USI ONE Advantage[®]

To analyze our client's personal exposures and challenges our personal risk team leverages USI ONE™, a fundamentally different approach to risk management. USI ONE integrates proprietary business analytics with a networked team of local and national experts in a team based consultative process to evaluate the client's personal risk profile and identify targeted solutions to address those risks. Clients then receive tailored recommendations for more efficient investment of premium dollars through customized personal insurance risk management programs that enhance coverage and manage rate control.

