



Protect Your Organization From Natural Disasters



When we talk about natural disasters in the U.S., hurricanes tend to be the main focus because of the widespread damage and costs that can exceed \$1 billion per event. In 2020 alone, the U.S. was impacted by six major hurricane events, each costing at least \$1.1 billion, up to nearly \$20 billion.

However, other events can be just as devastating: In 2020, a powerful derecho weather system that spanned from South Dakota to Ohio caused \$11 billion in wind and storm damage. The wildfires that raged across California, Oregon, Washington and other Western states in 2020 burned more than 10.2 million acres, causing \$16.6 billion in damage. Damages from the winter storm and cold snap that paralyzed Texas and other parts of the south in early 2021 exceeded \$20 billion.¹

As the frequency and severity of billion-dollar events continues to increase, the insurance industry will respond with reduced capacity and increased premium and retentions. And recovery efforts following natural disaster events will be complicated for the foreseeable future due to the continued strain on the supply chain from COVID-19 and other disruptions. Businesses should act now and prepare for catastrophic events before the next disaster occurs. Is your business prepared?

How USI Can Help

USI Insurance Services works with clients to prepare for natural disasters in two key ways: using catastrophe risk modeling to adequately assess risk and determine proper coverage, limits, retention and pricing; and developing emergency response planning to build business resiliency through pre-event preparation and post-event mitigation.

1. Catastrophe Risk Modeling

Insurance companies use catastrophe risk modeling to examine insureds' exposures to natural disaster events, develop loss estimates, and determine capacity and pricing. USI helps clients take a more thoughtful approach to insurance coverage by using the same modeling that insurance companies use for major cost-driving events, such as hurricane, flood, wildfire, severe weather and earthquake, but taking a closer look to identify which locations may be driving most of the estimated loss.

USI then gathers specific information on those properties, including building design and resiliency measures, and runs it through modeling again. This second look often generates a lower loss estimate, especially where clients have undertaken proactive risk mitigation, and can result in more favorable insurance pricing and terms and conditions.

¹ <https://www.ncdc.noaa.gov/billions/events/US/2020-2021>

Continued on next page

As an example, USI reviewed the property program for a new client and determined the client had purchased \$100 million in earthquake coverage. From a catastrophe risk analysis, USI identified five locations that were driving 80% of the loss estimate. USI ran the analysis again, inputting additional information related to the buildings' earthquake design, and was able to lower the loss estimate for these properties. The client was able to reduce the limit by \$50 million, resulting in a \$50,000 savings on premium.

2. Emergency Response Planning

High demand for contractors and supplies following a natural disaster can cause significant delays in rebuilding and recovery. In addition, disruptions to the supply chain from COVID-19 and other events have dramatically increased the cost of the raw materials needed for repairs; the price of steel is up 168% from last August, while the [cost of lumber](#) is up 406% from last spring. To avoid delays and ensure a faster recovery following a catastrophic event, businesses are encouraged to plan ahead. USI can assist clients with taking these and other necessary steps to [prepare for a natural disaster](#):

- **Establish an agreeable claims service team** — If possible, work with your insurance carrier to establish a designated account adjuster who is familiar with your operations and can help streamline insurance processes following a disaster event.
- **Partner with an emergency response contractor prior to a loss** — Following any catastrophic event, businesses can expect higher demand for contractors and materials, which can significantly delay recovery efforts and increase costs. Partnering with an emergency response contractor (ERC) prior to a loss will ensure that a client receives a priority response following an event when resources are scarce. This also allows the ERC to develop a recovery plan specific to the client's operations and exposures before a loss occurs.



- **Develop an emergency response team and emergency action plan** — Prevent and reduce damages and loss from natural disasters by planning ahead. Develop an emergency action plan specific to your operations and exposures, and designate an emergency response team to carry out emergency action tasks before, during and after a catastrophic event.

USI has also developed resources to assist with [natural disaster preparation and recovery](#). Visit our [Natural Disaster Planning](#) page to learn more and access our preparedness and catastrophic claims reporting guidebooks.

Don't wait until disaster is imminent. Take proactive steps now to prepare before the next hurricane, flood, earthquake, wildfire or severe storm to protect your business and keep yourself and your employees safe.

The USI ONE Advantage®

To analyze our client's business issues and challenges, our property & casualty team leverages USI ONE®, a fundamentally different approach to risk management. USI ONE integrates proprietary business analytics with a network of local and national technical experts in a team-based consultative planning process to evaluate the client's risk profile and identify targeted solutions. Clients then receive tailored recommendations for improving their total cost of risk. To learn more about USI ONE and the USI ONE Advantage, contact your local USI team today.

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