

NOVEMBER 21, 2017

STEPS TO REDUCE RISK FOLLOWING A NATURAL DISASTER

Over the course of a few short weeks, Hurricane Harvey and Hurricane Irma devastated major cities, rural towns and miles of coastline. According to [Moody's Analytics](#), total economic damages are set to exceed \$150 billion. While recent events were particularly catastrophic, unfortunately, significant weather-related incidents occur each year in the U.S. In 2016, the [Insurance Information Institute](#) found that losses caused by natural disasters such as wildfires, winter storms and flooding reached \$23.8 billion. Insured losses from Irma and Harvey are estimated to be over \$70 billion. In the wake of such overwhelming destruction, many commercial property managers are left wondering what to do after disaster strikes.

Following a severe weather event, there are several steps property managers can take to help reduce risk and limit financial exposure. To start, once local authorities deem it safe to reenter a structure, the property's condition should be documented with photographs and videos to accurately record damages. It will also be helpful to set aside and inventory any damaged materials and items associated with the insured premises. When navigating the claims process, having this type of detailed documentation is crucial.

Often, in the event of widespread damage to a community, it can take time for the insurance adjuster and the restoration company to make it on-site to evaluate your property. This can certainly be frustrating for businesses trying to get back up and running in order to minimize business interruption and loss of revenue. However, what many companies fail to realize is that you don't need to wait for the insurance adjuster to get the claims process started. Property managers can directly hire remediation and restoration companies for emergency clean up and essential repairs. They can also enlist the help of trusted contractors to begin working on the scope of work and estimate for the repairs. In fact, many policies require that initial steps be taken – such as tarping an exposed roof or securing windows and doors – to stop the loss from getting any worse and to mitigate the risk of future damage.

Overall, the biggest undertaking after a disaster is documenting as much of the loss as possible. Whether you're using your own trusted contractor or are working with a recommended remediation company, detailed vendor invoices for repair and replacement expenditures must be accurately maintained. This data should include purchase orders reflecting unit prices and total materials, as well as information quantifying labor costs like time sheets with wages and salaries, including any overtime expenses incurred. Due to the required level of detail in large loss situations, property managers should consider hiring a forensic accounting firm to help oversee this process and to make sure all insured expenses are recovered.

Although understanding these steps can help mitigate financial risk following an extreme weather event, property managers should work closely with their insurance broker before disaster strikes to develop a thorough property management contingency plan. This plan will help to ensure adequate insurance limits are in place, while also outlining both the proactive and the reactive steps an organization can take to reduce exposure. That way, business owners can have the peace of mind that, no matter what happens, they are ready to effectively navigate the situation and get their companies back up and running as soon as possible.



KEVIN D. SMITH, CPCU, ARM

Managing Director

ksmith@grahamco.com

The Graham Building
Philadelphia, PA, 19102
215-701-5323



LISA L. TALLEY, ARM

Senior Claims Consultant

LTalley@grahamco.com

The Graham Building Philadelphia, PA,
19102
215-701-5147