# Achieving business resiliency to natural disasters through the lens of risk management and insurance

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## Abstract

*Natural disasters have been occurring more frequently and with greater potency, creating a real and heightened financial and operational risk to businesses around the globe. This paper aims to enhance traditional business continuity techniques and strategies by discussing how risk management, insurance and claims knowledge can form a robust platform from which to minimise the impacts of natural disasters on business. To this end, the paper combines professional knowledge from the fields of risk management, disaster response and insurance claims recovery to offer best practices in the key phases of planning and response.*

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## INTRODUCTION

Since the turn of the millennium, natural disasters have been occurring more frequently and with greater potency, creating a real and heightened financial and operational risk to businesses around the globe.

In this regard, 2020 was no exception, with devastating wildfires across California and Australia and a record-breaking number of tropical storms in the Atlantic Ocean forcing experts to name storms using the Greek alphabet.

According to the United Nations Office on Disaster Risk Reduction Global Assessment Report[1] the 7,348 natural disaster events that occurred around the world from 2000 to 2019 caused approximately US$2.97tn in losses to the global economy. In comparison, the previous 20-year period (1980–99) saw 4,212 reported disasters from natural hazards, with economic losses of US$1.63tn.

As this alarming trend continues, it has never been more important for businesses to make the plans necessary to be able to navigate the financial, operational and human impacts of natural disasters.

Achieving business resiliency to natural disasters starts with an active understanding of and commitment to disaster preparation. This commitment must be holistic, active and include recognition of continuous organisational improvement for the ever-changing risks that may impact a business. Most attention in this regard normally focuses solely on the business continuity aspects of disaster preparation. While business continuity strategies are critical components of a complete, multifaceted plan, attention must also be given to risk management, insurance and claim recovery strategies to help position a business to experience complete financial recovery after disaster strikes.

Risk management, insurance and claims strategies related to natural disasters must be well considered. It is vital to combine internal institutional knowledge of the business with help from expert external partners that can aid in loss mitigation and financial recovery. These pre-loss activities should happen early and often and should become a part of the organisation's culture. Indeed, as the economist Howard Ruff famously commented, 'It wasn't raining when Noah built the Ark'.

Equally important are the immediate response activities and strategies after an event to mitigate impacts and optimise the presentation of the loss for financial recovery. The insurance and disaster response community has always developed innovative processes and methods to help the business community respond rapidly, collect insurance proceeds and recover from natural disasters.

This paper aims to enhance traditional business continuity techniques and strategies by demonstrating how risk management, insurance and claims knowledge can form a robust platform for minimising the impacts of natural disasters on business. In this regard, the paper combines professional knowledge from the fields of risk management, disaster response and insurance claims recovery to offer best practices in two key phases of planning and response to ensure a full financial recovery.

## PART 1: PREPARING FOR A NATURAL DISASTER

### The planning phase

As major catastrophic events become more prevalent, especially as they revolve around severe weather events, organisations must build a culture of risk resiliency. Too

often, the catch-all term 'disaster recovery planning' is applied to policies and procedures that are set into motion after an event happens. As a result, companies that have had the foresight to write these plans find themselves dusting them off in an emergency situation only to find outdated information with old names and contact information. This can seriously curtail the window of opportunity for recovering from a catastrophic event.

Disaster recovery and business continuity plans are written mostly from a perspective of post-loss or after an incident occurs. This approach may be short-sighted. A good post-loss plan will only be as good as the upfront work that goes into it. A decent amount of thought must be given to foundational elements of the plan, such as disaster modelling, stakeholder alignment and the management of third parties that may become critical players in the overall recovery plan.

Disaster modelling, if done well, can help companies answer the question, 'what if?'. Understanding the overall risk to a company when an incident occurs is always the starting point. However, this modelling will need to be more robust when considering the impact of weather. In the past, companies could model for more specific losses and may not have necessarily considered larger geographic events.

Admittedly, most people involved in modelling disaster scenarios have always viewed the potential for geographic losses in terms of assets versus coastal exposure. As seen recently, with large losses in Iowa (derecho, spring 2020) and Texas (polar vortex, winter 2021), planning for more widespread/geographical losses should not be confined to coastal regions. These widespread geographical impacts change the calculation and overall plan for risk mitigation dramatically.

Once the modelling is complete, companies need to take a step back and define the different stakeholders both internally and externally. Organisations must identify who will be impacted the most and how to engage them in the planning process prior to an event happening. Having the risk manager discussing insurance coverage and deductibles and sub-limits with the various levels of operations may sound foreign to some. Nevertheless, it may be critical to the recovery plan. At the same time, having operational input into overall insurance programming is important when determining these very same coverage levels. Too often, organisations work in silos and decisions are made arbitrarily with poor communication between stakeholders. Any robust continuity plan must have the appropriate people sitting at the table providing input. More importantly, these discussions need to be frequent, not only to keep the plan updated but to ensure that the planning takes place during a time when a loss is imminent.

Not all stakeholders are within the company. Third parties such as insurers, brokers and vendors will become critical in the planning and execution of any crisis planning. Insurers and brokers have the resources to help benchmark and plan for any contingency. Vendors helping with commodities, like building materials or restoration contractors presenting their readiness to respond to an event as well as equipment rental companies and their inventory, need to be vetted and lined up prior to any loss.

No one wants to be in a position of trying to line up these vendors in the hours before a hurricane is expected to make landfall. These vendors need to be part of the planning process and, in most cases, can help with modelling potential losses. In addition, vendors will have analytics and details about their operations that may be critical to the planning

process. Remember, as these types of weather events become more widespread and frequent, having access and being in the front of the line for these much-needed resources may mean the difference between getting back up and running in a few weeks or several months.

Some key considerations when choosing these outside vendors should be obvious but worth repeating. What is their value proposition? Are there things/ideas that they can provide that are outside the norm? These vendors are getting more sophisticated, and the amount of information they can provide will help in the overall planning process.

### Understanding insurance coverage for business interruption insurance

Many organisations contemplate the physical toll a natural disaster may inflict on their business and carry traditional commercial property insurance. Depending on the duration of the interruption, however, the income lost due to business interruption may exceed the cost to rebuild. If a natural disaster causes damage to an organisation's property, or to an adjacent property, or the infrastructure on which the organisation depends, that organisation may have to suspend operations for days, weeks or even months.

All organisations should carry some form of business interruption coverage to cover such losses. Business interruption (or 'business income insurance') is included in some commercial property policies or added by endorsement. This type of insurance covers lost earnings that result from a disruption to the insured's business due to fire, weather or other covered peril. As there are no standardised forms for business interruption coverage, risk managers should always review the specific language of their policies prior to suffering a loss in order to ensure they have adequate insurance.

Almost all business interruption policies will require an organisation to sustain direct physical loss/damage or have an interruption linked to physical damage caused by the natural disaster. An example of an interruption that is not necessarily connected to 'direct physical loss' would be closure due to the COVID-19 pandemic. Business owners should consider coverage that addresses the potential risks they are likely to encounter in their region. Policyholders should look for business interruption provisions with the broadest scope of coverage, including contingent business interruption (CBI), loss of utility service, civil authority and ingress/egress coverage.

CBI is a form of business interruption insurance that extends coverage to earnings lost because of damage to facilities or to businesses on which the insured depends to conduct its own business. For example, if a hurricane disrupts a supply chain on which an organisation relies for products or raw materials, this insurance will cover the earnings lost due to that disruption. CBI coverage is best suited when an organisation depends on one or two other organisations for materials or merchandise to purchase its products and/or depends on neighbouring business(es) to attract customers.

In some instances, the loss of utilities to a business will lead to loss of products or profits. Loss of utility insurance expands business interruption coverage to specifically include loss of utilities, which may otherwise be excluded because of the 'direct physical loss or damage' requirement in most business interruption policies. There are two types of coverage: time element coverage and direct physical loss coverage.

Time element coverage expands coverage to loss or damage the insured sustains by a covered peril through interruption to utility services caused by damage to utility infrastructure. This endorsement

helps cover lost business income caused by interruption to an organisation's utility services, such as spoiled food kept in a refrigerator. Direct physical damage coverage insures specific property, often listed in the policy, from direct physical damage to the property caused by an interruption in utility service when that interruption results from a covered peril. This insurance covers the replacement or repair costs of damaged utility systems, such as a circuit breaker damaged by a power surge. Policyholders in areas prone to natural disasters that could impair utilities should carry both forms of utility interruption coverage to protect against the broadest scope of damages that may result from a loss of utilities.

Natural disasters regularly require the government to activate emergency services. Sometimes this requires government authorities to close roads or restrict access to specific areas. These restrictions often prevent customers, employees or products from reaching an insured's business. Adding civil authority coverage to a commercial property policy can cover business revenue lost when government actions prohibit access to the insured premises. The primary issue that policyholders encounter with this coverage is the requirement for the government action to arise from some form of physical damage. This means that any closure not connected to physical damage will fall outside of coverage.

Business owners can also purchase 'ingress/egress' coverage to protect their businesses in cases when there is no government order closing a road. Like civil authority coverage, ingress/egress coverage is designed to pay for the loss of income triggered by physical damage that prevents or hinders ingress to or egress from the organisation. Although this coverage does not require government-mandated closures, there is generally a requirement that a covered peril causes the road closure. Additionally, this coverage does not require total denial of access. Instead, it is triggered when there is no reasonable access to the insured's business. This works to the insured's benefit if, for example, a flood prevents cars, but not certain four-wheel-drive trucks from using a road. As it is not reasonable to require everyone to have a truck, coverage will apply. However, there is no coverage if only the primary route is closed and there is still access to the business through a less convenient alternative route. Indeed, even if there is a reduction in business income because of the closure, there will likely be no coverage because there is still reasonable access to the business. Businesses that operate in areas of limited access should strongly consider each of these types of coverage.

Although flooding may be associated with many natural disasters, it must always be purchased separately from a commercial property policy. Flood insurance will only cover the physical damage a flood may cause. Any consequential damages, such as lost revenue to a business or additional living expenses to a homeowner, should be addressed in other policies. Policyholders in areas susceptible to hurricanes or located in an area susceptible to flooding should carry flood insurance even if their property is not located in a high-risk flood zone or floodplain.

### Quantifying financial exposures and business interruption

For most organisations, planning for and managing business operational risks is a full-time job. This process requires data analytics that includes understanding internal factors such as loss histories as well as external changing business conditions, both of which need continuous alignment to the current and future state of the organisation.

Business continuity experts help their organisations think about all ways to maintain continuous operations after the impact of a natural disaster. In addition to this, working with risk managers and insurance, resilient organisations must also add the exercise of valuing the exposures to ensure insurance is in place to allow for the recovery of all reimbursable costs following a significant loss or delay. Where there is a clear answer to 'what if?' there should also be an answer to the question 'how much?'.

Most organisations pass this responsibility to a risk manager. In a 2018 survey conducted by The Ohio State University's Fisher College of Business, approximately 70 per cent of respondents reported having a risk management department,[2] up 4 per cent from 2017. Risk managers fulfil many tasks, including risk identification, risk control, risk avoidance and risk transfer. For the purposes of the present paper, the risk transfer technique assumed is guaranteed cost insurance through a traditional contract or policy with an insurance carrier.

One aspect for properly considering the breadth and depth of risk to a business to natural disasters is estimating and quantifying financial exposures around potential events within the various aspects of the business.

During this recurring internal exercise, a resilient organisation should model and strategise for the worst-case scenarios that could cause a material impact on its operational viability and interruption to maintaining revenue. The goal is to think through a maximum foreseeable loss or (MFL). No longer are the days whereby risk transfer strategies should only be adopted to protect the organisation against past loss experiences and/or infrequent 'black swan'[3] events. Rather, the MFL approach considers more 'grey swan' type events. These are natural disaster impacts to a business that would be of sizable impact, albeit with a lower probability of likelihood, which may reasonably be anticipated.

While performing this exercise, reference recent disruption natural disasters that the organisation may have dodged and perform a 'what-if' analysis to identify scenarios that may have affected the organisation. Once the maximum foreseeable loss is outlined, identify mitigating factors such as logistics at the locations, values at risk, business continuity planning, redundancy and the maturity of the internal staff to deal with an event. Lastly, this exercise should be performed on an enterprise-wide as well as location-by-location basis. Resiliency to natural disasters is location-specific.

For example, is the property near the coast and subject to wind-water events like hurricanes? Or is there risk to the project in wildfire areas? Or all of the above? It is crucial to determine the likelihood of each scenario to the job site, including similar potential risk downstream to subcontractors and suppliers of materials.

Once natural disaster risks have been identified, categorised and ranked, it is important to value the risk or exposure to ensure adequate limits of insurance. This is often required by insurers prior to agreeing on the insurance contract. Business interruption insurance is intended to put a business back to where it would have been 'but for the loss'.

Too many organisations look at revenue and estimated downtime and simply guess how much coverage is required. Valuing the business interruption risk or exposure involves a specific insurance calculation that fundamentally considers gross earnings or gross profits less non-continuing expenses. It is therefore important to work with professional forensic accountants who can tailor the calculation to fit the specific elements of the organisation.

This valuation process should be performed in detail at least every two years. However, many organisations apply arbitrary inflation rates during each insurance renewal, potentially leaving some details overlooked and leaving the organisation to be over/under-insured. It is critical to speak to experts or utilise tools that allow the organisation to stress-test or validate how it has been calculating its business interruption exposure more accurately. This will allow the organisation to 'right-size' its risk transfer and corresponding insurance premium spend.

Again, specificity is important in the risk valuation process. Rather than looking at the entire portfolio of revenue at risk that is susceptible to a business disruption, an organisation should perform analyses of key drivers at the segment level, including location and/or business application. Some critical questions to consider include:

- Are there seasonality issues that would materially affect certain segments of the organisation more than others? Does a potential disaster in January have the same lasting effect as a disaster occurring in June?;
- Is it possible simply to shift lost production to a nearby operation? If so, what additional costs would this entail, and would such costs be covered in an insurance claim?;
- Are there bottlenecks that can exacerbate a loss? Can they be avoided?;
- What are the contingent exposures should a key supplier have a disaster?;
- Which business applications, systems and networks have the greatest impact on the ability to generate revenue or continue operations at a normal level?

This analysis, if performed in a cross-functional manner between business continuity and risk management, will provide a more specific view of how an event would affect or impair the core drivers of business income.

## PART 2: RESPONDING EFFECTIVELY AND ENSURING A FULL FINANCIAL RECOVERY

### 'Go-time': The week after the disaster

When business loss occurs, mayhem usually ensues. Sometimes even the best-laid plans, when tested, will show deficiencies. As no single plan can be written to prepare an organisation for every possible scenario, it is important to remember several constants in planning for a disruptive event.

The first step — the importance of which cannot be overstated — is to provide notice to the appropriate insurance carriers. While it is true that immediate action is required to limit the damage, failing to serve notice of a claim is a minor detail that can have major impacts. When a widespread event affects a large portion of the community, numerous businesses will be lining up to make an insurance claim. By reporting the loss, the organisation reserves its right to submit a claim, no matter how long it takes the carrier to get involved. When so many other matters can pull on one's time and attention, this simple step can easily get overlooked.

Once the notice is submitted, it will be time to get to work and implement the plan to mitigate any further damage and start the rebuilding process. This will require managing expectations internally and managing all the third-party resources externally.

After a catastrophic occurrence, risk management is thrust into the spotlight, and executives want answers on all things relating to time, money and outcome. In the early stages of a loss, however, this may not be possible. Risk managers therefore need to find a way to temper

expectations. This is an opportunity to outline what is known at the moment and the plan that will be put into place to address the needs of the company. It is also a good idea to present the known loss as it lines up with the current insurance coverage structure. This approach can go a long way to ensure that the plan can be implemented without the pressure of random questions from the executive team distracting all parties.

Managing all aspects of the recovery phase can be challenging. Maintaining flexibility in the recovery plan is essential to prepare organisations for issues that may not have been foreseen. For example, the COVID-19 pandemic has impacted supply chains to such an extent that in a recent survey conducted by the Association of General Contractors, 93 per cent of respondents reported an increase in building materials.[4] In that same report, it was mentioned that the cost of 2×4 timber has more than doubled in recent months. Going into the 2021 hurricane season, this could have a very profound effect on claims costs as well as become a supply problem. These market pressures most likely will not ease until the pandemic is under control globally. The best recovery plans have some cushion for unforeseen circumstances like a rise in material costs or supply shortages.

Do not underestimate the difficulties in communicating with the team on the ground. In the event of a region- wide disaster, normal lines of communication may become strained or nonexistent for days or weeks. The need to build in contingency planning becomes critical to the success of any recovery plan.

These obstacles can best be overcome by setting short and long-term goals. The short-term goals should address how best to get up and running. Whether a manufacturing company or a real-estate developer, the aim is to get back to normal as fast as possible. This does not mean that all company functions need to be back to 100 per cent. Instead, the disaster recovery plan should identify the minimum functionality necessary for the organisation to continue operations.

The key to getting any organisation back up and running will be the management of third parties. No plan is self-sufficient, meaning no one organisation can handle every aspect of recovery by itself. Achieving 100 per cent operational capacity will almost inevitably require outside help.

As stated previously, lining up and evaluating these third parties is best done prior to an event and not when a Category 4 storm is bearing down. Here, it is prudent to look for third parties with a national footprint. Compared with regional players, an organisation with nationwide coverage will not only be better insulated from the impact of a natural disaster, and hence less constrained, but will also be better equipped to address the needs of a national organisation.

It is important to remember that when it comes to a large-scale regional event, the companies on which an organisation would typically rely to respond to a crisis may find themselves in the middle of their own crisis and may not be able to respond. The best plans will include input from these third parties and should be part of the overall planning process. They will be best positioned to provide details on what they can deliver, even in a widespread event. This information will be critical to the successful implementation of the plan and help ensure a full recovery.

### Capturing and documenting the costs of the loss for an insurance claim submission

As damages are initially investigated, the first hours and days after a loss are critical for setting the tone in the insurance

adjustment and claims submission process. The following steps are essential when navigating through the insurance claim process after a major disaster.

Photographs, video footage and drone footage of the loss from all perspectives are vital for memorialising the damages. At some point, this corroborating evidence will help the organisation settle potential disagreements on items such as scope, quantity and pricing when the costs for the same are usually negotiated at the end of a claim. It is important to include pictures of any identifying information, such as serial numbers of damaged equipment.

After the damage has been memorialised, it is important to focus on decisions that get the business up and running as quickly as possible. Sometimes there is confusion on whether to mitigate the loss prior to the first adjuster site inspection. As mentioned previously, while it is not necessary to seek permission from the insurance company or insurance adjuster before acting, it helps to keep them in the loop as the organisation moves forward to mitigate its loss. Often, any decision made by a prudent businessperson to mitigate a loss is considered favourably by the insurance community.

Insurers want to reimburse an organisation for every cost it is owed in the policy, but it must have adequate layers of data for verification. In the policy agreement, it is the organisation's responsibility to present a claim, and it is the insurer's responsibility to review and adjust it. To do so, provide sufficient detail to substantiate the loss and tie each invoice back to a specific area of the policy. Another important component of the claim submission is the inclusion of a narrative or summary explaining the timeline and reasons for each decision made and how said decision connects to a specific area of coverage in the insurance policy. Organisations often miss the need to put a 'story behind the numbers' in a claim submission, leading to confusion regarding what occurred. This is another opportunity where the business continuity professional can offer expertise in detailing the steps taken post loss. Keep in mind that an average insurance claim can take anything from three to 12 months to settle, so a detailed narrative recounting all pertinent facts is crucial to memorialise the actions when the time for settlement approaches.

Following a loss, the appropriate contact in the organisation, usually the risk manager, should connect immediately with the designated insurance broker or agent to understand what coverage is in place, sub-limits for specific areas of coverage and what is not covered at all.

Some additional common requirements or conditions of insurance policies include:

- Promptly reporting the loss and event to an agent/insurer/adjuster;
- Protecting undamaged property;
- Replacing destroyed items/repair damaged items with 'due diligence and dispatch';
- Utilising alternative facilities to maintain operations, inventory, or other means; and
- Mitigating the loss to the greatest extent possible.

The business continuity professional should be made aware of the specific conditions of the organisation's insurance coverage and should build them into their strategic continuity plans. Ideally, the business continuity and risk management departments will have gone through this process before a loss occurs. If not, it is highly important for all stakeholders involved in the organisation's recovery to become quickly educated on what is eligible to collect through the insurance policy following a loss. Read the organisation's insurance policies and assess all the

loss costs through the policies and procedures defined by each coverage category and segregate accordingly.

The insurance policy should be used as the roadmap for both the risk manager and business continuity professional as to how costs are classified and potentially collected as part of the recovery. It is important to instil leadership early in the loss quantification, verification and segregation processes by understanding fully what is or is not covered and how the costs should be presented. It is not advised to analyse the loss separately for each area of recovery. Instead, a comprehensive, team-based approach for a claim submission is recommended.

The earlier the assessment can be made, the better. Assessment of potential insurance that may be available is critical to help the organisation identify early in the recovery process how to segregate the loss-related expenditures in conjunction with the insurance policy terms. Understanding with specificity what insurance coverage exists, including exclusions, deductibles, limits and sub-limits, is crucial. Uninsured portions of a loss need to be clearly segregated and determined for eligibility through other means, such as federal aid.

A critical step in the insurance claim process is the first site visit by the insurance adjuster to view the damages sustained. When a date is set for the insurance adjuster to view the damages, every effort should be made for the risk manager and business continuity expert to be there in person, rather than leaving the local facility staff to handle this crucial initial inspection. Being there with both risk management and business continuity perspectives helps clarify the recovery plan steps, objectives and planned costs at the outset. It also sets the tone for a working relationship for the entire adjustment process. This is especially important during an area-wide disaster where insurance adjusters are typically spread thin and have limited time to spend on any one organisation's loss. Be prepared to walk the adjuster through the loss and focus the discussion on the organisation's business operations. Explain the planned recovery efforts and timeline to fully document and present the loss.

As the insurance adjuster begins to review the parameters of the loss, they will look to recommend a loss reserve to the insurer(s) for internal compliance and accounting purposes. A loss reserve is what the insurer believes their maximum liability on a claim to be, so it is important to ensure the adjuster sees the full potential or worst-case scenario with the goal of the greatest accuracy as possible in the early days following an incident.

The risk manager and business continuity professional should work together to prepare an initial summary identifying all areas of the loss with associated estimated costs. The risk manager can help explain the areas of coverage while the business continuity professional can explain the implementation of the same. For potential claimable items that are too early to quantify in the immediate aftermath of a loss, such as business interruption, include the item as 'to be determined' (TBD). This will help the insurance adjuster consider the worst-case scenario, including potential future claim items as they set the loss reserve.

An effective insurance claim presentation aligned with the proper insurance policy coverage can become a tool for cash flow during the recovery of a loss. While the average insurance claim takes 3–12 months to settle in full, interim payments can be requested and processed along the way for documented and undisputed costs. The insurance adjuster can release funds as items are agreed to and supported. As the organisation proves damages through the adjustment process,

it is advisable to request partial payments from the insurance adjuster. This will help the organisation maintain cash flow during the recovery process.

### Insurance policy considerations when submitting a claim

Once disaster strikes, policyholders must be prepared for the claims process. This starts with understanding their responsibilities as policyholder, in addition to the deductible (ie the insured's contribution to covering the loss). Policies may apply a different deductible depending on the peril that caused the loss. If the policy contains an increased wind deductible, it will usually appear on the 'declarations' page of the commercial property insurance policy. These deductibles are calculated using a percentage of the property value instead of the flat deductible that applies to other types of loss.

The three most common deductibles are windstorm deductibles, named storm deductibles and hurricane deductibles. Windstorm deductibles are the broadest, meaning they will apply to losses caused by most wind-related weather events, even if not particularly severe. These deductibles apply whenever damage is caused by wind from hurricanes, tropical storms, winter nor'easters and summer thunderstorms. Named storm deductibles are often higher than windstorm deductibles and only apply to named storms designated by the US National Weather Service and/or the US National Hurricane Center. Hurricane deductibles are the most restrictive because they apply to Category 1–5 hurricanes only.

Hurricane/Super Storm Sandy provides a good example of the distinction between named storm and hurricane deductibles. When Sandy made landfall in New Jersey, it had been downgraded from a Category 1 hurricane to a tropical storm. Thus, the lower-named storm deductible applied to policies with both named storm and hurricane deductibles. Hurricane deductibles have become less common due to the potential for political interference after the fact, as was evident with Sandy, when some suggested that Hurricane Sandy was downgraded to a named tropical storm to shield homeowners from their increased hurricane deductibles. Policyholders should review their property insurance policies to verify which deductible will apply in the event of a hurricane.

Natural disasters frequently cause damage through multiple means. For example, a hurricane can damage property through wind, water or flying debris. When this happens, damage is caused by 'concurrent perils'. Some policies attempt to eliminate coverage when covered and non-covered perils act together to damage property. Insurance companies try to limit their risk by adding anti-concurrent causation (ACC) provisions to their policies. Policyholders should try to eliminate ACC provisions from their property policies whenever possible. An ACC provision indicates that the policy will not cover a loss caused by a combination of covered and excluded occurrences. Notably, California, North Dakota, Washington and West Virginia do not enforce these provisions and require insurers to cover property damage when a covered peril is the predominant cause of the damage.

In states that do enforce ACC provisions, they apply in either sequential-cause or concurrent-cause situations. In the sequential-cause scenario, the first event sets in motion a chain of events that causes a second event that causes the loss (ie a chain reaction of interdependent events). In the concurrent-cause scenario, two or more causes of loss happen simultaneously to produce the same injury or damage (ie a combination of simultaneous independent events). In either situation, if any cause of loss falls within the terms of an exclusion

in a policy that contains ACC language, the loss will be excluded in its entirety, regardless of whether another covered cause of loss qualifies as the 'proximate' or 'predominant' cause under the applicable jurisdiction's common-law rules. Where a policy contains ACC language, one should thoroughly investigate the cause of damage and try to rule out any non-covered perils as the cause.

After a disaster, an organisation should do three things: 1) take immediate action to document all the damage with photographs and video; 2) mitigate further damage as safely and thoroughly as possible; and 3) communicate with the insurer early and often. For example, if there is a leak in the roof, use a tarp (or take some other reasonable action) to mitigate any further damage to the building's interior. Take photos of the leak and catalogue any damaged areas or items. Then, contact the insurance carrier immediately and forward them the documentation. Typically, insurance policies will reimburse for the materials that must be purchased to mitigate those damages, even if those materials are being sold at higher-than-market rates due to low availability.

Most policies require insured parties to notify the carrier of a loss in a timely manner. Some states have statutes that specifically address this issue. Regardless of these statutes, it is best practice to immediately submit written notice of a claim to the insurer according to the policy's notice provisions and keep a copy for one's records. Accurate and thorough record-keeping is invaluable in pursuing any claim. While there may be severe consequences to giving notice too late, a policyholder loses nothing by submitting a claim too early — even if they believe it might not be covered.

Businesses cannot always count on insurance to cover the full costs of a loss — especially when it is a claim that is unique or represents a substantial financial loss across multiple sectors of the economy. History shows that insurance carriers tend to deny large, novel claims such as products liability claims in the 1960s and 1970s[5] and environmental claims in the 1980s and 1990s.[6] More recently, the COVID-19 pandemic has shown once again that simply having all-risk insurance coverage is no guarantee a claim will be accepted. Since March 2020, over 1,373 lawsuits have been filed against US insurance carriers for denying coverage for claims related to COVID-19.[7] These lawsuits represent an unknown portion of all COVID-19 claim denials. The lesson here is that even if everything has been done correctly, the claim may not be successful due to the nature of the claim and the specific components of the insurance policy. For this reason, it is important to have a business continuity and risk management plan that accounts for claim denial.

## CLOSING

To be resilient, organisations must be prepared for a quick and complete recovery from the operational and financial impacts of a natural disaster. Organisations must therefore look beyond traditional business continuity efforts and enhance their overall recovery plans with risk management and insurance claim components.

Continuous organisational learning and scenario planning around potential events during normal business climates help organisations remain flexible, and adjust disaster response strategies as required. Conducting 'pre-loss' planning, valuations and studies before disaster strikes not only supports the accurate quantification of risks but also helps to identify the roles and responsibilities of key stakeholders beforehand. If performed correctly, the business

will find the right balance of preparation to be able to recover from any grey or black swan events.

In addition, the proper use of external risk mitigation expertise and financial recovery resources, such as restoration contractors, insurance brokers, claim preparation experts, forensic accountants and insurance lawyers, will bolster the internal team and facilitate the financial recovery process following the event.

As the risk of natural disasters to business and organisations continue to rise, it is imperative to instil a proactive and preparedness mindset within the daily culture of the business. This mindset will allow the organisation to be sufficiently nimble and effective to begin recovery steps immediately. Achieving best practices for business resiliency is no longer an option but a necessity.

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