Preparing for the 2020 Hurricane Season

Steps to Help your Organization Prepare

Prepared by Aon's Property Claims Preparation,
Advocacy & Valuations Practice

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Planning for the 2020 Atlantic Basin Hurricane Season

At the time of publication, more than 5.5 million confirmed cases of COVID-19 had spread across 213 countries and territories, causing an estimated 30+ million job losses in the United States alone, and creating fears of a significant and prolonged global recession. When the novel coronavirus was officially announced by China in late January, few expected such a staggering worldwide impact – not only on the global economy – but also on society as a whole. It is within this dire context that U.S. organizations fix their gaze on preparing for the 2020 Atlantic Basin Hurricane Season.

The following sections offer a broad and high-level overview for 2020 hurricane planning and response strategies. While the far-reaching and myriad impacts of COVID-19 are still being felt and mitigated across the business landscape, they will undoubtedly have a significant effect on long-standing strategies for planning and responding to tropical storms. As such, this document should be used as a guidepost for planning; organizations will need to consider planning and response strategies within the framework of COVID-19 and its impact on operations and workforce. We encourage businesses to engage and consult with Aon's risk management and human capital consultants to develop hurricane-specific planning and response strategies that specifically address operational resiliency and duty of care considerations that align with business needs.

Effective hurricane preparation and claim planning can help an organization become more resilient and maintain critical operations, resume them more quickly after a loss, and manage a complex claim.

Brief Review of 2019 Hurricane Season

In 2019, economic and insured losses derived from natural catastrophes in the U.S. were substantially reduced from high-cost years in 2017 and 2018. The overall economic total was an estimated USD68 billion, of which USD36 billion was covered by public and private insurers. When compared to annual data from 2000-2018, economic losses in 2019 were 15 percent below the average (USD79 billion), though 43 percent higher than the median (USD47 billion). Insured losses were 9 percent lower than average (USD40 billion) and 43 percent higher than the median (USD25 billion).

While the U.S. endured two hurricane landfalls – Barry (Louisiana) in July and Dorian (North Carolina) in September – the most noteworthy tropical cyclone was Tropical Storm Imelda. That storm came ashore near Freeport, Texas in mid-September and produced prolific rainfall. Imelda became the fifth-wettest tropical cyclone on record in the Lower 48, and the fourth-wettest tropical cyclone in the state of Texas. Flooding from the system caused impacts in many areas previously damaged by Hurricane Harvey in 2017. Total economic damage was minimally estimated at USD3.5 billion.[1]

1 Weather, Climate & Catastrophe Insight, 2019 Annual Report Aon Impact Forecasting

2020 Tropical Storm Forecasts

As of the Aon Impact Forecasting updates issued on April 2 and April 8 respectively, Colorado State University (CSU) and Tropical Storm Risk (TSR) forecasts are listed below. CSU is projecting ***16 named storms, 8 hurricanes, and 4 major hurricanes (Category 3+)*** whereas TSR is also projecting ***16 named storms, 8 hurricanes and yet 3 major hurricanes (Category 3+)***.

Colorado State University

CSU has issued its April forecast for the 2020 Atlantic Hurricane Season. The forecast calls for 16 named storms, 8 hurricanes, and 4 major hurricanes (Category 3+) between the months of June and November.

With the release of their forecast, CSU is predicting above-normal tropical cyclone activity in the Atlantic Basin during the upcoming 2020 season with 16 named storms, 8 hurricanes, and 4 major hurricanes (Category 3+).

The report cites several factors as to how and why this activity was forecast. The biggest reason surrounds the expectation that the current warm neutral El Niño-Southern Oscillation (ENSO) conditions are likely to transition to cool neutral ENSO or weak La Niña conditions by later this summer into the fall. The most recent statistical and dynamical ENSO model output shows a wide spread in possible scenarios during the peak months from August to October, though most do indicate varying levels of anomalous cooling during this time.

A second factor revolves around current sea surface temperatures across the North Atlantic Ocean. The Tropical Atlantic, Caribbean Sea, and waters along the U.S. East Coast are anomalously warmer than normal at present, though water temperatures are much cooler than normal in the far North Atlantic. CSU notes that while such cool conditions in the far North Atlantic are characteristic of a negative phase of the Atlantic Multi-decadal Oscillation (AMO), anomalous warmth elsewhere in the Atlantic does not equally suggest it. It is very important to note that there is considerable uncertainty in the current AMO phase and the expectation of what Atlantic sea surface temperatures will look like during the peak months of the hurricane season (August, September, October).

Tropical Storm Risk

Tropical Storm Risk (TSR) is forecasting 16 named storms, 8 hurricanes and 3 major hurricanes (Category 3+) between the months of June and November. This is slightly higher than TSR's initial projection of tropical activity released in December 2019. The projected activity is expected to be 25 percent above the long-range norm since 1950, and 5 to 10 percent above the recent 2010-2019 (10-year) norm.

The agency cites that the main predictor for this forecast is the projected warmer than normal sea surface temperatures in the tropical North Atlantic Ocean and an arrival of neutral-to-weak La Niña ENSO conditions by the peak hurricane season months of August and September. These expected ENSO conditions have resulted in a lowering of trade winds throughout the Atlantic's Main Development Region (MDR) – including the Caribbean Sea and tropical North Atlantic – that typically leads to more cyclonic vorticity (spin) and decreased vertical wind shear. Each of these parameters should allow for more favorable atmospheric and oceanic conditions that lead to above-average cyclogenesis during the 2020 season.

The group stresses that the precision of hurricane season outlooks in April is often low and forecast uncertainties are amplified due to the unknown status of ENSO and atmospheric/ oceanic conditions in the Atlantic in a few months' time. Forecast skill increases as the start of the season approaches.

Properly Identifying Resources and Assessing Storm Exposures

A critical element of a proactive response plan is to identify key personnel and external consultants and resources, such as your broker, insurance adjuster, legal, accounting/finance, restoration contractors (along with their contact information), should an event cause damage or render sites temporarily inoperable.

Designate an internal leader, such as the CFO or risk manager, and alternate staff to coordinate the response and claims teams to ensure all plan elements are implemented on a timely basis. Creating a flowchart or playbook showing the response and claim elements will help make the entire process more efficient. In addition, simulating the plan using various event scenarios will help work out any issues. Consider implementing "call trees" within the organization, ensuring you can effectively reach all members of your team during and after an event. It is also highly recommended that these items are included, or cross-referenced, in business continuity plans.

The plan should also include a comprehensive evaluation of all of your organization's plants and locations situated in hurricane regions to ensure a thorough understanding of business interruption and asset values and their general exposure to hurricanes and other major storm events. There are a number of "apps" available to provide business continuity plans on mobile devices to ensure that all team members have the details at their fingertips.

One lesson learned from Sandy, Katrina and other major storms is that planning must address not only wind-related loss, but storm surge, flooding, extended power outages, and interruption of land line, cell phone and internet access, as well as site inaccessibility. Complications and impacts stemming from COVID-19 will almost certainly exacerbate the challenges that organizations will face with hurricane response in the 2020 hurricane season.

Before the storm...

Planning

- Contact your local Emergency Management Office to learn of community evacuation plans.
- Purchase a NOAA Weather Radio with a warning alarm tone and battery backup. Listen for hurricane watches and warnings.
- Work with your Property Risk Control Consultant to be aware of each of the steps you need to take to reduce the impact of any storm.

Employee Care

- Establish facility shutdown procedures. Plan to assist employees in need of transportation.
- Ensure that staff "call trees" are current and functional.
- Make plans for communicating with employees before and after a hurricane.
- Disseminate emergency contact lists and procedures.
- Alert employees to your organization's emergency action plan.
- Ensure that any employees who stay on site have access to emergency supplies (potable water, nonperishable food, first aid kits and communication devices).
- Work with your organization to bring in employees from other locations to allow your employees in affected areas to focus on their homes and families.

Facilities Protection

- Plan to protect or otherwise secure outside equipment and inventory.
- Protect windows with permanent storm shutters. Covering windows with marine plywood is an option to reduce the chance of breakage.
- Plan to divert water from holes in foundations, doorways and sills, and other openings.
- Check roofs, HVAC systems, elevators, docks, etc., for exposures.
- If your facility contains perishable goods, make plans to safeguard them (back-up generators for refrigerators/freezers) or transport the goods to another facility.
- If necessary, move susceptible equipment from lower or ground levels to higher levels.

Business Continuity

- Review contingency plans to support continued operations (including production, shipping and receiving, administration, financial, data processing, internal and external communications, security, transportation, portable pumps, generators, batteries and battery-powered devices).
- Prepare to move records, computer equipment, and other sensitive equipment / items to another location.
- Create electronic and redundant back-ups of paper documentation.
- Prepare customer/supplier awareness and contingency plans.

As the storm approaches...

Monitor National Weather Service (NWS) broadcasts. If a hurricane watch is issued, convene your emergency response team to review personnel availability and your action plan. In the event a hurricane warning is declared, activate your emergency action plan and take the following precautions as soon as possible. It may take considerable time to obtain the materials you need to protect facilities:

Employee Care

- Inventory adequate provisions (i.e. 72 hours of food, water, first aid equipment, lighting and communications equipment, etc.) for employees remaining on premises.
- Employees remaining on site should have access to safe refuge from floodwaters and structural collapse.
- Assemble supplies (lumber, nails, tarps, power/manual tools, roofing paper, tape, etc.)
- Isolate gas, electric and other utilities. Shut down operations and equipment that depend upon outside utilities. Maintain fire protection systems in service if possible.

Facility Protection

- Ensure you have contact details (preferably on cell phone) for remediation and response engineers and consultants. If the facility sustains damage, your claims consultant and remediation vendor need to arrive as quickly as possible to begin clean-up and also begin claim identification and adjudication on your behalf with insurance adjusters.
- Inspect roof edging strips, flashing, gutters, and drains. Secure or weigh down loose roof coverings.
- Inspect wall panels, door and window latches and hardware. Inspect exterior signs, supports, guy wires and anchorages.
- Protect exterior windows from flying debris by taping or covering with wooden marine boards or storm shutters (especially on the windward side).
- Anchor or move yard structures and equipment (trailers, cranes, loose yard storage, high profile materials, storage racks, etc.) which may be vulnerable to high winds.
- Move drums of hazardous chemicals to a sheltered area, especially those that might be reactive with water. Segregate incompatible chemicals.

Business Continuity

- Update/back up critical records (financial, inventory, computer, etc.) and move to a location out of the path of the storm.
- Prepare for disruptions in telecommunications, including email and internet access. Reserve a plant or citizens band radio system.
- Prepare for disruptions in electric power or other utilities. Fill diesel engine driven emergency generator and fire pump fuel tanks. Ensure that you have full gas cans for extra supplies.
- Advise customers and suppliers of a potential disruption in operations.
- Inquire with suppliers of their plans to address any loss in distribution or service to prevent (or mitigate) breaks in the supply chain.

After the hurricane passes...

Recovery

- Cordon off areas where power lines are down to prevent injuries. Coordinate repairs with the local utility. Prioritize power restoration for critical locations/operations.
- Check for leaking natural gas, propane gas, or gasoline from storage tanks or vehicles.
- Identify and control potential ignition sources if flammable liquids or combustible gases are present.
- Work with salvage crews to prioritize items that require immediate attention above those less susceptible to damage if left for a day or two. Quickly remove standing water and debris, clean and dry vital equipment, and dehumidify damp areas.

- Check and replenish hurricane protection supplies.
- Isolate damaged areas and evaluate, prioritize and expedite necessary structural repairs to minimize business interruption exposure. Provide temporary covers for windows, wall openings and roofs that have been damaged. “Laydown” areas, for the accumulation of combustible debris, should be designated away from any significant buildings or structures.
- Return fire protection systems (water supplies, suppression systems, alarm and detection systems, etc.) back into service as quickly as possible.
- Suspend cutting, welding and other hot work operations until fire protection systems are returned to service.

Should a loss occur, remember to document everything...

- Take photographs of everything – all damage and areas where your site is impacted.
- Develop a claim timeline with milestones for your team and the insurance adjustment team to manage expectations on both sides of a claim.
- Capture all invoices, contracts, etc., for loss-related work, including detailed descriptions of the temporary and/or permanent repair/replacement work to be performed.
- Ensure that all loss-related incurred costs are classified and categorized in real-time per your “bucket” of policy(s) coverage and by loss area/component, such as location, individual equipment, structures, and contents.
- Track – with detailed descriptions describing loss related activity – all in-house costs, such as hourly labor time and cost [with fringes] per person, salaried labor time and cost per person, in-house parts/materials consumed, expenses incurred, time sheets, expense reports, etc.

The checklists provided above are similar to checklists we have provided in past versions of our annual hurricane prep documents and that we expect they may be embedded in your current hurricane response plans. However, we strongly recommend that you review your plan and amend it to address state, local and corporate guidelines related to COVID-19 as they are constantly changing and may impact every step of the planning and response – especially as respects employee care. Flexibility and clear, frequent communications will be key in successfully responding to events as they occur.

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