

Hurricane Threats Increase As Season Gets Under Way

With the hurricane season under way, forecasters are predicting that the probability of storms making landfall this year is 5-10 percent higher than the long-term average. Moreover, the potential for property damage from hurricanes is growing. Due to an extended building boom during the 1970s and 1980s, there are now an estimated 48 million people living within 50 miles of the Atlantic and Gulf coasts—the prime hurricane areas.

Making matters worse, businesses in the Caribbean and along the U.S. east coast can expect to pay double or triple what they did last year for insurance to protect against coastal windstorms and related damages. A Marsh Inc. report reflecting April 1 business insurance renewals reports that the amount of insurance available for catastrophes has been reduced—which, in combination with the poor loss experience insurance firms have endured in recent years, has resulted in higher prices.

But despite higher insurance costs and the

increased potential for major damage, businesses can protect themselves against the cost of hurricanes. “There’s a great deal businesses can do, both with their insurance programs and loss mitigation, to address the high cost of coverage,” says Don Schmidt, Senior Vice President of Marsh.

Insurance costs may be reduced by modeling the windstorm exposure and buying coverage only for the probable maximum loss. Through the computer simulation of storms, and based on historical patterns and current conditions, Marsh’s Risk Consulting group can determine what damage would occur today in light of increases in exposures that have occurred over the years. This can be done for insurance company risk portfolios, the exposures of corporations, or even for an entire population.

Businesses that want to maintain their levels of insurance coverage need to take other measures to keep premium cost increases to a minimum, Mr. Schmidt points out.

An important step is to work with insurance advisors to prepare submissions early



Forecasters are predicting that more hurricanes will make landfall this year, increasing the potential for major property damage for businesses and residences located in hurricane zones.

and make sure information about loss experience, facility locations, construction, and preparedness efforts is complete.

Firms with exposures in hurricane zones should reduce the vulnerability of their property to damage. A comprehensive hurricane preparedness plan is essential.

“No storm follows a plan, so company managers have to be able to think on their feet,” Mr. Schmidt says. “We train managers to understand the threat and understand their

resources. Then we help them develop preparedness plans that enable them to make the best use of their resources as efficiently and expeditiously as possible to deal with the varying level of threat posed by tropical storms, up to and including major hurricanes.”

An effective hurricane plan addresses both timing prior to landfall of a hurricane and the intensity of a storm. For example, the plan should describe what needs to be done prior to hurricane season. Issues include making repairs to building roofs, the stockpiling of supplies, training of staff, and the response to a major hurricane—which could require sheltering of staff and guests for an extended period. Development of the plan should identify the potential threat of wind, rain, storm surge, or all three, and action steps should address these vulnerabilities.

In addition to having a hurricane preparedness plan, the following measures should be taken to help safeguard employees and facilities in the event of a storm:

- ◆ Check structural integrity of all facilities. In particular, make sure roof coverings, exterior doors, and windows are in good condition.
- ◆ Protect large windows with storm shutters or stockpile plywood, nails, and tools to board them up when a storm approaches.
- ◆ Make sure critical equipment, including paper records, computer systems, applications, and data are backed up in a safe location—preferably off-site.
- ◆ Stockpile emergency equipment on site.

In the event that a disaster strikes, it is imperative to maintain communication with local emergency management authorities and follow the guidelines provided by the Federal Emergency Management Agency and the Red Cross. ■

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Bahamas’ Atlantis Resort Updates Its Preparedness Plan

In 1999, Marsh worked closely with Sun International Bahamas to develop a hurricane preparedness and response plan for the company’s Atlantis Paradise Island resort. Two weeks after the project was completed, the resort was hit by Hurricane Floyd, a Category 4 (out of 5) storm that caused significant damage.

Still, the resort did not shut down and no injuries were reported. The resort’s owners and managers credit Marsh’s planning and training for their success in protecting property, guests, and staff. “The

planning and training we did with our Marsh representatives played a major role in protecting our guests, reducing our losses, and returning the resort to operation in a matter of days,” says Alan Leibman, Chief Operating Officer of Atlantis.

Since 1999, Marsh has helped update the Atlantis Paradise Island’s hurricane plan. The US\$1 billion, 8,000-guest resort comprises a complex of hotels, restaurants, casino, and recreational facilities. Because of its location, a hurricane is the resort’s most potentially damaging property risk.

The Atlantis hurricane plan consists of multiple phases for more than 20 departments. It begins with preparations required prior to the official start of hurricane season through immediate damage assessment and recovery. Response phases are designed to address the increasing threat posed by tropical storms.

The Marsh team looked at building and landscape maintenance, the stockpiling of emergency supplies, the training of staff, and the organization and activities of a crisis management team directing hundreds of employees working around the clock to prepare the resort for an approaching storm.

“Although the Atlantis property experienced physical damage from Hurricane Floyd in 1999, the advance preparation allowed the resort’s management to successfully shelter several thousand guests and employees during the worst part of the storm, and to protect, where practical, the most exposed areas,” says Kenneth Koch, a Risk Consultant for Marsh. ■

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Photo Courtesy Atlantis

Alameda Development

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ance solution, that barrier has been lowered, and a new development era is possible for the land.

“After more than 50 years of service to our country, Alameda Point is about to begin a new life,” says Alameda’s mayor, Ralph Appezato.

Today, all military activity has ceased. The runways that crisscross the bird sanctuary are deserted of all but wildlife. Empty military barracks and storage facilities stand on strategic points overlooking the bay and the San Francisco skyline. There’s hardly a single spot on the air-station land

that doesn’t have a spectacular view.

The City of Alameda is offering developers the opportunity to create new uses on the highly desirable former air-station land. The current National Fish & Wildlife refuge will remain, but the city envisions a public waterfront, light industrial businesses, a marina, a residential neighborhood, schools, shoreline trails, restaurants, and shops. The city already has a number of tenants on the base, including a church, auto and boat repair businesses, homeless shelters, and a child care facility.

The City of Alameda is transferring the risk of exorbitantly high expenses to remove pollution from the land by using an environmental insurance program arranged by Marsh. “None of the new developments

would be possible without an insurance program that protects the City of Alameda and developers from pollution claims,” says Enrico Saturay, an Environmental Risk Consultant with Marsh.

The solution will provide US\$100 million in coverage for the City of Alameda for claims arising from the cleanup of unknown pollution discovered during the course of development over the next 10 years. It will also reimburse the city for any pollution left unremediated by the United States Navy, which is responsible for cleaning up known pollution on the site.

The Marsh-negotiated program is unique in that it covers the city for an exposure it has already incurred via its sub-leasing of some of the former military space.

Marsh negotiated wording into the insurance agreement so the city is covered for lawsuits, and related legal defense costs, that arise from lessees claiming they were exposed to pollution before the title transfer becomes official.

Marsh also negotiated several provisions in the policy that further protect the City of Alameda from numerous potential claims. There is coverage for damage to wetlands and fish hatching areas; protection if pollution migrates and reduces the value of nearby property or the ability of a business to operate; and coverage if a pollution situation delays construction. ■

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