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How to Prepare Companies for Natural Disasters

By **Karmen Fox** | 2017-Oct-25

Harvey, Irma, Maria, and Jose. The rapid succession of these powerful hurricanes in a few short months devastated the US Atlantic shorelines. These storms cost an estimated **US\$200 billion in damages** in the Gulf States and Caribbean and **claimed 103 lives**. Soon after the hurricanes pummeled the East Coast, wildfires ravaged California, **killing 40 people** and costing **US\$1.05 billion in insured losses**.

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Catastrophic weather is increasingly becoming an unavoidable threat, due in part to warmer ocean waters from **climate change**. So no matter the time of year or region, in-house counsel should always be alert for pending natural disasters. The better prepared they are, the sooner their company a



employees can get back on their feet.

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For advice on how to quickly reopen businesses after a catastrophe, we contacted Anderson Kill Attorney [Peter Halprin](#), who specializes in commercial litigation and insurance recovery. Halprin explains that there are two main threats that companies face when a natural disaster strikes: "damage to their property and an interruption of their normal business operations."

Mitigating these risks begins with a detailed plan and fast-acting team. This emergency response team should consist of "legal, regulatory, compliance, operations, and risk management" experts, Halprin says.

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Should an impending natural disaster strike, the emergency response team must safeguard the premises from damage. Apart from the obvious boarding up the buildings, they should also put the company's paperwork in order. Halprin advises that the team:

"Gather insurance policies and coordinate with risk management to ensure that the coverages are up-to-date, that premiums have been paid, and that the company is in position to maximize insurance coverage to help cope with the impact of the natural disaster."

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Finding the right insurance policy is essential to a company's rebound from a natural disaster. In their recent ACC Docket article "[Preparing for Disasters](#)," authors Woodruff Sawyer & Co. Partner and Senior Vice President Priya Cherian Huskins and Swift Currie Partner F. Lane Finch, Jr. recommend securing commercial property insurance policies. Regardless of company's needs, the insurance should at minimum provide following coverage:

- *"Property damage coverage for physical loss or damage to business property.*
- *Business income coverage for the policyholder's loss of profit and certain unavoidable continuing expenses.*
- *Extra expense coverage for both the policyholder's costs in minimizing or avoiding a business income loss and those costs the policyholder would not have incurred but for the covered loss."*



[Related: Top Ten Tips to Maximize Coverage for Disaster-Related Loss]

Though not as apparent as destroyed property, the loss of income is a hidden threat that can cost their company thousands or millions of dollars. That's why Huskins and Finch recommend seeking Business Interruption (BI) and Contingent Business Interruption (CBI) coverage. BI insurance "reimburses the actual loss sustained by the insured as a result of direct physical loss or damage to the insured's property by a covered peril," they explain.

[Related: Disasters and Insurance: Lessons for Businesses from Katrina and Rita]

CBI, on the other hand, helps companies not directly impacted by the natural disaster. This insurance covers the loss of income from delays in production, even if the company is hundreds of miles away from destruction and the buildings "did not suffer direct physical damage," Huskins and Finch say.

[Related: Paying Employees during Natural Disasters]

It's impossible to stop the storm or change the weather. But with the right emergency plan and insurances in place, in-house counsel can reduce the destruction and help their company — and community — recover faster.

Law Department Management

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Karmen Fox is the web content editor of ACC Docket.

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