The Top Five Risks for Business Disasters in America

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For copies of the slides presented during today’s session, please visit: http://agil.me/5toprisks2016
Some Disasters Happen with little to NO Warning

Reality of Risk
Prepare yourself, your business & your family for 72 Hours…or more.

Disaster Preparation Saves Lives
AGENDA

1. The History
2. The Research
3. The Truth About Top Risks
4. The Steps to Prepare
What Do Trends in Recent Events Tell Us?

The History
- United States: 45 Presidentially Declared Disasters, Affecting 32 states, territories and tribal regions
- 10 U.S. disasters causing over $1 Billion in Damage
  - Caused 155 fatalities
  - Result of 5 distinct disaster types (typical is 3-4)

**Historical Averages:**
- 1980-2015 Average is 5.2 “$1+ Billion events” per year
- 2011-2015 Average is 10.8 “$1+ Billion events” per year

* Data as of January 6, 2015

2015 U.S. Disasters
Worldwide data (courtesy of Munich RE):

- Insurers worldwide paid out over $27 Billion for natural disaster claims
  (lower than $31 Billion in 2014 and the 10-year average of $56 Billion)

- Overall damage cost, including that not covered by insurance, was $90 billion, the lowest level since 2009

- 23,000 people were killed by natural disasters. Compared to 7,700 in 2014, but still well below 10-year average of 68,000. (Nepal Earthquake caused highest toll)

* Data as of January 6, 2015
Estimated Billion Dollar Disasters in the United States

1. February - Central & Eastern Winter Storm
   (19 States, Boston alone $1 Billion +)
2. April - Midwest Ohio Valley Severe Weather (16 States)
3. April - South/Southeast Severe Weather (12 States)
4. May - Southern Plains Tornadoes (7 States)
5. May - TX & OK Flood & Severe Weather
6. June - Central & Northeast Severe Weather (12 States)
7. October - SC & Southeast Flooding
8. Summer/Fall - West & Alaskan Wildfires (8 States)
9. December - Midwest Tornadoes & Flooding (6 States)
10. 2015 - Western Drought (8 States)

* Data as of January 8, 2015 – Source: https://www.ncdc.noaa.gov/billions/events
* Declarations as of January 6, 2016

Source: https://www.fema.gov/disasters/grid/year

2015 Federally Declared Disasters
## Agility Disaster Events
### Categorized by Type

<table>
<thead>
<tr>
<th>Interruption Type</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Isolated</td>
<td>254</td>
</tr>
<tr>
<td>Winter Storm</td>
<td>163</td>
</tr>
<tr>
<td>Hurricane</td>
<td>105</td>
</tr>
<tr>
<td>Severe Weather</td>
<td>31</td>
</tr>
<tr>
<td>Thunderstorm</td>
<td>27</td>
</tr>
<tr>
<td>Flood</td>
<td>15</td>
</tr>
<tr>
<td>Fire</td>
<td>12</td>
</tr>
<tr>
<td>Ice Storm</td>
<td>11</td>
</tr>
<tr>
<td>Tornado</td>
<td>10</td>
</tr>
<tr>
<td>Wildfire</td>
<td>3</td>
</tr>
<tr>
<td>Earthquake</td>
<td>2</td>
</tr>
<tr>
<td>Planned Event</td>
<td>2</td>
</tr>
<tr>
<td>Power Outage</td>
<td>2</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>637</strong></td>
</tr>
</tbody>
</table>

### Pie Chart
- Isolated Events: 40%
- Winter Storm: 16%
- Hurricane: 26%
- Severe Weather, Thunderstorm, Flood, Fire, Ice Storm, Tornado, Wildfire, Earthquake, Planned Event, Power Outage: 2% each

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Isolated Events 40%
Agility Disaster Events
Categorized by Recovery Element

- Power: 50%
- Technology: 13%
- Space: 17%
- Connectivity: 20%
Analysis of Events Causing Operational Disruption

The Research
- Study involved 7,500 respondents to 10 surveys conducted in the years 2004, 2005, and 2006
  - 1 to 9 employees: 79%
  - 10 to 19 employees: 11%
  - 20 to 250 employees: 10%

Findings:
- 30% of small businesses had been forced to close doors for at least 24 hours or longer in the past 3 years. (note: those who permanently closed their businesses are not included)
  - 20% due to winter storms
- 2 – 3% of small businesses experienced an “extreme impact” from a natural disaster (Extreme impact defined as non-operational for at least 1 week and/or damage amounting to $100,000 or more)
- While most due to winter storms, the most destructive events individually are tornados, hurricanes, and typhoons.
Findings:

- 21% percent of organizations have lost electric power for at least 24 hours in the last 3 years
  - 90% of which were due to severe weather.
  - Remaining 10 percent caused by something other than a naturally caused event.

- 62% percent of those struck by a natural disaster say the biggest problem caused was the **loss of sales and customers**
  - 18 percent say that their biggest problem was uninsured losses.
  - Lack of adequate/appropriate insurance coverage was more frequently associated with continuing operations (59%) than destruction of physical property (44%).

- Though a majority of those who experienced an interruption were able to **partially restore** operations, it takes much longer to become **fully operational** following a disaster, averaging about **11.5 days**.
The Truth about Top 5 Risks:

IT DEPENDS...
Top 5 Event Types: 1995-2014

1. Hurricanes/Tropical Storms
2. Tornadoes
3. Winter Storms
4. Terrorism/Criminal Acts
5. Geological Events

Note: Does not include Federally insured Flood Losses

Source: The Property Claim Services (PCS) unit of ISO, a Verisk Analytics company
Top Threat Risks to Business

NFIB RESEARCH FOUNDATION REPORT

1. Power Loss
2. Loss of Sales & Customers
3. Length of Recovery
4. Uninsured Loss
   (for continuing operations)
5. Uninsured Loss
   (for destruction of physical property)
Key Steps to Prepare
By Event Type:

• Tornadoes: http://bit.ly/tornadochecklist
• Flooding: http://bit.ly/floodchecklist

www.PrepareMyBusiness.org

Key Steps to Prepare
By Risk:

Power Loss

• Power Loss of at least 1 hour will affect up to 70% of businesses
• Power outages most frequently caused by Severe Weather (tornado, thunderstorms, straight line winds, etc.)
Specifically: Power Loss

Know your electrical demands ahead of time and obtain the advice of a professional. Be sure to ask your electrician the following questions and note the information for future use:

1. What phase is your electrical service? Single or Three Phase?
2. What voltage is your service? 208v, 240v or 480v?
3. Is your power requirement for a Wye or Delta generator?
4. How many amps do you need to power?
5. What size generator is required?
6. How many feet of cabling are required to power the generator?
7. Does your building have a power transfer switch? If no transfer switch has been installed, you will need to consider options – hardwire or spider box?
Specifically: Power Loss

• Prioritize your **power requirements** carefully (Ex: Servers before parking lot lighting)

• Don’t forget other critical equipment such as sewer ejector pumps, HVAC condensate drain pumps, and any pumps that provide protection from flooding in low-lying areas. Ensure those pumps are part of the emergency power plan.

• Be sure your power requirements take into account server room HVAC needs

• Have solar chargers, backup batteries, hand-crank chargers, etc. on hand for mobile devices

• Consider logistics of using a generator if in a multi-tenant building

• Consider HOW you plan to connect auxiliary power. (Spider Box, hardwire into panel, quick-connect panel, etc.)

Key Steps to Prepare
Specifically: Power Loss

- Know your generator’s **fuel consumption rate** / set up regular fuel deliveries
- Have **backup fuel providers**, outside of your immediate area
- **Expect frequent power loss** due to fuel shortage, faulty wiring, overloading capacity, regular service, etc.
- **Keep backup in place** for reasonable timeframe due to unexpected loss
- Always perform regularly scheduled generator **maintenance on time**
- Have **proper security measures** for any outside equipment including generator
Specifically: Loss of Sales/Customers
(assuming evacuations, location interruption, etc.)

- Include “recovery-in-place” strategy for protecting clients/constituents/employees
- Include communications strategy specific to each audience group
- Strategy should involve multiple means of communication (phone, internet, text, alert notification, website, social media, broadcast TV & Radio, print, signage, etc.)
- Identify in advance critical functions and staff needed to perform
- TEST/EXERCISE your plan ahead of time...to the point of failure
- Involve key vendors, partners, utility providers and community leaders/first responders

Key Steps to Prepare
Specifically: Length of Recovery

- TEST/EXERCISE your plan ahead of time...find the choke points
- Analyze your Supply Chain’s preparedness
- Talk to Insurance Provider about Lost Revenue / Added Expense coverage
- Ensure strategies address:
  - Communications Plan
  - Critical Business Functions
  - Data Recovery
  - Temporary Office Environment (power, office space, supplies, equipment)
- ALWAYS anticipate restoration of utilities, access to restricted areas, remediation services, rebuilding and debris removal, etc. to take longer than initial estimates

Key Steps to Prepare
Specifically: Uninsured Losses

Continuing Operations:

- You MUST have Lost Revenue Coverage
- Ensure your policy covers incidental expenses like generator rental & fuel, temporary office space, temporary communications (wireless, satellite comms, etc.)
- Petty cash for incidental expenses
- Costs for restoring IT infrastructure
- Document Remediation
- Travel Expenses

Key Steps to Prepare
Specifically: Uninsured Losses

Physical Property
- Asset Management Program
- Accurate Inventories
- Safeguarding Assets prior to storm/event (move to secure location)
- Turn off utilities ahead of time
- Postpone Deliveries
- Ensure your locations are secured properly and all necessary repairs made ahead of time (roof, support structures, hurricane/storm shutters)
- Ensure battery and/or generator backup for sewer/storm water pumps are operable

Key Steps to Prepare
Questions?

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