

Withstanding the Wind

By Ronald Hunstein
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WE ALL KNOW THE STORY. THERE ARE THREE LITTLE PIGS, a straw house, a stick house, a brick house and the notorious Big Bad Wolf. Sadly, we all know the ending, too —only one house and one little pig is left standing. For those in the risk management industry, there are important lessons learned in the tale of the three little pigs, a parable clearly showing the benefit of a wisely engineered and sturdy house as well as the importance of contingency plans that, in the case of pig #3, helped him manage and overcome the wolf's wrath.

While most businesses do not have to worry about the huffing and puffing of a Big Bad Wolf at their doorstep, more and more businesses do need to be concerned about the potential damage that nature's huffing and puffing can cause to their facilities and operations. There are various estimates of how much windstorm damage costs the US each year. After many years of mild hurricane activity, windstorm activity in 2004 and 2005 alone totaled \$150 billion. With the increase in coastal building development worldwide over the last 20 years, there is undoubtedly a heightened vulnerability to severe windstorm events that can often be accompanied by flooding from heavy rain or storm surge.

Planning ahead is the cornerstone of effective risk management. Businesses along the coastlines may see the obvious need to be concerned about wind, but even traveling inland, the potentially destructive power of wind cannot be overlooked.

From the start, many developers work with risk prevention specialists to assure that their construction activity takes into account ways to mitigate potential future risks to the property. When construction is adapted to the location and added precautions are taken to accommodate the risks associated with a location, potential property

damage can be softened. In the case of protecting a building from high winds, for example, the risk management focus is on sustaining the reliability of the building, including roofs and windows, and designing or reinforcing a structure to withstand high winds.

For property owners of pre-existing coastal properties, there are a number of corrective actions to lessen a loss in the event of a natural catastrophe. Some suggestions to help lessen property damage include:

- Elevating stock and supplies in flood prone areas;
 - Properly anchoring carports, canopies and overhangs;
 - Installing an exterior lightning protection system (lightning rods); and
 - Installing surge protectors on all computer systems, telephone lines and other electronic systems to protect against lightning damage that often accompanies windstorms.
- Many property insurers work with risk engineers to not only aid in their underwriting process but to assist their clients in taking preventive measures to protect their properties. Risk engineers can provide valuable insight and direction to commercial property owners. We can offer detailed exposure analysis, recommendations to implement adequate property protection systems, and help developing effective pre-emergency plans.
- Risk engineers and insurers use such tools as Catastrophe (Cat) modeling to help them assess and manage possible losses. Modeling combines historical disaster data, current demographics, information about existing structures and scientific and financial data (such as property market value) to determine the

potential cost of natural catastrophes for a specific geographic area. Cat models can give valuable insight and direction to help property owners put adequate property protection systems—the right kind of roof, for instance—as well as effective response plans in place, long before the coast receives a hint of any approaching storm.

In recent years, businesses have learned many hard lessons about the impact of a natural disaster. Fortunately these lessons have resulted in a clearer understanding about the vulnerability of structures to natural hazards, like wind's destructive power, and ways to minimize future damage in the face of nature's harshest forces. XL

About the author

Ronald Hunstein is a vice president and wind expert with XL GAPS, a division of XL Insurance, the global insurance operations of XL Capital. XL GAPS provides property loss prevention consulting individually tailored solutions to protect and enhance property, production, and profit. XL GAPS, with approximately 150 engineers and consultants in 18 countries, brings clients occupancy specific experience as well as deep knowledge of specific hazards across industries. More information about XL GAPS is available at www.xlgaps.com.



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