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Expect the Unexpected: How Agents Can Support Their Business Insurance Clients Against Sudden Weather Events

By: Larry Chasin

Weather events are becoming more frequent and damaging, and perhaps most challenging, despite advancements in weather technology, the severity of these events can be largely unpredictable. While we once considered major disasters, such as wildfires or hurricanes, to be seasonal, these days, catastrophe events are popping up on their own terms.

In August 2020, severe lightning storms hit the Pacific Coast, sparking a series of significant wildfires across Northern California. The dry lightning led to an unprecedented ignition of multiple large-scale wildfires, including more than 1.4 million acres burned and the destruction of more than 2,100 buildings. The region had not seen dry lightning that severe before, and the damages were both massive and unexpected.

In September and October 2024, Hurricanes Helene and Milton caused historically significant damages — in the class of Hurricanes Harvey and Katrina and Superstorm Sandy — with estimated damages of more than $50 billion each. Those events compounded the record-breaking weather events of 2023. With 28 weather and climate disasters costing at least $1 billion in damages total, 2023 marked the most weather disasters recorded in a single year, according to the National Oceanic and Atmospheric Administration.

What does this mean for independent insurance agents? Storm losses may not be a new concept in the insurance industry, but it never hurts to remind policyholders that weather and CAT events can occur outside of their normal seasons and when they are least expected. Agents, who aim to provide best-in-class customer service and keep the best interests of their policyholders in mind, can help their clients protect their businesses in these events with proactive communications on risk mitigation best practices.

What are the threats?

To educate policyholders, independent agents must understand the evolving risks and how best to mitigate them.

Convective Storms: As a program administrator in the brewery and winery space, we at PAK Programs have seen the impact of unpredictable weather events firsthand. Increasingly, we're seeing how intense winds, often paired with hail, can inflict serious damage. While hailstones can cause costly roof, property, auto and equipment damage, wind exposure brings its own unique and often overlooked risks.

High winds can tear away roofing materials, damage storage facilities and even topple outdoor equipment, leading to immediate disruptions and extended downtimes.

High winds can also turn outdoor property into a considerable liability risk. Umbrellas, tents, signs and unsecured property can easily become projectiles causing bodily harm. Preparing clients for these potential risks through robust coverage and preparation can be the key to keeping them resilient in the face of nature's unpredictability.

Cold and Snow: Similarly, in the past few years, off-season snowstorms and cold fronts have become a problem for businesses to navigate. For example, many breweries and wineries provide outdoor seating in the autumn under tents. An early snowfall can cause tents and popups to collapse under the weight of the snow, damaging the

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property and putting customers at risk. Of course, snow and ice can also increase slip and fall risk for customers and staff members.

Unexpected cold fronts can lead to frozen pipes and mechanical system overloads as well. Early use of the heating system when a business owner has not yet conducted seasonal maintenance on the heating systems can be demanding and possibly even lead to power outages and product loss.

Severe Heat: It's not only cold weather that poses a threat — severe heat events can be just as disruptive and unpredictable. In visits to insureds across the Southwest, we've seen a marked increase in extreme heat affecting operations. Prolonged, excessively hot days can strain power grids, pushing backup systems like generators to their limits and leading to brownouts.

For businesses dependent on maintaining cold storage, a brownout can result in a significant inventory loss, and production standstills and power surges can damage critical equipment. Implementing redundancy measures, such as secondary cooling systems or additional backup power sources, is essential to safeguard against these interruptions, helping breweries remain resilient in the face of extreme heat.

Wildfires: Additionally, we have seen increased wildfire frequency and longer lasting seasons impacting much wider geographic areas. An unprepared business can see entire devastation to vegetation and property, and a loss of power or gas, potentially causing long-term shutdowns.

A Look at Losses

Convincing policyholders to invest more time and resources into year-round risk mitigation is important; however, it can be difficult as business owners combat increasing economic challenges. Sharing sample claims and loss stories can help agents drive a renewed focus on safety and risk mitigation. Here are two to consider from our experience in the brewery and winery space:

In the Pacific Northwest, winery staff left an event tent that had been used to host a wedding assembled into late fall. Management had directed employees to focus on harvest logistics. An unseasonally early snowstorm hit. Heavy, wet snow accumulated on the tent and caused it to collapse. The tent, event furniture and nearby landscaping were all damaged, leading to repair and replacement costs. This caused incurred damages exceeding $150,000.

In the early spring, an unseasonal heatwave in New England led to increased energy consumption in the region and a nearly 24-hour brownout at a brewery. During the brownout, the brewery's cold storage room lost power, resulting in spoilage of stored beer kegs and ingredients sensitive to temperature changes. The brownout disrupted production schedules and led to a loss of valuable inventory, resulting in damages exceeding $300,000.

Examples like these can showcase how much of an impact an unexpected disaster can have on an ill-prepared business and the value in good risk mitigation tactics.

Creating Weather-Safe Businesses

Agents and brokers can recommend several steps to their policyholders to promote a culture of weather safety. These steps include:

- **Enforce regular inspections.** Equipment that is not regularly maintained and examined can be problematic during an unexpected storm. Agents should recommend customers conduct regular inspections of heating, water and sprinkler systems. Routine maintenance conducted in-house or by the manufacturer can help prevent future breakdowns of essential equipment.

- **Retain backup power.** In the event of a power outage, business owners should consider having backup power in place. Consider recommending clients purchase spare parts for mechanical systems as well so damaged power systems can be quickly repaired in the event of a disaster, leading to minimal interruptions.

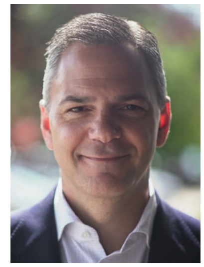
- **Be proactive.** Unexpected storms happen every year, and winterizing early can prevent damage to outdoor property should a storm hit. Advise clients to take down temporary outdoor facilities for the season earlier than they may think. Keep all walking pathways well-lit. Year-round, policyholders should keep a close eye on weather forecasts and take action in the event of a storm by removing any outdoor setups. In the event of a winter storm, salt and shovel as soon as possible.

- **Create a wildfire-safe environment**. Agents should share guidelines with clients for proper wildfire safety. Guidelines should include defensible space management, removing vegetation within 30 to 50 feet of buildings, having fire resistant materials on buildings and mesh around eaves. Agents should encourage policyholders to create fire response plans, outlining best practices, evacuation routes and protocols to protect products during a disaster. Utilize the expertise and resources of your specialty carrier, request an inspection or risk assessment of a property to get tailored solutions for your client.

These safety steps can help policyholders create a safer environment that can weather an unexpected storm. We recommend agents take the time to review their clients' policies to ensure they are properly covered for a range of potential risks.

Client visits are important for agents to ensure all new equipment and any other business changes are covered ahead of a disaster. Reviewing a client's policy and opening a discussion on the importance of adequate insurance-to-value can be a great opportunity for agents to demonstrate their expertise while ensuring their customers are well prepared for potential risks.

As we tackle evolving and difficult climate conditions, proactive client communication and risk mitigation tips can help an insurer establish themselves as a trusted confidant for their customers and help them to protect their businesses. Too often, we are seeing businesses unprepared for significant weather events and suffering losses that lead to long rebuild and recovery times. Agents should prioritize speaking with their clients about evolving weather risks, taking time to understand their risk profiles and sharing best risk management practices to protect their operations and their customers. ■



Larry Chasin is president and CEO of PAK Programs, which provides insurance programs for wineries, vineyards, breweries, wine and liquor retailers, cideries, meaderies, distilleries, liquor and wine importers and distributors. He can be reached at larryc@pakprograms.com.