

Restoration cost escalation, supply and labor shortages, could complicate hurricane recovery



Hurricane Ian made landfall in both southwest Florida and South Carolina, leaving behind it numerous deaths and catastrophic damage across the southeast. Entire areas of the Florida coast were under water, while many properties were entirely destroyed by wind and storm surge. Damage to roads and infrastructure has cut off whole neighborhoods and communities, leaving many residents stranded and business owners unable to return to their properties.

As property business owners and local governments assess the damage and evaluate the cost to repair, and in many cases rebuild, they are likely to face an additional challenge — an already fragile supply chain that could lead to a more expensive and longer recovery.

How will hurricane recovery be impacted?

Widespread catastrophes tend to lead to price increases for labor and construction materials and services as demand shoots up. Following Ian, such price increases will be on top of increasing rates of inflation that are contributing to substantial new build and replacement costs across the US. An analysis by Associated General Contractors found that materials and services used in nonresidential construction went up by [13%](#) between August 2021 and August 2022, despite a drop between July and August of this year. [Record job openings](#) indicate challenges to recruit qualified personnel, which also could prolong rebuild timelines.

Supply chain and labor challenges will likely lead to a longer downtime before businesses can resume operations, adding to significant business interruption costs. Even when companies are able to secure needed materials, an [already stretched transportation system](#) could lead to significant delays before they arrive on site.

4 actions to take now

The confluence of these challenges can further complicate an already difficult and costly recovery process. As companies affected by Hurricane Ian start their rebuilding process, they should take action to reduce their risks and accelerate their recovery.

1. Review your coverage documents

The way your insurance will respond will depend on the policy language, which may also include time-sensitive reporting requirements. Work with your broker or insurance advisor to review your insurance policies to determine what actions are required from you now. These may include shifting operations to alternate locations until you can get your impacted properties up and running. It is also critical to open the lines of communication with your carrier and clarify any questions that you may have, including whether any expenses incurred to comply with policy requirements will be reimbursed. Consider starting a conversation with your carrier if you have properties in affected areas that are currently inaccessible, informing them of potential claims once you are able to assess your location.

2. Understand the scope of damage

As soon as it is safe to do so, assess your damages and start collecting the relevant information to submit a detailed claim. Include as much detail as possible to provide insurers with a good scope of the damage sustained. Providing insurers with the necessary details and preempting any follow-up questions should help you expedite the process and get your carrier's decision on how your coverage will respond. It is

important to share any new information relevant to your claim with your insurer in a timely manner.

3. Start ordering essential supplies

Considering the already long timeframes to secure needed supplies, it is critical to order your materials as soon as possible. It is, however, important to clarify with your carrier whether you need its go-ahead before you start ordering. If there are long lead times for critical equipment, discuss with your carrier the possibility of making temporary repairs that will help you get your operations up and running until you can secure permanent replacements. You may also want to determine if it is possible to expedite the delivery, including by purchasing an earlier spot on the waitlist. Demonstrate to your carrier how reasonable expediting costs may improve your recovery when you request that any additional costs are covered under your policy.

4. Carefully review pricing and qualifications

While the current inflationary environment, coupled with supply and skilled worker shortages, are likely to lead to higher prices for materials, equipment, and labor, it is critical to carefully review quotes to determine whether they are consistent with pricing under the circumstances. It is good practice to involve your insurer in pricing discussions, and make sure it agrees to current replacement costs. In addition, before hiring any company to carry out needed works, make sure they have the necessary qualifications as well as adequate insurance coverage.

Recovery from Hurricane Ian's significant damage is expected to last awhile. Taking the needed actions immediately can help you improve your chances of recovery and allow you to get your operations back up and running as cost effectively and as soon as possible.

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