



Mitigating flood risk

Have you considered the risk of flood damage to your warehouse and operations?

The associated losses of such incidents can be far reaching; water is unforgiving and has the ability to penetrate and damage just about any area or commodity. Flood water is inevitably dirty, which increases the likelihood of damage. Additionally, in many cases where local sewers have been flooded the water can be unsanitary which further elevates the seriousness of the damage and the risk to health.

Insurance may provide a degree of protection; studies have shown that there can, however, be a significant difference between an insured loss and the full economic loss, the latter including various indirect costs, such as lost management time and reputational damage. It is imperative that your insurer has a sound understanding of your operational activities, your property, what cargo you are storing, what equipment is on site at any given time and a reasonable valuation of it all.

What are the risks?



How can you mitigate these risks?

The fact that more rain fell on a particular day than any other in recorded history is no guarantee of defence if a claimant can demonstrate deficiencies in your operational risk assessment, inadequacies in the actions you took in advance of the weather event or importantly your ability to evidence steps taken.

There are numerous risk assessment criteria to consider. While not exhaustive, we highlight primary areas of concern below.

CONTRACTUAL

- Ensure your standard trading conditions and any contracts are reviewed and approved
- Make sure your standard trading conditions are properly incorporated in your general business dealings
- Develop and test mitigation and crisis management plans in respect of a potential flood situation.
- Ensure that contracts with maintenance service providers include insurance requirement provisions to protect you against their negligence



PROPERTY

- If your property is leased, ensure you understand who is responsible under the lease agreement for upkeep and maintenance
- Maintain records of maintenance, such as clearing drains/guttering, and inspections
- Establish a clear escalation process for any issues relating to the condition of the property
- Ensure that structural and drainage capacity are adequate for any rain/snowfall, including collecting on any extended roof area



LOCATION

- Consider the topography and exposure to flood plains, rising sea levels and the proximity of rivers or other watercourses
- Check historic local weather data and changes in local climatic conditions to understand the foreseeability of a local storm surge that could affect your premises
- Monitor any changes in local land use



OPERATIONAL

- Develop an emergency response plan considering:
 - Protecting cargo (particularly vulnerable cargo)
 - Protecting handling equipment
 - Containing flood water, preventing spread (sandbags, water tight doors, pumps)
 - Clearly designated roles and responsibilities
 - Auxiliary emergency back-up power including lighting
 - Third party contractors providing 24hr response
- Consider business continuity: how quickly could your business return to full operational capacity?



CARGO

- Ensure cargo is stored appropriately, considering its vulnerability to wet damage
- Protect cargo from flood risk by storing vulnerable cargo on pallets and on racking
- Consider aggregation risk and total values of cargo stored, with particular attention to enhanced liability contracts or high value goods, communicating with your insurer



WATCH OUT FOR RED FLAGS

- Changes in weather patterns
- Changes in local topography/land use
- Extensions to existing buildings
- Vulnerable cargoes
- Poor risk management processes

