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Winter Can Smother Revenues, Profits But Businesses Can Temper Impact

Lyons Companies: 'Risk Manage' Cold, Snow, Ice

WILMINGTON, DE (February 27, 2014) -- Winter storms have become more than an inconvenience for mid-Atlantic businesses. Cold, snow, wind and ice present a significant financial risk, but businesses can take steps to minimize the impact of weather on their top line and bottom line, according to Lyons Companies, an insurance brokerage, risk management and human capital management and employee benefits firm.

"Winter weather literally has shut down some businesses for hours or days, slowing revenues, hampering productivity and adding to costs," said Joe Valerio, executive vice president of Lyons Companies, based in Wilmington, DE serving national and regional clients. "But proactive businesses are 'risk managing' the cold, snow and ice. Dealing with weather on a proactive basis can and should be part of a firm's risk-management effort to keep revenues flowing and prevent costly losses."

Winter storms caused \$1.9 billion in insured losses in 2013, up dramatically from \$38 million in 2012, according to Munich Re. For 1993-2012, winter storms led to an average \$1 billion a year of insured catastrophe losses, Property Claim Services reported.

"Winter weather has continued to be unusually disruptive," said Charles Plosser, president and CEO of the Federal Reserve Bank of Philadelphia at the February 2014 Economic Forecast presented by Lyons Companies and the University of Delaware Center for Economic Education and Entrepreneurship.

Winter weather takes a toll not just on property and people but it often halts or slows a company's operations. The top winter weather risks, according to Lyons Companies, are:

- Freezing of pipes including water and sprinkler systems, leading to flood and other building damage.
- Structural damage due to collapsing roofs and ice dams.
- Claims from customers for slip-and-fall injuries.
- Automobile accidents.
- Disruption to the workforce, workday and workflow.

- Interruptions or delays in the supply chain.

Industries disrupted by weather in the mid-Atlantic region this year include transportation, construction, retail and healthcare as well as any business with office or other property in the region.

Proactive risk management plans can minimize property risks and cut down on disruptions to operations. As a backstop, business must secure the proper insurance including general liability, commercial property, commercial auto, business interruption and equipment coverages.

When companies do suffer property and business losses due to weather they must then contend with three typical obstacles related to winter weather insurance claims:

- 1) Does the insurance company categorize each storm as a separate loss, meaning that the business is responsible for a separate deductible each time?
- 2) Has the business maintained property reasonably so that the insurer does not hold it responsible for part or all of the damage caused by weather? For example, businesses that have failed to check a warehouse that has a heating system malfunction and frozen pipes have found claims denied.
- 3) Which policies cover which risks? Different insurance coverage forms have various specified perils, deductibles and limits/sublimits. Insurers sometimes require specific sublimits for damage related to ice, snow, wind, hail and flood.

“We spend a lot of time going over issues such as sublimits and covered perils with clients,” said Valerio. “Doing a risk review and seeing what’s covered and not covered is a starting point for understanding what insurance can reimburse in the event of a loss. Once that’s done, it is possible for the broker to negotiate with an insurance carrier on behalf of the client to be sure the proper coverage is in place. A professional broker also will advocate for a policyholder at time of claim.”

“The 2014 ‘big chill’ is leading to a lot of lessons learned for businesses,” Valerio stated. “While most people are simply ready for spring weather to warm things up, the severe winter this year can provide helpful lessons in risk management to be applied for the rest of this season and the future.”

About Lyons Companies: Lyons Companies (LyonsInsurance.com) is an insurance brokerage, risk management and human capital management and employee benefits firm based in Wilmington, Delaware. Founded in 1984, Lyons Companies provides proactive risk management products and strategies; claims management and risk control services; employee benefits programs and human capital management consulting; comprehensive personal lines insurance; and life insurance, estate planning



and asset management solutions. The firm is a member of Assurex Global, a partnership of the most prominent independent insurance agents and brokers in the world.

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