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# SENIOR FINANCIAL EXECUTIVES AT MAJOR U.S. COMPANIES ADMIT INCOMPLETE PREPARATIONS IN THE WAKE OF 2017 HURRICANES

## More than 2 out of 3 companies surveyed will make changes as a result, says FM Global study

JOHNSTON, R.I., USA—For senior financial executives at large U.S.-based companies with operations in Texas, Florida or Puerto Rico, last year's hurricane season brought not only catastrophe to their communities, but a risk management wake-up call for 2018 and beyond.

In a survey of these executives at companies with more than US\$1 billion in revenue, commissioned by **FM Global** (<http://www.fmglobal.com/>), one of the world's largest commercial and industrial property insurers:

- Nearly two-thirds (64 percent) of the respondents said 2017's hurricane season had an adverse impact on their operations.
- Of those impacted, 62 percent admitted they were “not completely prepared” to deal with the effects of the hurricanes.
- Meanwhile, nearly 7 in 10 (68 percent) of all respondents said they will make changes to their risk management strategy going forward.

“These candid admissions drive home a fundamental truth about catastrophe,” said Dr. Louis Gritzko, vice president, manager of research at FM Global. “People routinely fail to understand or acknowledge the magnitude of risk until they've experienced a fateful event.”

As a result of hurricanes Harvey, Irma and Maria:

- 57 percent of all survey respondents said they will put in place or enhance their business continuity or disaster recovery plans.
- 40 percent will invest more in risk management, property loss prevention, and/or reassess their supply chain risk management strategy.
- 25 percent will reassess their insurance coverages or their insurers.

### Reasons for insufficient preparation

One reason for insufficient natural-hazard preparation is imprecise terminology, according to Dr. Gritzko. For example, being in a “100-year flood” zone does not mean you have 99 years to plan. Rather, there's a 1 percent chance of such a flood every year. Another reason for insufficient preparation is over-reliance on insurance, which cannot restore market share, brand equity and shareholder value lost to competitors. A third reason is denial of risk.

FM Global commissioned market research firm **ORC International** (<https://orcinternational.com/>) to conduct the study. ORC surveyed 101 senior financial executives at Fortune 1000 size organizations by phone in October through November 2017.

For more information on making your business resilient, explore FM Global's **NatHaz Toolkit** (<http://www.fmglobal.com/research-and-resources/tools-and-resources/nathaz-toolkit>).

**About FM Global**

Established nearly two centuries ago, FM Global is a mutual insurance company whose capital, scientific research capability and engineering expertise are solely dedicated to property risk management and the resilience of its client-owners. These owners, who share the belief that the majority of property loss is preventable, represent many of the world's largest organizations, including one of every three Fortune 1000 companies. They work with FM Global to better understand the hazards that can impact their business continuity in order to make cost-effective risk management decisions, combining property loss prevention with insurance protection.

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