

COVID-19 and Hurricane Laura: Preliminary PCS Perspective

Overnight, Hurricane Laura made landfall as a Category 4 storm in Louisiana. It was roughly equidistant from Houston and New Orleans, which means that the number of potential insureds affected could've been much higher. However, this is a powerful, localized hurricane, and it could be the first test of insurance industry catastrophe claim handling capabilities during the COVID-19 pandemic. While the storm is still going, it's difficult to extract any long-term lessons. However, there are a few news items that re/insurance underwriters and claims professionals should note immediately:

1. Evacuation: Reports of evacuation efforts to bring the local population to safety are not unusual during a hurricane. However, there's been no effort on reports to maintain social distancing, mask discipline, temperature checks, or destination testing strategy (at least no reports seen by PCS so far). Although there are reports of additional buses and resources being called in to assist with transporting residents, presumably, buses were filled without regard to social distancing in order to maximize resources during the evacuation process and protect people from the immediate threat, https://www.theadvocate.com/baton_rouge/news/coronavirus/article_ca25c9c8-e7b3-11ea-b5f2-bb608c40bf1a.html. COVID-19 remains a risk, but it would have to be considered a secondary risk in the face of a storm that's Category 4 at landfall, <https://www.msn.com/en-us/news/us/texas-hospitals-still-battling-covid-now-face-hurricane-laura/ar-BB18oZtu?li=BBnb7Kz>.

2. Destination: Information on where evacuees are being taken remains thin. In Texas, 200,000 hotel rooms have been added to existing shelter capacity (<https://www.washingtonpost.com/nation/2020/08/27/coronavirus-covid-live-updates-us/#link-AS3RWCPP75DNXIX4T7XLNMKFVU>), which the *Washington Post* reports will be "stocked with hand sanitizer and masks" – and that shelters would have appropriate spacing. The same news report has Galveston without enough room vouchers for evacuees and Austin putting 3,000 evacuees into 1,078 hotel rooms. With regard to Austin, it's important to remember that the difference between evacuees and rooms may not be so severe, as families would be able to share a room without necessarily increasing the risk of COVID-19 transmission.

3. Scale: While Hurricane Laura didn't directly impact a major metropolitan area (landing between New Orleans and Houston), it's still a major storm with a massive impact. It's been reported that over half a million people are without power, <https://www.lmtonline.com/news/houston-weather/hurricanes/article/Weather-live-updates-15518088.php>. As a result, you should expect a commensurate claims burden. Hurricane Laura could be the first test of adjuster capabilities in the face of a large, localized hurricane. Hurricane Isaias, which made landfall along the East Coast, was certainly a significant event, but its affects were distributed across more than ten states. Hurricane Laura could create demand for adjusting capabilities and remediation in a relatively small area, which could have a much different impact on the availability of people and materials post-event. In addition, due to significant flooding, access to some areas could create delays in the ability to scope and inspect losses.

4. Practices: The catastrophes we've seen in the United States this year – both natural and manmade – have not taxed the capabilities of insurers and independent adjusters disproportionately. While the claims community was prepared as far back as April to deploy new techniques and technology to handle catastrophe claims during the pandemic, they haven't needed to act on this with any amount of scale. Claim volumes have been sufficiently manageable that the claims community has been able to use exiting practices with no meaningful difference to customer impact or cycle times. With Hurricane Laura, there's a possibility that COVID-19 contingency plans for claim handling may have to be activated. PCS will engage with the claims community throughout the handling of Hurricane Laura and provide updates.

Hurricane Laura is still an active catastrophe event. PCS will continue to monitor its development in accordance with our methodology. If you have any questions, we encourage you to contact the PCS team. If you don't have a specific contact, we welcome you to call us.

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