



Mitigating the Risks of Aging Infrastructure

As the aging infrastructure in the United States continues to deteriorate, businesses' growth and operational success will be affected. These conditions have already led to substantial repair costs, supply chain issues and large-scale business interruptions for many companies. In fact, the American Society of Civil Engineers (ASCE) reports that the country's outdated infrastructure is estimated to cost more than \$7 trillion in lost business sales and almost \$4 trillion in gross domestic product losses by 2025. As such, it's essential for companies to understand how these conditions could impact them and have strategies in place to mitigate their exposures.

The State of U.S. Infrastructure

Prolonged maintenance backlogs and limited funding have caused U.S. Infrastructure (e.g., roads, bridges, railways, airports, plumbing systems, utilities and telephone and internet services) to decline. Top concerns include the following:

- Bridges and roads are old, with many considered structurally deficient, according to the ASCE.
- Water systems are aging, with some dating back to the 19th century, and have started to fail at higher rates.
- Power outages are on the rise as old power grids struggle to keep up with increasing power usage.

Compounding these issues, the increase in severe weather events (e.g., floods, hurricanes, wildfires and storms) has the potential to harm vital elements of the country's already fragile infrastructure.

The Risks of Aging Infrastructure

The nation's aging infrastructure can create various exposures for businesses, such as the following:

- **Property damage** from structural and utility failures (e.g., burst pipes and downed power lines)
- **Increased repair and maintenance expenses** that could hamper business growth
- **Operational disruptions** from property damage, utility outages and equipment breakdowns

- **Safety hazards** due to outdated and deteriorating systems and structures that could lead to injuries
- **Supply chain issues** that could delay the delivery of products and services

Tips for Businesses

Businesses should consider the following tips to help reduce risks stemming from aging infrastructure:

- **Conduct risk assessments** to analyze how infrastructure issues could impact operations or the safety environment and implement appropriate measures to address these concerns.
- **Diversify supply chains** to reduce reliance on individual infrastructures.
- **Strengthen disaster resilience** by establishing policies and procedures for securing backup energy sources, protecting data and creating temporary relocation plans.
- **Transfer risks** through contractual agreements with suppliers, crucial service providers or other third parties.
- **Advocate for improvements** by participating in community efforts to expedite or enhance applicable federal, state, local or industry-specific plans to upgrade infrastructure.
- **Secure sufficient insurance coverage** (e.g., commercial property, business interruption and general liability insurance) to provide financial protection for infrastructure-related losses.

Conclusion

The country's aging infrastructure raises several concerns. With this in mind, businesses should be prepared to mitigate the associated risks. Contact us today for more information.



How Businesses Can Protect Themselves Against Power Surges

A sudden increase in electrical voltage in a building's electrical system or in the electrical grid can cause a power surge. Power surges can be caused by various external events, such as lightning strikes, changes in electrical demand or power line switching. These surges can also stem from internal factors, such as faulty wiring, malfunctioning appliances or the startup of high-power-use equipment (e.g., heating, ventilation and air conditioning systems). To mitigate these risks, businesses should adopt strategies that can help shield them from the impacts of such events.

How Do Power Surges Impact Businesses?

Power surges can damage expensive equipment and lead to costly business interruptions. According to the Electrical Safety Foundation, the average per-event cost of downtime caused by a power surge is \$130,000. Additionally, these events can cause reputational damage and erode trust with clients and partners.

Tips for Businesses to Protect Themselves Against Power Surges

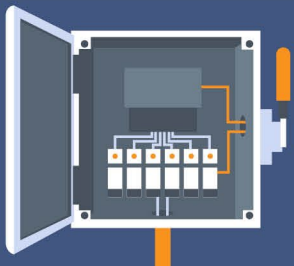
Because power surges have the potential to cause significant financial and reputational harm, businesses should take the following steps to reduce the likelihood of them occurring:

- **Perform risk assessments.** Since power surges can spread throughout an electrical system and damage connected devices, businesses should work to identify potential power surge sources and take steps to ensure power surge protections are in place.
- **Conduct regular electrical inspections and maintenance.** These measures can allow businesses to identify and address potential issues before they create power surges.
- **Educate and train employees.** Knowledgeable employees can help businesses prevent power surges, and their awareness of protocols of how to respond following a power surge can minimize damage.
- **Ground and bond electrical systems.** Grounding and bonding electrical systems can help businesses ensure they work properly.

Additionally, businesses can use surge protection devices to divert excess voltage away from sensitive equipment, and an uninterruptible power supply can provide a temporary power source during surges or power outages to allow for safe equipment shutdown. It's essential for businesses to follow the manufacturer's instructions when using these devices.

Commercial Property Insurance and Power Surges

Even if preventive measures are taken, power surges can still occur. Commercial property insurance and appropriate endorsements can help businesses cover the resulting financial losses. For example, equipment replacement coverage can help pay for repair or replacement costs of damaged equipment, business interruption coverage can compensate for lost income if a power surge causes a temporary closure and spoiled inventory coverage can reimburse the cost of spoiled food or other products that result from a power outage. A licensed insurance broker or agent can help businesses secure the coverage that best suits their needs. For more information and risk management guidance, contact us today.



According to the Electrical Safety Foundation, **60%-80% of power surges** originate within facilities; they are typically caused by large electrical loads switching off and on.