

ALERT

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HURRICANE IKE—A POWERFUL AND COSTLY STORM HITS TEXAS

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Close on the heels of Hurricanes Gustav and Hannah, Hurricane Ike made landfall as a Category 2 storm at Galveston, Texas, on September 13 at 2:10 a.m. CST. A large storm, Ike reportedly was 550 miles wide, slamming a wide stretch of coastline along Texas and Louisiana with winds exceeding 110 mph and 15 foot maximum storm surge at Port Arthur, before it weakened to a tropical storm as it made its way over eastern Texas to western Arkansas. By Monday morning, September 15th, the remnants of the storm had moved across the eastern Great Lakes, resulting in damaging winds and flooding as far north as Chicago, Illinois and Cleveland, Ohio.

At this early stage, emergency crews are mobilizing and adjusters are preparing to assess the impact. Texas Governor Rick Perry described the damage from Hurricane Ike as very significant; hours after landfall 29 counties were declared disaster areas. Ike's storm surge and high winds devastated much of Galveston and other coastal communities in Texas and Louisiana. Citing estimates, *The Houston Chronicle* reports that projected insurance losses could reach \$18 billion as a result of Ike (September 14, 2008).

As bad as the storm was, early reports of damage and loss of life are encouraging given the pre-landfall predictions. As the Governor noted, "fortunately the worst-case scenario did not occur." Significantly, the forecasted twenty-five foot storm surge did not materialize.

In downtown Houston, the fourth largest U.S. city, there were accounts of major glass breakage in office buildings, including J.P. Morgan Chase Tower, a 75 story office building. Hurricane Ike tore large pieces from the roof of the Houston Texans' football stadium, Reliant Park. Broken glass and downed trees and light posts blocked off many streets in downtown Houston. While much of the city escaped major flooding, storm water

inundated some intersections and highways. Recently, news sources report that Houston's police chief announced a weeklong, citywide curfew from 9 p.m. until 6 a.m. through Saturday, September 20.

Preliminary reports indicated that the Texas refineries did not sustain significant flooding or other damage. However, it has also been reported that flooding may have damaged three Louisiana refineries. Flyover inspections indicate that the hurricane destroyed at least ten off-shore production platforms and damaged several pipelines in the Gulf. In addition, many oil production sites and refineries in both Texas and Louisiana, shuttered in anticipation of Ike, remain off-line due to power outages and flooding. Several Houston facilities lost fresh water needed to generate steam after the storm surge pushed salt water through the region's waterways. Officials are uncertain when those facilities will reopen.

Power outages continue to be a major concern throughout southeastern Texas. As of Sunday night, roughly three in four Houston area power customers were without power. From Houston to Galveston, over two million customers remained in the dark at the end of the weekend. Officials suspect that it may take three weeks or more to restore power to all areas. Additionally, much of Houston is suffering from inadequate water pressure. Extended power outages and water pressure issues are likely to lead to business interruption claims by those businesses affected.

Cozen O'Connor has offices in Houston and Dallas, Texas. Attorneys in both offices and other Cozen offices across the country have considerable experience addressing insurance coverage issues and litigation arising out of Hurricane Katrina and other weather-related catastrophes. While Hurricane Ike will likely give rise to many of the same coverage issues that arose in the aftermath of Hurricane Katrina, every storm is

different. We expect Ike to present novel issues, many of which likely will be addressed under Texas law. Cozen O'Connor is prepared to assist the insurance industry in addressing any claims or issues that arise out of Hurricane Ike and this season's other storms. We are happy to offer informal advice and counseling as you prepare to tackle claims resulting from Hurricanes Gustav and Ike.

If you have any questions that you would like to discuss or need our assistance, please contact Joseph Ziemianski, Managing Partner of our Houston office (832.214.3920, jziemianski@cozen.com), or Alicia G. Curran, who runs our coverage practice in Dallas (214.462.3021, acurran@cozen.com).