



Top 10 Topics for Directors in 2017: Environmental Disasters and Contagious Diseases

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One of the lessons learned from Hurricane Matthew, which hit the U.S. in September and October of 2016, is that severe rainfall can result in flooding, damage to important infrastructure, power outages and agricultural shortages. While the final cost of Matthew will not be known for some time, preliminary estimates begin in the tens of billions of dollars. Unfortunately, we need not look back far to get a clearer picture of the potential damage, because another effect of climate change is the growing number of “500- year” storms that occur far more frequently than every 500 years. Between April 2015 and August 2016, the United States Weather Service recorded at least eight separate 500-year flooding events. During one 14-hour period in April 2016, one Texas county reported what it deemed to be a 10,000-year precipitation event.

In 2012, Hurricane Sandy affected approximately half of the U.S. states and many Caribbean countries, causing more than \$50 billion in damage and economic losses, including \$19 billion in New York alone. More sobering, an October 2016 report in the Proceedings of the National Academies of Science concluded that similar flooding is now likely to occur every 20 years in New York City, an area situated in what was previously considered a 500-year flood plain.

Businesses will need to account for, or transfer the risk of, the increasing likelihood of these costs. During the first nine months of 2016, the National Oceanic and Atmospheric Administration reported 12 weather and climate disaster events with losses exceeding \$1 billion each across the United States, exceeding the five-year annual average of 10.8 events between 2011–2015 and more than doubling the 35-year annual average of 5.2 events between 1980–2015. Presumably, it will become harder to insure against these costs as they become more commonplace, increasing not only the threat to businesses, but also the capital and

consumer markets on which they rely. Management would be wise to obtain insurance as early as possible, before these trends threaten to preclude it.

Beyond these direct impacts lie secondary impacts that may be equally disruptive, as increases in instances of disease threaten the labor supply and customer bases. Hurricanes, flooding and other environmental disasters can compromise drinking water sources and public health infrastructure, creating polluted, unsanitary conditions that foster waterborne and mosquito-borne disease. In the wake of Hurricane Matthew, for example, cases of cholera have spiked on the hard-hit island of Haiti/ Hispaniola, and the Centers for Disease Control and Prevention (CDC) has warned of risks from infections and diseases in flooded areas of the U.S. Mud, debris, and chemical and farm waste, including animal carcasses, are now entering the [water supply in North Carolina](#) as a result of historic flooding there. Studies also indicate that changing climate patterns are increasing the northern range of disease-carrying insects, such as the *Aedes aegypti* mosquito species, a known carrier of the West Nile virus, dengue fever, yellow fever and the Zika virus. Once confined to tropical areas, a 2016 CDC report estimated that *A. aegypti*'s range now extends as far north as New York City.

Likely as a response to the above, the SEC recently announced investigations into climate-risk disclosures within the oil and gas sector to ensure that they adequately allow investors to account for these effects on the bottom line. The growing number of shareholder resolutions and suits addressing climate change confirm that investors want this information, regardless of the position of the next administration.

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