

RISK INSIGHTS

The Rubin Group: Your risk management partner

GENERAL
INDUSTRY

Advanced Planning for Hurricanes

Of all businesses that close down following a disaster, more than 25 percent never open their doors again. While there's no way to lower the risk of a natural disaster from hurricanes, there are critical measures that can be taken to protect your company's bottom line from nature's fury. A disaster plan and adequate insurance are keys to recovery.

Disaster Recovery Plan

No matter how small or large a business, a business impact analysis should be developed to identify what an operation must do to protect itself in the face of a natural disaster. Large corporations often hire risk managers to handle this task and some companies hire consultants with expertise in disaster planning and recovery to assist them with their plans. But small businesses can do the analysis and planning on their own.

Emergency Response Plan Considerations

- Set up an emergency response plan and train employees how to carry it out. Make sure employees know who to notify about the disaster and what measures to take to preserve life and limit property losses.
- Write out each step of the plan and assign responsibilities to employees in clear and simple language. Practice the procedures set out in the emergency response plan with regular, scheduled drills.
- Consider the things you may need initially during the emergency. Do you need a back-up source of power? Do you have a back-up communications system?

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- Decide on a communications strategy to prevent loss of customers. Post notices outside your premises; contact clients by phone, email or regular mail; place a notice in local newspapers.
- Protect employees and customers from injury on the premises. Consider the possible impact a disaster will have on your employees' ability to return to work and how customers can return to your shop or receive goods or services.
- Compile a list of important phone numbers and addresses. Make sure you can get in touch with key people after the disaster. The list should include local and state emergency management agencies, major clients, contractors, suppliers, realtors, financial institutions, insurance agents and insurance company claim representatives.
- Keep duplicate records. Back-up computerized data files regularly and store them off-premises. Keep copies of important records and documents in a safe deposit box and make sure they're up to date.
- Even if your business escapes a disaster, there is still a risk that the business could suffer significant losses due to the inability of suppliers to deliver goods or services or a reduction in customers. Businesses should communicate with their suppliers and markets (especially if they are selling to a business as a supplier) about their disaster preparedness and recovery plans, so that everyone is prepared.
- Protect your building. If you own the structure that houses your business, integrate disaster



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protection for the building as well as the contents into your plan. Consider the financial impact if your business shuts down as a result of a disaster. What would be the impact for a day, a week or an entire revenue period?

- Identify critical business activities and the resources needed to support them. If you cannot afford to shut down your operations, even temporarily, determine what you require to run the business at another location.
- Find alternative facilities, equipment and supplies, and locate qualified contractors. Consider a reciprocity agreement with another business. Try to get an advance commitment from at least one contractor to respond to your needs.
- Protect computer systems and data. Data storage firms offer off-site backups of computer data that can be updated regularly via high-speed modem or through the Internet.

Don't let a lack of insurance coverage or poor planning destroy your business. Contact The Rubin Group to learn more about disaster planning and to determine your best insurance coverage needs.

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Review Your Insurance Plan

Make sure you have sufficient coverage to pay for the indirect costs of the disaster – the disruption to your business – as well as the cost of repair or rebuilding. Most policies do not cover flood or earthquake damage and you may need to buy separate insurance for these perils. Be sure you understand your policy deductibles and limits.

For a business, the costs of a disaster can extend beyond the physical damage to the premises, equipment, furniture and other business property. There's the potential loss of income while the premises are unusable. Your disaster recovery should include a detailed review of your insurance policies to ensure there are no gaps in coverage. This includes property insurance, business interruption insurance and extra expense insurance. Even if your basic policy covers expenses and loss of net business income, it may not cover income interruptions due to damage that occurs away from your premises, such as to your key customer or supplier or to your utility company. You can generally buy this additional coverage and add it to your existing policy.

Most business owners are complacent about natural disasters until it happens to them. It's only when the owner has gone through a disaster that a disaster plan, including purchasing the proper insurance, is usually considered.