

Tornados, Oils Spills and Recession, Oh my!

We've had all of the above and the plague (H1N1) so if I see locusts I'm headed to church. How much more of this is coming? How much more can we take?

Did you know that 64% of business owners do not have a disaster recovery plan and 44% of businesses have no management/owner continuity plan?

So what? 50% of small businesses do not open after a disaster. Why? Because they did not realize the enormous issues a disaster creates.

Example:

The Gulf Coast of the US: Businesses cannot operate (e.g. fishing companies, hotels, resorts, markets, etc.) because of the oil and they will not (except in rare cases) receive any money from their insurance carriers. Why? Their "stuff" wasn't damaged and so there is no coverage trigger. Are they losing money? You bet. But a "disaster" next door to your business that prevents you from operating does not necessarily trigger your insurance coverage. Do you have the cash to survive for a year (or two) with little or no revenue?

Being ready for the worst is where the insurance/risk management industry should shine. Hopefully my industry is doing its job protecting our neighbors, our communities and our economy but **YOU** need to make sure your entire picture has been taken care of before you say for sure.

Example:

Bozeman, MT: A natural gas explosion ripped through Main Street in early 2009. You most likely remember the pictures and the emotional roller-coaster that ensued as they tried to find who was hurt and the extent of the damage. Good news: There was insurance to help. Bad news: Most insurance policies will pay for your revenue loss, payroll, ongoing expenses, temporary location, etc. for 12 months. We're well past the 12 month window now due to legal actions, investigations and related items and I'm guessing the spout has been turned off. Reconstruction of the buildings has not even begun and what if there is no more money coming to pay bills and other expenses? How long could you make it with zero cash flow?

A disaster for you could be the loss of a key client or supplier. It could be the death of a key employee. It could be the invention of a new technology that makes your product irrelevant (think of the owner of a vinyl record manufacturing company when cassette tapes emerged). It could also be a major lawsuit brought by employees you had to layoff in a downturn.

The keys to surviving a disaster are:

1. Think long and hard about what could happen to your business and how you would react if/when it does happen.

2. Use your insurance advisor, CPA, attorney, employees, and whatever other resources you have available to create a disaster plan.
3. Make sure your insurance is ready for a “worst case scenario.”
4. Communicate with employees, partners, clients, vendors, etc. so they will know what to expect (and so they know you’ll be here for the long-haul).

Please don’t ignore this. The cost of spending the time and resources today is infinitesimal compared to the cost of not being ready.

Disclaimer:

They do pay me to be pessimistic (and most of my clients will agree that I’m always focusing on the worst-case-scenario). The reason I approach this as a pessimist is I don’t want to be unprepared when you to call me at 2AM after a tornado has decimated your business.

Remember we’re approaching forest fire season, the threat of terrorism is everywhere and it would be nice for you to be able to retire and perpetuate your business at some point. Don’t neglect to consider how these (and other) issues would affect your world. And, as always, if we can help via our resources or the multitude of resources we can access don’t hesitate to call me directly. I promise to pretend the glass is half empty.

Take care,

Tom

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