



# b ``` (PARED!) ```

[ the business interruption e-source ]

ISSUE 9  
APRIL, 2010

BUSINESS INTERRUPTION CONSULTANTS, INC.

## PREPAREDNESS: LESSONS FROM THE PAST

As we forge ahead, we can either learn from the past or blindly hope the future will get brighter on its own. Only through better disaster planning and catastrophe response will we be able to mitigate the damage dished out by Mother Nature. Most countries, much less individual organizations, have nonexistent infrastructure, equipment, and communications. As impressive as it may be from a logistical standpoint to get a team of trained rescue workers in-country just 24 to 36 hours after the disaster, too many people died well before then.

### HOW QUICKLY CAN YOU RESPOND TO A DISASTER?

By now, the immediacy of the initial and largely unsuccessful rescue efforts and disaster response in Haiti has waned and the focus has rightly begun to turn to long term relief, recovery, and reconstruction. The United Nations, U.S. military, Red Cross, Doctors without Borders, and scores of other organizations are now performing the difficult tasks of finding adequate water supplies, nutrition, medical care, and shelter for the wounded, psychologically scarred, orphaned, and homeless. **HOW WELL WILL YOU RECOVER FROM A DISASTER AT YOUR LOCATION?**

*continued on page 2*

### IN THIS ISSUE

● Preparedness: Lessons From The Past	p1
● Be Funny!	p2
● Frequently Asked Questions	p3
● Be Informed! What is the difference between extra expenses and expediting expenses?	p3
● Be Prepared!	p4
● Get the Facts!	p4



*Your Partner in Protection™*

**WYOMING OFFICE:**

1740H Dell Range Blvd., #300 Cheyenne, WY 82009  
PHONE: 307.433.8180 | FAX: 307.634.9497

**SOUTH CAROLINA OFFICE:**

PHONE: 864.723.4800 | FAX: 307.634.9497

**EMAIL: [info@bisimplified.com](mailto:info@bisimplified.com)**

**WEB: [www.bisimplified.com](http://www.bisimplified.com)**

Copyright © 2010  
Business Interruption Consultants, Inc.

Newsletter Layout & Design by  
[showoffgraphics@mac.com](mailto:showoffgraphics@mac.com)

CLICK BELOW TO CONNECT TO US ON:



continued from page 1

For people around the globe, this unfathomable tragedy, especially so soon after major disasters in southeast Asia, China, Burma, and even in the developed world in New Orleans, offers an opportunity to seriously re-evaluate catastrophe preparedness and response. Haiti and New Orleans alone should be enough to prompt an outcry for better worldwide disaster preparedness management. Although past decades have given us many other wake-up calls: 9/11, the Bam earthquake in Iran, the Southeast Asian tsunami, the Sichuan earthquake, and the typhoon in Burma, who is paying attention? According to George Santayana, "Those who do not learn from history are doomed to repeat it." **DO YOU HAVE A WELL-DOCUMENTED AND PRACTICED BUSINESS CONTINUITY PLAN?**

These are all questions that should be answered before the next disaster occurs. New Orleans remains ill-prepared for another major storm. People believe Katrina was a worst case scenario. Hopefully, it was, but Katrina did not even hit New Orleans directly. Stronger hurricanes on a straight collision course with the city are possible, particularly if sea surface temperatures continue to rise. Houston, too, faces extreme windstorm risk. Hurricane Ike provided another near miss and even the damages seen there were considerable. If a powerful storm actually hits Houston, or even Galveston, head on, the economic

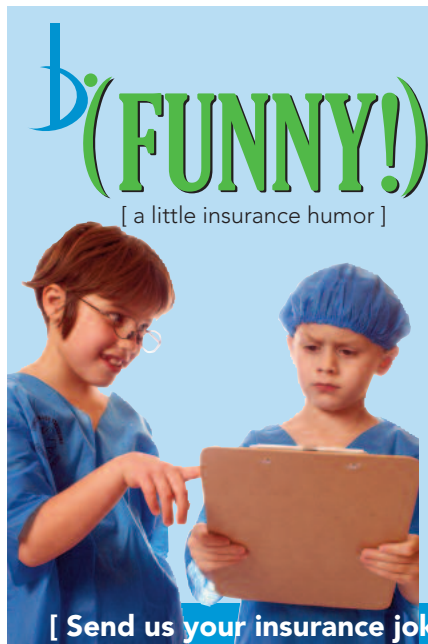
loses would be considerable, and the casualties, if evacuations are not properly heeded, might also prove tragic. **IS YOUR LOCAL GOVERNMENT PREPARED? ARE YOU?**

We are all keenly aware of the inevitable "big one" that will hit California. Yet somehow, retrofitting buildings in earthquake country is still seen by many as a nuisance to be pushed back as far as possible, just as levee fortification in some below sea level communities remains unfunded and delayed, despite a commendable statewide call to action to bolster many of these vital defenses.

Thousands of lives are in the balance, and as we have seen in both New Orleans & lower Manhattan, catastrophes are just as possible domestically as they are abroad. **IS YOUR NEIGHBORHOOD AND OFFICE PREPARED?**

The longer we go without taking necessary steps to increase preparedness, the sooner we will stop calling them natural disasters and start calling them man-made catastrophes. For assistance in writing or reviewing your Contingency Plan, contact Business Interruption Consultants: [info@bisimplified.com](mailto:info@bisimplified.com). We would welcome the opportunity to help you *Be Prepared and Be Protected™*.

*Thanks for portions of this article to Jared Wade. His article, Haiti: The Future of Disasters, appeared in Risk Management Magazine, March 5, 2010 issue.*



An insurance agent said to his customer, "Thank you, Mr. Jones, for your patronage. I wish I had twenty customers like you."

"Gosh, that's nice to hear, but I'm kind of surprised," admitted Mr. Jones. "You know that I file many claims and always pay premiums late."

The insurance agent said, "I'd still like twenty customers like you. The problem is, I have two hundred like you."

---

The seven year old girl told her mom, "A boy in my class asked me to play doctor."

"Oh, dear," the mother nervously sighed. "What happened, honey?"

The little girl replied, "Nothing, he made me wait 45 minutes, and then he double-billed the insurance company."

[ Send us your insurance jokes for a chance to be in our next newsletter at [info@bisimplified.com](mailto:info@bisimplified.com) ]

# FREQUENTLY ASKED QUESTIONS

## How do I get a Business Continuity Plan?

Appoint a Contingency Plan Coordinator and a Steering Committee to develop the corporate survival plan. If you want to use an outside vendor, make sure they are qualified, will provide the detail you are looking for, and have your contingency coordinator be fully involved with them.

## Who can help me with my Continuity Plan?

Your professional industry associations should provide assistance as a service to its membership, especially since it is made up of homogeneous businesses. Also, the Association of Contingency Planners has chapters in most major cities whose members can provide valuable information and suggestions.

The Institute for Business Continuity training, [BCT.com](http://BCT.com), provides excellent training & materials. [DRJ.com](http://DRJ.com) is another resource, or you can hire an outside vendor. We have been involved in quite a few planning projects and always require that the client appoint a Contingency Coordinator and establish a budget for the project. Otherwise the plan becomes just another manual on the shelf.

## How do I convince upper management to agree to develop a Business Continuity Plan?

If they don't see the need, it is going to be a tough sell. The problem is that most executives are in denial that anything can happen to them. They also ignore the "good practices" and regulatory requirements that hold them accountable for any loss of assets. ISO certification and government contracts, as well as most of the leading companies, all require companies they work with to have a Business Continuity Plan. Most importantly, without a plan there is a high probability that your organization will not survive the next disaster.

## BE INFORMED!

### WHAT IS THE DIFFERENCE BETWEEN EXTRA EXPENSES & EXPEDITING EXPENSES?



#### EXTRA EXPENSES

**Extra expenses** are all the monies expended by an organization above its normal business expenses to try to recover from a disaster as quickly as possible. For example, if your building was rendered unusable by fire or any other insured peril, it would probably be necessary to secure other quarters to continue your business operations. However, the use of such other facilities would undoubtedly involve many extra expenses, such as rent, installation of telephones, etc. Extra expense insurance covers such expenditures over and above your normal monthly expenses. It is necessary money spent to avoid or minimize the suspension of business

Originally, if rent was \$100/sq. ft., but in the new location it is \$125/sq ft., the \$25 difference is the extra expense. Extra expenses would also include such items as paying overtime not usually paid, increased transportation costs, outsourcing, etc. Insurance policy **Extra Expense Limit** is the amount of financing needed to reimburse a company's incurred extra expenses and is usually combined with the business income limit on the policy.

#### EXPEDITING EXPENSES

**Expediting expenses** however, are extra expenses incurred to reduce the loss. For example, if you spent an additional \$750,000 to recover from a disaster and it reduces the loss by \$500,000, then extra expenses pays \$750,000. However, expediting expenses will only pay \$500,000. *This is a big difference!*

Be careful to pay special attention to your policy wording! Some insurance policies say they will pay "Extra Expenses" and then define them as Expediting Expenses. *Don't get caught!*



JOIN US AT THE FLORIDA ASSOCIATION OF INDEPENDENT AGENTS' ANNUAL CONVENTION, JUNE 24th THROUGH JUNE 26th, 2010 AT THE WORLD CENTER MARRIOTT ORLANDO.

**"FAIA BOOT CAMP: BUILDING LEADERS IN CHALLENGING TIMES"**

Rob Swift will be presenting two classes and we will be at booth #305. Stop by and say hello. Mention our newsletter and get a treat!

# Get the Facts!

## NATURAL CATASTROPHES AND MAN-MADE DISASTERS IN 2009: CATASTROPHES CLAIM FEWER VICTIMS, INSURED LOSSES FALL

Swiss Re Study, 01/2010. Page N/A.

According to Swiss Re's latest Sigma Study, **natural catastrophes and man-made disasters claimed approximately 15,000 lives and cost insurers 26 billion U.S. dollars in 2009.** The overall cost to society was 62 billion U.S. dollars. Insured losses were below average due to a calm U.S. hurricane season.

**Worldwide, natural catastrophes cost insurers 22 billion U.S. dollars last year while man-made disasters cost another 4 billion U.S. dollars. Insured losses were highest in North America, costing 12.7 billion U.S. dollars.**

The death toll was the highest in Asia, which accounted for nearly 9,400 of the world's 15,000 catastrophe victims. Insured losses in Asia were approximately 2.4 billion U.S. dollars. Compared with previous years, 2009 was a low-loss year, which included 133 natural and 155 man-made disasters. Six events each triggered insured losses in excess of 1 billion U.S. dollars. The costliest event was the European winter storm, Klaus, which struck France and Spain in January and led to insured losses of 2.35 billion euros (nearly 3.4 billion dollars).

Swiss Re's latest Sigma Study, "Natural Catastrophes and Man-made Disasters in 2009", can be accessed on the Swiss Re Web site at:

[http://www.swissre.com/pws/research%20publications/sigma%20ins.%20research/sigma\\_no\\_1\\_2010.html](http://www.swissre.com/pws/research%20publications/sigma%20ins.%20research/sigma_no_1_2010.html)

Database Highlight, Doc. No. 2010031909

Our thanks to: Thomas A. Gray, PE, FSFPE, CIRT (Level 3),

ABCP, Consulting Director, Property Risk Control

**PLEASE CONTINUE TO GIVE US YOUR COMMENTS AND ASSOCIATED ARTICLES ON TOPICS OF INTEREST.**

**WE WELCOME YOUR INPUT!**

Send us your comments, questions and jokes to be published in upcoming issues.

**CONTACT US AT: [info@bisimplified.com](mailto:info@bisimplified.com) [ [www.bisimplified.com](http://www.bisimplified.com) ]**

The information provided herein is intended for general information purposes only and should not be construed as advice or opinions on any specific facts or circumstances. The content of this newsletter is made available on an "as is" basis, without warranty of any kind. BISimplified.com disclaims any legal liability to any person or organization from loss or damage caused by or resulting from any reliance placed on that content.

