



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

[ the business interruption e-source ]

ISSUE 8  
FEBRUARY/MARCH, 2010

BUSINESS INTERRUPTION CONSULTANTS, INC.

## BE INFORMED...ABOUT US!



Business Interruption Consultants, Inc. is proud to announce a new sales consultant, Richard A. Klukkert, WMS. Located in the South Carolina area, he has been an investment and insurance advisor since 1981, working as a financial consultant and wealth management specialist for two of the country's largest financial companies.

He was a member of the President's Club and top producer. Most importantly, Richard is proud of his accomplishments.

In addition to his strong sales background, he has a keen understanding of asset valuation and good business practices. Richard has been a catalyst for bringing about positive changes to our website and marketing materials. Many Florida insurance agents met Richard last month.

According to Mr. Klukkert, "Being a people person is one of my strongest assets. I enjoy working one-on-one with companies and professionals. Within the commercial property insurance industry, my goal is to provide the finest Business Interruption services to insurance professionals and their clients. This is an exciting opportunity for the industry because the value-added services BICI offers are the greatest market differentiator. This win/win situation will capture premium dollars left on the table and ensure clients are adequately prepared and protected. I look forward to meeting with you soon to discuss how you can take advantage of BICI's consulting services and software."

Contact Richard at [info@bisimplified.com](mailto:info@bisimplified.com) or 864.723.4800.

### IN THIS ISSUE

- Be Informed...About Us! p1  
New National Sales Manager
- Be Prepared! p2-3  
Terrorist Attack Imminent!
- Introduction to Claims p4-5
- Be Funny! p6
- Get the Facts! p6



#### 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)

CLICK BELOW TO CONNECT TO US ON:



Copyright © 2010  
Business Interruption Consultants, Inc.

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

“Though no one can go back and make a brand new start,  
anyone can start from now and make a brand new ending.” ~ Anonymous

# “TERRORIST ATTACK IMMINENT!”

**SHOUTS THE NEWS HAWKERS**

**b

```
pre
```**  
**(PARED!)**

**Have you completed your strategy?  
Is your Contingency Plan up-to-date?  
Has it been tested?**

**Take a lesson from businesses that suffered in New York City after 9/11. Do not be an Al-Qaeda casualty!** Be sure to discuss your coverages with your insurance professional and consider completing a business interruption appraisal. This is our area of expertise. Let us help you be prepared. **For information, email us at: [info@bisimplified.com](mailto:info@bisimplified.com).**

## STRATEGIC PLANNING:

Strategic Planning is a general outline of the actions the company will take should a disaster occur. It is the foundation of a contingency plan. Without it, a business will only recreate what already exists, so its importance cannot be underestimated. There are several important areas to consider.

First of all, base the **length of recovery time** on the worst possible loss that could occur and consider seasonality, as well as new and renewal business. For example, if a Christmas ornament manufacturer has a disaster in July that takes a year to recover, not only may they lose the current season, but the next one as well. That is two years of sales – enough to bankrupt most companies.

Determine how long the marketplace will allow you to be shut down before you start losing business. This is your **Return Time Objective** and it dictates all the other components of your plan. For example, if you are the only business selling your product or service, customers will wait “forever” and you will have time to recover. On the other hand, if there are a large number of suppliers for your product or service, you may only have three or four weeks to get back into the market, so it is critical to make an accurate assessment.

Ascertain how much data you can afford to lose. This is your **Return Point Objective** and will determine your back-up policies. For example, if you can lose one week’s data, why back-up every night? On the other hand, if you cannot afford to lose one day’s data, why back-up only once a week? Also, do not store back-up data in the same building where you operate. Store it at least twenty-five miles away.

**Review your storage facilities.** Do you have a separate warehouse? After the disaster, how much undamaged inventory will you have on hand or in the marketplace? Could you “stuff” the pipeline and then redistribute inventory after the disaster? For example, if you have one month’s inventory on hand, you might have one month to recover before you start losing sales. This means you do not have to finance/insure one month of lost sales. Also, if there is extra inventory available in the marketplace, you might be able to redistribute it to take care of key customers.

**Think of the contingency plan as an opportunity document** that allows the business to scrutinize all phases of its operations and based upon a cost/benefit analysis, use the recovery process as the time to eliminate low margin products, flatten the organization, and increase productivity. In order to be competitive into the next decade, what changes should be made to the organization?

## HERE ARE SOME QUESTIONS TO CONSIDER...

### OPERATIONS:

- Do you continue what you are presently doing or will you change the company focus? For example, go from manufacturing to wholesaling, store to internet sales, or subcontract the operations, etc.
- Would the organization benefit from totally new or revamped products, services, delivery systems, or organizational changes?
- What do you want your organization to look like?
- Are you ISO certified? What are its requirements?
- What should your staff configuration look like?
- Do you want to change departmental reporting and/or responsibilities? For example, combine departments.
- Do you franchise your locations?
- Should you flatten out and remove all of your middle management?
- Do you outsource your R&D, bookkeeping, mail, shipping, etc?
- Should you make everyone responsible for income generation?
- Do you implement a production/sales incentive program?

### SUPPLY CHAIN:

- What changes will make it more cost effective?
  - Are you "just in time" and what happens if your suppliers are late? For example, do you change, add, or consolidate your suppliers?
- BE CAREFUL.** If you consolidate suppliers and any one of them represents more than 20% of your sales, you need to protect your exposure to loss if they suffer a catastrophic loss. See [BISimplified.com](http://BISimplified.com): *Contingent Business Income Worksheet*.
- How do you integrate and employ your suppliers' contingency plan?
  - After a disaster, will your suppliers "quick ship" to you and lengthen your payment terms?

### CUSTOMERS:

- Who are your customers?
- What should you change about the relationships?
- Are you meeting your customers' needs, and are they meeting yours?
- Should you change payment terms and/or eliminate slow payers? For example, have your customers prepay for services during the recovery period or reduce or eliminate deliverable requirements.
- Do you have a customer and supplier disaster contact procedure?
- Who is notified first?

### FACILITIES:

- Will you work in the same physical space?
- What physical changes may you make to increase production and reduce expenses?
- Where are the building plans?
- Have they been updated with improvements, and do they conform to regulatory requirements such as the Americans with Disabilities Act?
- Consider preparing architectural designs for your new facilities. That way you will not waste time after the disaster trying to figure out what you want. For example, consider replacing the current one story building with three stories. Would it be beneficial to change the loading dock configuration, reposition the sales department near the receptionist, or put R&D next to the production area? Be careful to pay attention to building occupancy use and parking lot requirements, not to mention any EPA issues. Are there any municipal easements or paper roads that would interfere? Might you make use of your suppliers' or customers' facilities, thereby reducing your own building needs?

**BEWARE!** The insurance policy will only pay the value to replace your current facilities depending upon your coverage, but you can add your own money and build anything you want. **PLAN FOR THE FUTURE!**

For assistance 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™.

Coming In April: STRATEGIC PLANNING QUESTIONNAIRE

# INTRODUCTION TO CLAIMS

Business Income claims are the most contentious and tedious of all insurance claims primarily because of unrealistic expectations from the policyholder and a lack of education by the insurance industry. **Business Interruption Consultants, Inc.** has handled a large number of claims from community-wide disasters to individual incidents. There are always the same issues: The policyholder believes they should get the policy limits and the adjuster reduces the claimed amount by policy language. If only the insured and their representative would complete a **business interruption appraisal** upfront, then these problems would be reduced and the insured would be better protected.

Since most business owners do not know how to calculate their business income loss or present it to the insurance company, the standard procedure is for the insurance company's adjuster to hire a forensic accountant to do the calculations for the insured. However, to protect your interests, hire your own specialist. **Coverage to pay the expert's fees is often included in your insurance policy.** Your advocate (not a general CPA) will facilitate the claim and include all loss amounts to make sure you are paid the full amount you are due. When the adjuster's forensic accountant calls to make an appointment to prepare the claim say, "No thanks, I have my own expert putting our claim together." This way your advocate

will calculate, prepare, and present your claim to the adjuster for discussion. The business owner retains control and is still responsible for settling the claim and accepting the insurance company's offer with the advice of the advocate. You will be certain your claim includes everything you lost plus all the extra costs. Remember, it is the insured's responsibility to tell the insurance company what they lost and how much they expect to be paid. This should not be a whimsical or unsubstantiated number, but a well-documented, calculated amount.

In order to facilitate the process, you might want to follow our suggested procedure. Keep in mind that it is your responsibility to do your homework and stay in control of the claim.

First, read and understand your insurance policy so you know how it will respond. **Be proactive!** Have a tested contingency plan and implement it as soon as possible after the disaster. **DO NOT WAIT FOR THE ADJUSTER.** Immediately start the clean-up process, make repairs, and take remedial action to restore operations, but take pictures and keep receipts. If you always use a certain contractor or carpenter, etc., hire them for your repairs and submit your bills. A less expensive repair person might not be the best one for you and always insist on quality materials.

For help with your Business Interruption claim,  
**CONTACT BUSINESS INTERRUPTION CONSULTANTS, INC.**  
at [info@bisimplified.com](mailto:info@bisimplified.com) for your no obligation consultation.

As soon after the disaster as possible, take lots and lots of PICTURES of the damaged and undamaged property, including the entrance and exit to your facility as well as neighboring buildings. Implement the employee call tree and "800" call-in number.

Keep a claim journal ([see Claim Journal on BISimplified.com](http://www.BISimplified.com)) of what happened, what you did, and when. Also use a special general ledger account to track how much you spent so you will have the information available at a later time when questions arise. Do not rely on memory. Update and expand your journal entries at the disaster debriefing with the managers. Do not give the journal to the adjuster. This record is for your information and serves only as a reference tool.

Access your cash and at the same time, set up a special general ledger account and run all expenses through that account during your recovery period so your expenses will be easily calculated after you have recovered. Make sure receipts and petty cash requests list the date, amount, and the reason for the expenditure. You must show who, what, why, and where the money was spent.

Also, depending on the insurance policy coverage, keep in mind that the claim's period of recovery may continue after the facilities are repaired or rebuilt if you are still

operating in a recovery mode. For example, you might be working from three locations or your Information Technology people are still deployed. The claim is not resolved until you are in your permanent facility and operating at the expected level of quantity and quality.

When you talk to the adjuster, ask them for a partial payment and keep asking for advances throughout the claim settlement process. Some policies include partial payments on Business Income claims. Know your rights and obligations under the policy. If any of your expenses are not covered by

insurance, at least you are recovering your operations and not wasting time and money. Hesitation and confusion costs organizations a lot of money.

To keep surprises to a minimum, let the underwriter/

claim department know about your contingency plan. Send the underwriter a copy of your plan and ask they review it. Then, if they have any questions, they can ask them up front and will not be surprised by your actions. Keep in mind, your insurance company adjuster is not your adversary. Most adjusters will approach the claim in a professional and helpful fashion. Remember, the key to a successful recovery is to be prepared, know what to do, and know how to calculate the financial impact of a disaster on the business.



## In April: RESOLUTION OF SIX COMMON AREAS OF DISPUTE

# b (FUNNY!) [ a little insurance humor ]

Suffering from a bad case of the flu, the outraged patient bellowed, "Three weeks??? The doctor can't see me for three weeks??? I could well be dead by then!"

Calmly the voice at the other end of the line replied, "If so, would you please have your wife call to cancel the appointment?"

Be nice to your kids. They will choose your nursing home.

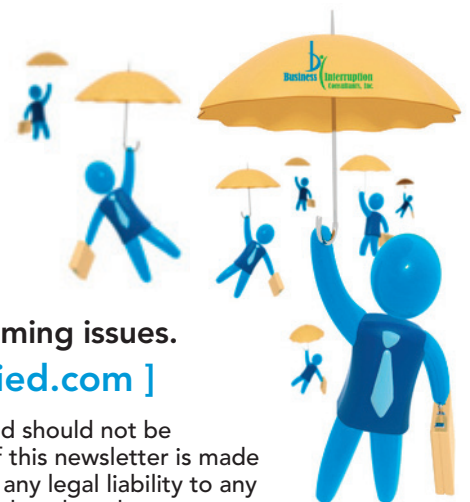
Two insurance sales managers were discussing business one day. One manager asked, "How many agents do you have working for you?"

The other manager replied, "About half of them."

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

## Get the Facts!

- According to a January 18, 2010 article in *Fortune* magazine, there is a new metric to measure corporate performance called **Economic Value-Added Momentum**. This is profit after deducting all capital in the business and therefore is touted as the best measure of value creation.
- One in eight Americans is struggling with hunger. Perhaps the school crossing guard, parking lot attendant, or WalMart greeter. Who is the 1 in 8 in your life that needs help? Go to **feedingamerica.org** and see how your support can help those in need.



## 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.