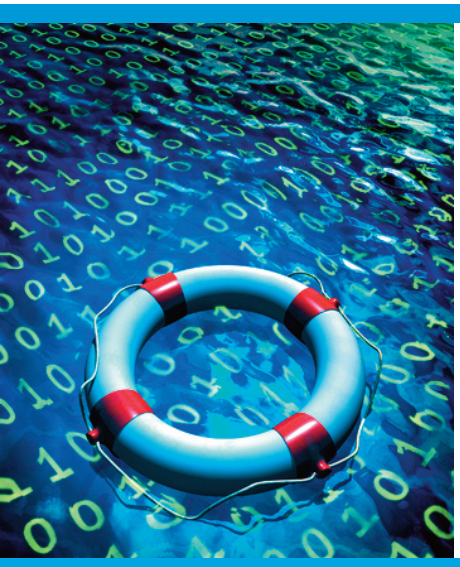

# b(PREPARED!)

[ the business interruption e-source ]

ISSUE 14
OCTOBER, 2010

BUSINESS INTERRUPTION CONSULTANTS, INC.

## FACILITATE THE CLAIM PROCESS

Business Income losses are some of the hardest claims to settle. 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. Instead, to protect their interests, the insured should hire their own specialist. Many people do not realize that coverage to pay the expert's fees is often included in the insurance policy.

This advocate, who is knowledgeable specifically about BI, not a general CPA, will facilitate the claim and make certain that the business owner is paid the full amount they are due. With the business owner's input, the advocate then calculates, prepares, and presents the claim to the adjuster for discussion. The best part — with the advice of the advocate, the business owner retains control of settling the claim and accepting the insurance company's offer. They may rest assured that their claim includes everything that was lost, plus all the extra costs.

*(continued on page 3)*

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**Send your résumé to: INFO@BISIMPLIFIED.COM**

# Get the Facts!

- **ACCORDING TO AN FM GLOBAL INSURANCE COMPANY STUDY**
  of more than five hundred multinational companies, businesses with weak risk management practices, compared with those with strong programs, face a fifty-five times greater risk of property loss due to fire and fire-related losses that are four times as costly (an average of $3.2 million per loss as opposed to $750,000). Similarly, companies with weak programs face a twenty-two times greater risk of property loss from natural disasters and natural cat losses that are seven times as costly (an average of $3.4 million per loss as opposed to $478,000).

- **ACCORDING TO *RISK MANAGEMENT*, JULY/AUGUST 2010 ISSUE:**
  This is the sixth year of the soft market and pricing remains favorable for insurance buyers, but there is an underlying weakness beneath the surface that provides an early harbinger of the change to come. How long the soft cycle will last is, as always, unclear. Nevertheless, the chance of a soft landing, or some other benign end to the cycle, is highly unlikely. Instead, the cycle will end in tears–as it always does. Those who begin preparing now will be well-served and those who do not will be expecting different results from a market that has done the same thing over and over. As Einstein famously said, "That is the very definition of insanity."

*(continued from page 1)*

It is the insured's responsibility to tell the insurance company what they lost and how much they expect to be paid. This is not a whimsical or unsubstantiated number, but a well-documented, calculated amount. They must do their "homework" to stay in control of the claim. To facilitate the process, the insured might want to follow our suggested actions.

- **Before the disaster…** read and understand the insurance policy so you know how it will respond. To keep surprises to a minimum, send a summary copy of the Contingency Plan to the underwriter/ claim department and request they review it. Then, if there are questions, the insurance company is able to ask up-front and will not be surprised by your actions.
- ***Be proactive!*** Implement your tested Contingency Plan as soon as possible after the disaster. **DO NOT WAIT FOR THE ADJUSTER.** Immediately, take lots and lots of pictures of the damaged and undamaged property, including the entrance and exit to the facility as well as neighboring buildings. Implement the employee call tree and the "800" call-in number.
- **Begin the clean-up process**, make repairs, and take remedial action to restore operations, continuing to take pictures. If you used a certain contractor or carpenter, etc in the past, hire them for the repairs. A less expensive repair person might not be the best one and always insist on quality materials. Keep all receipts and submit the bills.
- **Maintain a journal** (see *Claim Journal* below) of what happened, what was done, and when. 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 for claim submission.
- **Set-up a special General Ledger account** and run all expenses through that account during your recovery period so your expenses may easily be calculated after you have recovered. Make certain receipts and petty cash requests show the date, amount, and the reason for the expenditure. You must document who, what, when, where, and why the money was spent.
- **Keep in mind that the claim's period of recovery may continue after the facilities are repaired or rebuilt** (depending on the insurance policy coverage) 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 fully resolved until you are in a permanent facility and operating at the expected level of quantity and quality.
- **Remember, your insurance company adjuster is not your adversary.** Most will approach the claim in a professional and helpful manner. When you talk to the adjuster, request a partial payment and keep asking for advances throughout the claim settlement process (a limited number of 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. Remember, the key to a successful recovery is to be prepared — knowing what to do and how to calculate the financial impact of a disaster on your business.

(For more information on this topic, see "***Be Informed!***", May, 2010 newsletter, page 5, for six common areas of BI claim dispute.)

**DON'T RELY ON INSURANCE COMPANY ACCOUNTANTS. HIRE YOUR OWN ADVOCATE!**

**For expert BI claim preparation and presentation, call Business Interruption Consultants, Inc. at 307.433.8180, or email info@bisimplified.com.**

**We regularly double the insurance company's offer. There is no obligation and *the initial consultation is free!***

A claim journal is a diary that recounts the pertinent details of the loss recovery activity. It includes answers to questions, such as what happened, when, where, and what was done to recover from the disaster. You will want to identify costs or lost income amounts, as well as keep a folder of photographs to document your journal entries. This information is only for the business owner and should not be given to anyone else. Keep the journal throughout the recovery and claim process. It may take several months for the claim to be fully resolved and by then one's memory becomes fuzzy.

There should be a brief statement for each day or group of days telling what transpired. For example:

**MAY 2:** Fire shut down operations in the paint shop at 9:35 a.m. Everyone evacuated. Fire out by noon. Non-essential employees sent home.

**MAY 3:** Contacted insurance agent. Set up the Incident Command Center (ICC).

**MAY 4:** Moved into the ICC, bought furniture, computers, and phones, etc. for $25,000.

**MAY 5:** Discussed strategy; held press conference (food and beverages-$750). Started a calling tree to contact customers and suppliers.

**MAY 6:** Looked for alternate facilities. Called restoration service to clean facilities. Called contractor to start repairs. Used staff to board-up windows and remove debris. Sent IT team to Chicago. Diverted raw material's shipment to our Seattle facility.

**MAY 7:** Facility team started assessing the damages and identifying salvageable items. Rented vans for employee transportation and rented hotel rooms for ICC staff for $18,000.

**MAY 8:** Visited competitors to see if anyone could produce our product for us.

Keep your journal, photos, receipts, and other important information on-hand at all times.

# (INFORMED!) LEAD? CADMIUM? China Does It Again!

Over the past six years, the consumer product safety commission has recalled more than 180 million pieces of metal jewelry that contained dangerous levels of lead, and in August 2009, it lowered the acceptable amount of lead in children's jewelry to 300 parts per million. However, progress in regulating lead appears to have prompted manufacturers to use another toxic metal—cadmium.

In January this year, an Associated Press investigation revealed that many cheap metal pendants and bracelets manufactured in China contained dangerous levels of cadmium, with many products consisting of 84% to 90% cadmium. Prolonged exposure has been shown to cause kidney disease, severe bone loss and even lung cancer. Since that report, the commission has issued three recalls for jewelry items, all of which were marketed to young children and cost one to twelve dollars. If there is a silver lining to this toxic metal mess, it is that cadmium is not likely to cause as great a public health crisis as lead, primarily because its use is not as widespread.

# Claims—Simplified!

On **BISimplified.com**, the future is now with our electronic Property Claim Worksheet and BI Claim Worksheet. One click and the calculations are done for you. Eliminate guesswork and arguments.

PROPERTY CLAIM WORKSHEET

BI CLAIM WORKSHEET

## WHAT'S IN IT FOR YOU?

The worksheets save weeks of claim settlement time and accounting fees.

## WHY USE THEM?

Eliminate arguments. Accurate calculation of the claim amount shows how much was lost and how you arrived at your number.

## HOW DO THEY WORK?

### PROPERTY CLAIM WORKSHEET:

Maintains a running total dollar amount and record of the specific repairs made to the property.

### BI CLAIM WORKSHEET:

Trends sales growth, calculates lost income, discontinuing expenses, extra expenses and provides a summary of the total claim amount.

Both worksheets are electronic and simplified—pop-up text boxes provide explanations that keep you on track.

## WHERE DO I FIND THEM?

Exclusively on **www.BISimplified.com**.
**You supply the numbers—we do the calculations!**

**Ask your insurance agent to set-up an account on BISimplified.com and offer these two claim worksheets & other great advantages to you as a value-added service.**

# We recently received the question, "Do you have Electronic BI Worksheets?"

**YES!** We have industry-specific, interactive, electronic BI worksheets on our website, **www.BISimplified.com**.

And…we just added five more, so we are up to 21! Five more are currently in development, so let us know if you have a specific target-market and we will develop the worksheets for you.

Airport

Municipality

Racetrack

Seaport

Tire Store

We also have the only electronic Contingent BI worksheet! In addition to the interactive BI worksheets, we also have electronic BI claim, disaster planning, and insurance policy valuation sections—all with FAQS.

Contact us anytime: **info@bisimplified.com** or **307.433.8180** or visit us at **www.BISimplified.com** today!

## b(FUNNY!)

[ a little insurance humor ]

**MYTH BUSTER!**
Myth:
Women are more dangerous drivers than men.
Reality:
For each minute they drive, men are almost twice as likely as women to be in a fatal crash.

When my grandmother was in her late eighties, she decided to move to Florida. As part of the preparations, she went to see her doctor to get all her charts. The doctor asker her how she was doing, so she gave him a litany of complaints — this hurts, that's stiff, I'm tireder and slower, etc., etc., etc.

He responded with, "Mrs. Snooty, you have to expect things to start deteriorating. After all, who wants to live to 100?"

My grandmother looked him straight in the eye and replied, "Anyone who's 99."

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An insurance agent won a trip to Mexico City. Now he is trying to win a trip back home!

**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 [ www.bisimplified.com ]**

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