

100th Anniversary of Triangle Shirtwaist Fire a Reminder That Businesses Should Have a Disaster Plan In Place

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? The tragic Triangle Shirtwaist Fire, which occurred a century ago today, is a reminder to all businesses of the need to be prepared for a disaster. In addition to typical risks such as fire, there are a host of other risks that are unique to each particular type of business. So it is essential that business owners have a disaster plan in place, which includes buying the right type and amount of insurance. Business owners should also update their policies annually to include improvements, major purchases and increased rebuilding costs, according to the Insurance Information Institute (I.I.I.).

Do You Have a Disaster Plan In Place?

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 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 often have to be their own risk managers.

Steps for setting up an effective disaster plan for your business:

Set up an emergency response plan and train employees how to carry it out. Make sure employees know whom 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.
- **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.

- **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.
- **Consider the things you may need during the emergency.** Do you have a back-up source of power? A back-up communications system?
- **Human resources.** 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.
- **Physical resources.** Inspect the physical plant(s) and assess the impact a disaster would have on the facilities. Make sure your plans conform to local building code requirements.
- **Business community.** Even if your business escapes a disaster, there is still a risk of suffering 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 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?
- **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 are up-to-date.
- **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 will 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.** There are many data storage and cloud computing firms that offer offsite backups of computer data.

Review Your Insurance Plan

Make sure you have sufficient coverage to pay for the indirect costs of the disaster, such as the disruption to your business, as well as the cost of repair and/or rebuilding. Most standard business policies do not cover flood or earthquake damage so you may need to buy separate insurance for these perils. Be sure you understand your policy deductibles and limits. New additions or improvements to your facilities should always be reflected in your policy. This includes construction changes to a property and adding new equipment.

For a business, the costs of a disaster can extend beyond the physical damage to the premises, equipment, furniture and other business property. The potential loss of income while the premises are unusable should also be considered.

One of the biggest mistakes business owners make is that they don't buy the right type of insurance and often have gaps in their coverage," said Loretta Worters, vice president, I.I.I. "Business owners should contact their insurance agent or company representative annually to make sure that their insurance is adequate."

A Businessowners Policy (BOP) is recommended for most small businesses (usually 100 employees or less), as it is often the most affordable way to obtain broad coverage. BOPs are "off the shelf" policies combining many of the basic coverages needed by a typical small business into a standard package, at a premium that is generally less than would be required to purchase these coverages separately. As it combines both property and liability insurance, a BOP will cover your business in the event of property damage, suspended operations, lawsuits resulting from bodily injury or property damage to others, etc.

BOPs do NOT cover professional liability, auto insurance, workers compensation or health and disability insurance. You will need separate insurance policies to cover professional services, vehicles and your employees.

For medium-sized and larger businesses, there are more comprehensive commercial policies. To properly insure your business, the I.I.I. suggests that you ask your agent or company representative these important questions to determine if you have the right type of policy and amount of coverage:

1. Do I have enough insurance to rebuild my business property and replace all of my merchandise and possessions?

A Building and Personal Property coverage (BPP) policy is commonly used to cover any combination of the following three broad categories: the building, your business personal property and the personal property of others. Usually the covered building is owned by the insured. However, a lessee might insure a leased building when required to do so by the terms of the lease.

Your BPP coverage includes seven specific categories:

1. Furniture and fixtures
2. Machinery and equipment
3. Stock (i.e., merchandise held in storage, including raw materials, work in-progress and finished goods)
4. All other personal property owned by you and used in your business
5. Labor, materials and services furnished or arranged by you on the personal property of others
6. If a tenant, the improvements or betterments you have made
7. Leased personal property that you have a contractual responsibility to insure

It is vital that the value of your property be accurately reported and updated annually to reflect inflation and other increases in cost.

2. Do I have enough insurance to protect the personal property of my employees?

In order to protect the property of your employees, you will need to add Personal Effects and Property of Others coverage to your policy. This coverage permits the insured to extend up to \$2,500 worth of its business personal property coverage to personal effects of the insured and its officers, partners or employees and personal property of others in the insured's care, custody or control. The personal effects coverage does not include theft, even when theft is a covered cause of loss under the policy.

If the \$2,500 limit is inadequate, a higher limit can be purchased.

3. Do I have enough insurance to keep my business open?

A business that has to close down completely while the premises are being repaired may lose out to competitors. A quick resumption of business after a disaster is essential, so business interruption insurance is crucial.

“Make sure the policy limits are sufficient to cover your company for more than a few days,” said Worters. “After a major disaster, it can take more time than many people anticipate to get a business back on track. There is generally a 48-hour waiting period before business interruption coverage kicks in,” she added. “Too many business owners fail to think about how they would manage if a fire or other disaster damaged their business premises so that it was temporarily unusable.”

The price of the policy is related to the risk of a fire or other disaster damaging your premises. All other things being equal, the price would probably be higher for a restaurant than a real estate agency, for example, because of the greater risk of fire. Also a real estate agency can more easily operate out of another location.

There are typically four types of business interruption insurance. You can purchase any one of these or any combination of them that would make sense for your business:

- **Business income coverage:** Compensates you for lost income if your company has to vacate its premises due to disaster related damage that is covered under your property insurance policy. Business income insurance covers the profits you would have earned, based on your financial records, had the disaster not occurred. The policy also covers operating expenses, such as electricity, that continue even though business activities have come to a temporary halt.

Review your annual financial records with your accountant to determine your annual net profit (total revenue minus total expenses). You should also have an approximate idea of how much profit you make (and would therefore lose) during a typical year. Purchase enough business income coverage to protect at least this amount of revenue.)

- **Extra income coverage:** Reimburses your company for a reasonable sum of money that it spends, over and above normal operating expenses, to avoid having to shut down during the restoration period.

In order to calculate how much extra expense coverage you will need, an appraisal of your office building or any other operating locations should be made as well as a detailed inventory, not only of your product stock but also of your existing office equipment.

- **Contingent business interruption insurance:** Protects a business owner's earnings following physical loss or damage to the property of the insured's suppliers or customers (as opposed to the business owner's own property). Companies today are heavily dependent on raw materials from key suppliers to make the products they sell. What happens if the supplier suffers a loss and cannot continue to deliver the product?

Make sure to determine how much revenue would be lost if you were unable to receive your product from your main supplier or if your main customers were unable to buy from you.

- **Ordinance or Law:** Provides coverage to rebuild or repair any buildings occupied by the business in compliance with the most recent local building codes.

?Most business owners are complacent about natural disasters until it affects their business,? said Worters. ?Too often it?s only once the owner has gone through a disaster that he or she starts considering a disaster plan, including purchasing the proper insurance.?

Business owners can download a copy of the Insurance Institute for Business & Home Safety?s *Open for Business: A Disaster Planning Toolkit for the Small Business Owner* or find information at the Small Business Administration.

The I.I.I. has posted a special section dedicated to the Triangle Fire Centennial. Facts and Statistics on Fire Losses as well as Workplace Safety and Workers Compensation are also available.

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