

Catastrophe Planning For Businesses

Recover Quickly After Disaster By Developing An Emergency Plan

Catastrophes not only leave an impact on thousands of homeowners and renters, but on a community's businesses as well. Many businesses can be either destroyed or forced to close due to severe damages, costing businessowners huge financial losses. In addition, some businesses may not have the right kind of insurance or enough insurance to cover their losses, which may make it difficult for them to recover quickly.

In anticipation of the next major disaster, Associates Inventory Service suggests that businessowners follow a four-point catastrophe recovery strategy outlined in the brochure, "How to Survive a Catastrophe: A Guide for Businesses."

The brochure emphasizes that businesses can recover quickly from a major disaster if they plan for it in advance. This means developing a plan that details what employees should do once a disaster strikes and also having the right amount of insurance to finance the recovery of a business.

The four-point strategy highlighted in the brochure includes: 1) minimizing the risk of damage in advance of an emergency; 2) developing a disaster recovery plan; 3) reviewing your insurance program; and 4) reviewing all the components of your disaster recovery strategy on a regular basis.

To minimize the risk of damage in advance of an emergency, businessowners should reduce the chance of fire in their building by training employees about fire safety, making sure there are enough fire extinguishers in working order, and locating the business in a fire-resistive building and in a building with a fire alarm system connected to the local fire department. Businesses should also make sure their building conforms to damage-resistance building codes in case of a violent windstorm or earthquake. The disaster recovery plan of a business should include the following elements:

- keep duplicate records of accounts receivables
- other important business records and lists of equipment
- identify critical business activities and the resources needed to support them
- find alternative facilities, equipment and supplies, and locate qualified contractors
- set up an emergency response plan and train employees how to carry it out
- compile a list of important phone numbers and addresses; decide on a communications strategy to prevent loss of clients/customers.

Insurance also plays a major role in the recovery of a business after a disaster, so businesses should review their policies regularly to ensure there are no gaps in coverage. Businesses should make sure they have enough coverage to pay for indirect costs of a disaster, (e.g. disruption to the business) and the cost to repair or rebuild.

Businesses should also consider property, business interruption and extra-expense insurance policies. For property insurance, the businessowner should ask these questions:

- Am I insured for current replacement prices?
- Are the improvements I've made recently covered?
- Are there any limitations to my policy?
- Am I located in an earthquake-prone or flood zone? (note: typical property insurance policies don't cover flood or earthquake damage).

If you have a business interruption policy, make sure the limits are sufficient enough to cover the business for more than a few days in case it may take longer for your business to get back on track.

Businesses may also consider purchasing extra-expense insurance, which reimburses you for what you spend, over and above your normal operating expenses to avoid having to shut down during the restoration period.

Finally, businessowners should review on a regular basis all the components of the four-point disaster recovery strategy.



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