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[ the business interruption e-source ]

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BUSINESS INTERRUPTION CONSULTANTS, INC.

## OVERCOMING CUSTOMER DENIAL

Getting businesses prepared for the next disaster is a challenge if the insured is convinced it will not happen to them. Since catastrophes are a daily occurrence, someone is obviously being affected and failing to acknowledge the threat is an example of denial. As you know, using logic and scare tactics will not always work.

As postulated by Sigmund Freud, denial is a defense mechanism. A person faced with a fact that is too uncomfortable to accept will instead reject it, even if there is overwhelming evidence to the contrary. In the case of *simple denial*, the insured may reject the reality of the unpleasant event outright. Alternatively, the insured might recognize the facts, but downplay their significance with *minimization*. *Transference* occurs when they recognize the seriousness of their situation, but do not assume responsibility.

Whatever the root of the denial, it is a behavioral cause that hinders organizations from embracing change. This may involve several factors. If the insured misunderstands the risk, completing a Risk Assessment Analysis [ [www.BISimplified.com](http://www.BISimplified.com) ] that identifies the probability of the occurrence of an event in relation to their specific business will help them focus on those risks with the highest probability and greatest impact so it is harder for them to say it will not happen to them.

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# What FEMA Never Told You... ABOUT FLOOD

Hear what our own Robert M. Swift, CPCU, CIPA, CBCP of Business Interruption Consultants, Inc. has to say as he participates in this seminar at the annual CPCU convention in Denver, Colorado on Monday, August 31st from 10 am to 12 pm. This panel will discuss major problems with the National Flood Insurance Program (NFIP) and what should be done to fix it. Presenters will discuss coverage triggers, loss of income/extra expense, contingent business interruption/extra expense, caps on coverage that are not tied to inflationary trends, and more. All agents, brokers, and claims adjusters who work with property and flood insurance will benefit from attending. **Filed for CE credits.**

Seminar developed by the Agent & Broker Interest Group.



**BISimplified.com offers sincere congratulations to 2009 CPCU designees!**

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Address the issue that FEMA or some other government agency will come to their rescue. The insured may remember the ensuing clamor for relief that followed Hurricane Katrina and point out the government eventually stepped in to provide aid. However, time and red tape often makes this an unreliable option and only emphasizes the need for proper insurance coverage. Encouraging the insured to be in control and prepared is preferable to being unpleasantly surprised and out of business.

Shortsightedness is another behavioral characteristic that may contribute to the dilemma of underinsurance and the resistance to incur the upfront cost because they are not aware of the potential benefits. Advocating a Business Contingency Plan [ [www.BISimplified.com](http://www.BISimplified.com) ] would inspire them to take the long view, identifying all the inherent risks and the amount of financing that is required to carry them through the recovery period. At the very least, the insured should complete a Business Income Worksheet.

Denial serves as a powerful coping skill that keeps insureds from addressing dire realities. To overcome this detrimental attitude, utilize a positive approach by encouraging them to embrace change and view it as an opportunity to reform the organization into a more secure operation that is competitively ready to do business into the next decade. **Ultimately, being prepared is the best protection.**

**For more information about disaster planning, refer to [ [www.BISimplified.com](http://www.BISimplified.com) ]. Under "Articles: The 411," select Article 5: *Introduction to Contingency Planning, An Overview of the Business Contingency Plan.***



Several cannibals were recently hired by an insurance agency. "You are all part of our team now," said the Human Resources manager during the welcoming briefing. "You get all the usual benefits and can go to the cafeteria to get something to eat, but please do not eat any of the other employees." So the cannibals willingly promised.

Four weeks later, their boss remarked, "You're all working very hard and I'm satisfied with you. However, one of our customer service representatives has disappeared. Do any of you know what happened to him?"

The cannibals all shook their heads no. After the boss left, the leader of the cannibals said to the others, "All right. Which one of you ate the CSR?"

A hand rose hesitantly, to which the leader of the cannibals continued, "You fool! For four weeks we've been eating producers and no one noticed anything, but noooo, you had to go and eat the customer service representative!"

## CPCU ANNUAL MEETING — EMBRACING CHANGES

bisimplified.com comes to the "Mile High City"! Find us at **Booth #305** in the Denver Convention Center August 29th thru September 1st!

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- **Movie Mania:** \$20.00 gift certificates to AMC Theatres and Blockbuster. Prize Value: \$40.00
- **Cowpoke Contingency Plan: Straight from Chugwater, Woming!** Gourmet Chugwater Chili Mix, Dip and Dressing Mix, Steak Rub, CD of cowboy songs to get your feet movin', His 'n Hers bandanas, and your very own lariat so you can enjoy a firsthand experience at ropin'! Everything you need to Be Prepared and go Western! Prize value: \$120.00



### LEARN MORE ABOUT... BUSINESS INCOME

To read Robert M. Swift's article, "**Business Income Made Simple,**" published in the March, 2009 issue of CPCU'S "Underwriting Interest Group, Underwriting Trends," Volume 21, Number 1, **visit: <http://bit.ly/AhVik>**



## Why do I need extended period of recovery?

**Answer:** Extended period of recovery (indemnity) is a policy coverage that will pay for lost Business Income for a stated amount of days beyond the restoration period and must be added to the business income insurance policy for an additional charge. The underwriter rates the coverage based upon how many days are requested. The intent of this protection is to allow the company to reach its projected sales level after operations have been resumed. Most policies include 30 additional days past the restoration period for no charge, but the majority of businesses need at least 90 to 180 days of protection to reach their expected sales level, or even 360 days if there is any seasonality to the business, especially if there is disagreement on when the operations were actually restored.

To illustrate, I was working with a clothing manufacturer in southern Georgia who told me he had a loss of income of \$3,000,000 due to a fire. But, then he lost an additional \$3,000,000 from the time he resumed operations until his sales were up to the expected level.

Some policies define the period of recovery as stopping when the property is repaired or operations are “resumed” and then that is the end of the claim. However businesses still have to build their production and market share and it takes time to get their sales volume to where it should be. In the case of the clothing manufacturer, he resumed operations when he started sewing, but it took him another 90 days to get his sales up to where they should be.

## Get the Facts...

According to the article, Hindsight, in the December, 2008 Rims “Risk Management” magazine, 85% of U.S. insurance companies faced at least one new lawsuit, 67% faced six or more new suits, and 29% faced fifty or more new lawsuits in 2008, making the industry the top target for new litigation. 53% of U.S. insurers spent more than \$1 million and 23% spent more than \$5 million on legal expenses in 2008, making the industry the top legal spenders. 36% of insurers expect litigation to increase in 2009.

### 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)**

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