



CALCULATING THE TRUE COST OF DISASTER PREPAREDNESS

Small-business owners who think preparing for a disaster is expensive should think again. Being unprepared-and losing everything-can mean paying a much higher price.

For example, in July 1996, the president and owner of Brookville Mining Equipment Corporation, Dalph McNeil, faced every business owner's nightmare when the nearby creek crested at eight feet after a 24-hour downpour.

Expensive new machinery was covered in mud and a powerful current of water had swept away inventory and collapsed a 30-foot section of wall. The flood caused nearly \$1.6 million in damages and losses.

After receiving a Small Business Administration (SBA) disaster loan, McNeil relocated his plant away from the floodplain and asked one of his employees to take on the additional responsibility of "safety coordinator."

Besides doing quality assurance and control, the safety coordinator, according to McNeil, "runs monthly meetings with representatives of the company, making sure all the employees understand the early warning and evacuation plans, and the emergency procedures."

"You can never be too prepared, as a small-business owner, for disaster," McNeil remarked. "It's something you don't want to think about. How do you carry on business as usual, as quickly as possible, after a disaster? You have to be a bit of a fatalist, thinking in terms of the worst-case scenario for your business." And while he hopes he never has to use the emergency plans he has in place, McNeil says he is now ready for anything.

Experts say preparedness starts with developing such an emergency action plan that is tailored to the company's needs and addresses several disaster scenarios. The plan should include a timetable, budget, assignment of responsibility, prevention and mitigation steps to be completed, and a list of risks and hazards to the business. It's also a good idea to encourage employee involvement in the process.

A communications strategy is a key post-disaster recovery strategy. Phone numbers and e-mail addresses for your insurance carrier, suppliers, creditors, employees and customers, the local media, utility companies, and the appropriate emergency response and recovery agencies should be updated regularly.

This list should be maintained by a key employee and a backup person. Appoint a spokesperson to get the word out that your business is still open to dispel rumors of business failure.

Making sure your insurance coverage is adequate is another issue. According to the Insurance Information Institute, a recently released survey conducted for the National Hurricane Survival Initiative (done by Mason-Dixon Polling & Research) reports that one in three residents in hurricane-vulnerable states said it had been three years or more since they reviewed their insurance coverage.

When shopping for insurance, think about property damage and the loss of revenue and extra expenses that occur when business is halted by a disaster. Business interruption insurance covers necessary expenses that occur while the business is shut down. Many business owners don't realize that basic hazard insurance does not cover flood damage. Additional purchased flood insurance is essential; most of the over \$10 billion in disaster loans made by the SBA after last year's Gulf Coast hurricanes were for flood damages.

The National Flood Insurance program provides coverage to property owners. For more information, visit the Web site at www.floodsmart.gov. Flood insurance must be purchased 30 days before the disaster hits to be in effect.

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