

When Disaster Strikes... Is Your Business Prepared?

Midwesterners often joke that if you don't like the weather, wait five minutes. It seems like weather across Iowa and Nebraska is always changing. The winter months feature below-zero wind chills, blizzards and ice storms, while the warmer spring and summer months bring tornadoes, floods, flat line winds, hail and severe thunderstorms. While these forces of Mother Nature are part of living in the Midwest, any one of them can wreak havoc on a business.

Already this year, Iowa and Nebraska have both experienced crippling ice storms, floods and several tornadoes – and there's still six months to go! In addition to these seasonal, "natural" disasters brought on by Mother Nature, other "man-made" disasters, such as fires, can destroy a business as well.

Last December, Oregon Trail Equipment in Hebron, Neb. suffered extensive smoke damage from an early morning fire. Six months later, the dealership is in the process of rebuilding the old half of the shop. "We had to shut down the shop for awhile following the fire, but we were able to maintain our parts and sales side of the business," explained Les Brandt. "However, working around black soot until the restoration crew cleaned things up was a nightmare!" While the dealership eventually opened up part of the shop, things remain very cramped. "It has really affected our productivity," added Brandt.

Parts of Iowa and Nebraska were hit with a major ice storm last January, crippling several communities in its path. The city of Holdrege, Neb. was without power for nearly four weeks. Fortunately, Land-Mark Implement, Inc. had a back-up generator. However, it only provided enough

power to run the lights and computers. So, the business tracked down and purchased an 85,000 watt generator from Minnesota and within five days was up and running at full capacity.

"During a two-week period, we were running at 60 percent efficiency with our employees," said Richard McClymont. "The ice made it extremely difficult to be productive. We literally had to chop three inches of ice off the concrete to access the building. You think you've seen it all and then something like this happens."

In Marshalltown, Iowa, some employees at Central Iowa Farm Store were without power for two weeks. While the dealership had generators to keep things going, power was off and on for most of a week. "We received a lot of calls looking for generators which we didn't have, and PTO adapters for farmers running generators off of their tractors," reflected Todd Cassady. "Fortunately, our employees were able to continue working during the storm."

At Goos Implement in Gladbrook, Iowa, employees used flashlights to locate parts and worked outside after the dealership lost power due to the ice storm. The business regained limited power once a generator was up and running four days after the storm hit. "While our employees stayed busy working on people's generators, we still lost a good week of production," said Ben Goos. "The storm impacted our business pretty hard."

While you can't prevent disasters like these, there are steps you can take to minimize the loss to your business. First, create a written action plan with some of

your key employees to deal with a natural disaster. Federated Insurance Company recommends the plan address two areas: loss prevention and disaster recovery.

A **loss prevention plan** is designed to



A John Deere dealership was heavily damaged by a tornado in Greensburg, Kansas this spring.

minimize potential risk to your business in advance of an emergency.

This plan involves:

- Connecting the fire alarm system to the local fire department.
- Meeting damage-resistant building codes.
- Keeping duplicate records of both computerized and written records.
- Identifying critical business activities and resources needed to support them.
- Compiling a list of important phone numbers and addresses. (Keep copies off the premises.)
- Determining a communications strategy to prevent loss of customers.

A **disaster recovery plan** should be documented and communicated to all employees. Depending on the size of your business, you may want to establish an emergency response team to develop and maintain a disaster recovery plan.

The team's responsibilities could include:

- Accounting for all employees and extent of injuries.
- Determining the extent of physical damage.
- Categorizing systems critical to business continuation.
- Evaluating damage to each system.
- Re-establishing systems in orderly sequence.
- Keeping employees informed of progress.

According to Lesley Sifers, of Tax Favored Benefits, Inc., communication



R&R Equipment in Indianola, Iowa suffered extensive damage from a fire in April. The dealership plans to rebuild and open this fall.

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remains a key component of these plans. "While it is very important to have a policy in place, it's even more important to communicate this policy with your employees," exclaimed Sifers. She recommends developing calling procedures in the event of a shutdown. "Compile a list of every phone number for each of your employees. Then, if a shutdown occurs, have management call and check on employees so they understand when to return to work."

Next, develop a plan that includes appropriate insurance coverage. For example, property insurance typically excludes coverage for flood damage. So, if your business is located in a flood zone or is prone to flooding from nearby creeks or ditches, you should make sure you have a flood insurance policy.

In addition, business interruption insurance is another vital piece of the puzzle when a disaster renders a business premises temporarily unusable. Business interruption insurance compensates for lost income when a business has to suspend operations due to disaster-related

damage that is covered under its property insurance policy. It covers the profits the business would have earned, based on its financial records, had the disaster not occurred. In addition, business interruption insurance covers continuing normal operating expenses, like electricity, that continues even though business activities have come to a temporary halt.

"Business interruption insurance is well worth the money if your dealership experiences a disaster, such as a tornado or a fire," stressed Sifers. "It's a wise investment."

While commercial insurance policies typically contain business interruption insurance coverage, do not assume that you have it. Ask your business insurance agent if you have business interruption insurance coverage and, if you do, determine the exact dollar amount of coverage and the length of time the business interruption insurance will pay.

How do you determine the proper amount of coverage for your business? First, take a close look at your business income. Business income is defined as the net profit or loss of a business, before taxes. Business interruption insurance

provides for the replacement of lost business income which would have been earned had there been no loss.

Next, look at the expense history of your business. Your policy should cover everything necessary to continue busi-

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Business Interruption Insurance Tips

Take a good look at all the interruptions your business might face in the event of a natural or man-made disaster.

Decide whether or not your company can afford the loss of income and the expense of re-establishing your business without additional insurance.

Make sure the policy has a long enough time frame to get your business back on its feet.

Make a checklist of your expenses and what equipment and services you'll need to keep your business running.

Source: "Guide to Business Interruption Insurance," Mindy Toran



IOWA-NEBRASKA EQUIPMENT DEALERS ASSOCIATION

recommended

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OPEI Forecast – Consumer & Commercial Products

The OPEI Forecast for Outdoor Power Equipment is based on OPEI's econometric model of the industry. The statistical model links the industry with the national economy. The industry forecast is based on the outlook for the U. S. Economy prepared by the University of Michigan. The industry forecast is based on actual industry shipments data through December 2006.

There were signs at year-end that the moderate growth path of the economy during the middle of 2006 was picking up. December retail sales were stronger than expected, consumer sentiment had improved, the unemployment rate fell a little, and the speculative froth in oil prices had abated. The housing market still is declining. Total housing starts are expected to fall 11.8 percent and housing re-sales are expected to decrease by 10.6 percent this year. However, forecasts estimate that a rebound in the housing market will happen at the end of this calendar year (December 2007). This re-bounce is expected to help boost shipments of consumer and commercial turf products, as well as support a positive change in shipments of gasoline powered hand-held

products in the 2008 model year.

OPEI Estimates for Commercial Turf Care Products

The Outdoor Power Equipment Institute (OPEI) conducts a monthly shipments program for its member companies, which represent between 75 percent and 100 percent of all commercial turf care shipments, depending on specific products. Consensus estimates for all original equipment manufacturers that do not participate in the shipments program are made based on member shipment report data and Member Company's knowledge of the industry. Participation in the OPEI monthly shipments program is available only to members of OPEI.

For the 2006 model year (September 2005-August 2006), OPEI estimates that just over 286,000 commercial turf outdoor power equipment units were shipped – a contraction of 1.8 percent from last year. Mid-mounts contracted for a

second year in a row after many years of double-digit growth. Front-mount riders, and rear wheel steer riders gained in strength this year but only enough to bring the total commercial riders category to a level just below last year (-0.8 percent).

Source: Outdoor Power Equipment Institute

OUTDOOR POWER EQUIPMENT FORECAST Consumer & Commercial Products					
	ANNUAL UNIT SHIPMENTS - MODEL YEAR				
				FORECAST	FORECAST
	MY2004	MY2005	MY2006	MY2007	MY2008
CONSUMER PRODUCTS					
WALK-BEHIND POWERED MOWERS	6,515,061 6.3%	6,397,638 -1.8%	6,008,146 -6.1%	5,363,470 -10.7%	5,663,917 5.6%
FRONT ENGINE LAWN TRACTORS	1,645,790 10.1%	1,561,623 -5.1%	1,446,706 -7.4%	1,316,676 -9.0%	1,374,610 4.4%
RIDING GARDEN TRACTORS	188,949 10.8%	152,868 -19.1%	114,538 -25.1%	98,335 -14.1%	101,839 3.6%
COMMERCIAL TURF CARE PRODUCTS					
INTERMEDIATE WALKERS	44,205 12.0%	37,427 -15.3%	31,359 -16.2%	28,889 -7.9%	29,325 1.5%
RIDING MOWERS	203,008 38.9%	203,271 0.1%	201,611 -0.8%	182,316 -9.6%	208,205 14.2%

Model year is September - August
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OUTDOOR POWER EQUIPMENT FORECAST Hand-Held Gas Powered Products					
	ANNUAL UNIT SHIPMENTS - CALENDAR YEAR				
				FORECAST	FORECAST
	2004	2005	2006	2007	2008
HAND-HELD GASOLINE POWERED					
HAND-HELD BLOWERS	1,959,414 0.5%	2,170,986 10.8%	2,200,904 1.4%	2,140,751 -2.7%	2,187,987 2.2%
BACKPACK BLOWERS	467,787 6.9%	582,034 24.4%	551,451 -5.3%	570,232 3.4%	600,088 5.2%
TRIMMERS	6,185,266 -0.2%	6,437,756 4.1%	5,870,838 -8.8%	5,770,156 -1.7%	5,911,184 2.4%
CHAIN SAWS	3,073,301 12.1%	3,102,883 1.0%	2,770,410 -10.7%	2,779,569 0.3%	2,870,876 3.3%

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ness operations, including: mortgage or rent payments, utilities, employee salaries, equipment lease payments and all other operating expenses that will continue after the loss. You may be required to prove your claim by submitting business records, such as financial statements, income and expense reports or other business reports.

In addition, make sure your policy provides Extra Expense insurance to provide for necessary expenses that may be incurred to minimize the suspension. This includes things such as costs incurred to rent, move and equip a temporary location, or overtime wages to decrease the time operations are down.

Sometimes business owners procrastinate about purchasing business interruption coverage because it is difficult to determine the 'right' combination of coverage to give needed protection at a reasonable price. However, neglecting to plan properly for a business interruption can be a serious risk management mistake.

Effective risk management before a loss occurs not only helps you prepare for business interruptions, but possibly reduces the costs as well. However, it may prove difficult to accurately estimate how long it will take to get back into business. For instance, alternate building sites may not be available or materials needed to repair your building may take longer than expected to reach you. Even the time of year affects your business income loss and expenses.

Some important things to consider when researching business interruption insurance include:

when researching business interruption insurance include:

- How much income will you need to continue operating your business in the event of a shut down of your premises?
- How quickly will the policy become active after you report an incident?
- Will you need additional coverage for extra expenses, such as leasing temporary office space, computer equipment or office machines?

In addition, you should make sure policy limits are sufficient to cover your business for more than a few days, since it often takes more time than anticipated to get a business back on track. ■

Sources: Federated Insurance Co., Insurance Information Institute, Tax Favored Benefits, Inc.