

NEWS LETTER

n.p. james insurance agency



November 2006

Disaster Recovery – A Time Line

Among many daily tasks, both customer related and administrative, businesses need to remember to keep an eye toward preparation for the unforeseen. Risk identification and management for the ordinary and the extraordinary are essential to long-term business viability. Disaster planning and recovery have become more frequently the focus of attention, starting with Y2K issues.

The primary issues of Y2K involved the reliability of community public safety including electrical power, communications, traffic controls, and other infrastructure issues, which were international in scope.

And then the September 11, 2001, World Trade Center tragedy struck the nation. All US businesses turned their attention to disaster planning, where I noted that “The World Trade Center tragedy may not have changed our business risks, but, demonstrated that we are largely unprepared.”

Last year’s Hurricane Katrina taught us a lot about our aging infrastructure, the power of wind and water, and the crushing task of mass evacuation.

Today we look at areas important to risk management teams as the globe (and the US particularly) prepare for the possibility of a pandemic (see related article).

Insurance has always been a housekeeping task, while risk management is an ongoing necessity. First you identify the risk, and then you decide what to do with it.

My opinion of your greatest risk of loss?

- *Liability while driving your car*
- *Employees’ health and viability*
- *Loss of a key person to the business*
- *Fire [property & income losses]*
- *Data security breaches*
- *Employee theft*
- *Flood and Hurricane (please note my October 2005 newsletter, “The Ugly Truth About Flood Insurance” www.npjames.com/assets/pdfs/10_05.pdf)*

Insurance industry experts and predictor specialists state that a hurricane the severity of 1938 with 150 m/h winds may hit the east coast as early as this year. Astonishingly, 53 percent of Americans currently live in coastal communities – the insurance industry does not possess the financial strength to handle that magnitude of loss. Remember, World Trade Center losses are between \$40-\$50 billion, and Hurricane Katrina costs currently at \$60 billion.

My work with liability and legal issues associated with Y2K began in 1996. At the time it was estimated to be a \$600 billion global remediation project with the American Bar Association estimating \$1 trillion in litigation costs – worthy of some examination. In my opinion it was the greatest global remediation effort ever successfully undertaken. For this past 10 years those issues have not only compounded, but also grown as a management concern.

The most important thing today for businesses to remember is an eye toward preparation – risk identification and management. Sit down and assess your risks for ultimate business continuity and viability.

New challenges of a Pandemic

While no property or casualty insurance policy now covers business losses for pandemic-type events, legislative and regulatory pressure will surely be placed on the industry to provide a market for such losses. A very imaginative tort bar and sympathetic juries will have their roles, as well.

Facing a pandemic, a myriad of issues need to be assessed. Every business will need to ask itself if it is “virtual” (with the ability to operate from employees’ homes). Retailers face sales and product delivery viability, as landlords need to plan for rent abatement for shutdowns (government or prudent). Everyone expects our infrastructure to be maintained, even while understanding that utility workers will be exposed to the same illness as the rest of the population. Those issues, compounded by health care capacity, food supply, and spoilage problems, are enormous concerns to city planners.

Remember, communications with employees, clients, vendors, and customers are key to surviving any catastrophe.

Increasing risks from severe storms as well as global threats from a pandemic spread of illness create tremendous new challenges to our businesses as well as the basic life safety for our employees, our families, and ourselves.

Finally – survival will depend upon the quality of our business planning.

Please do that for a better ability to survive.

Announcement

At its annual meeting in Boston, the Massachusetts Society of Licensed Insurance Advisers elected Nancy P. James as Co-President of the Board of Directors. Ms. James also served as president in 1996-1997.

The purpose of M.S.L.I.A. is to uphold the ethical and professional standards of all Insurance Advisers licensed by the Commonwealth of Massachusetts.

Ms. James is the owner of the N.P. James Insurance Agency, 33 Bedford Street, Concord, MA celebrating 24 years of service.

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- ***PLANNING FOR THE UNFORESEEN***
- ***PANDEMICS***

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