

# business insurance

for practice managers and owners

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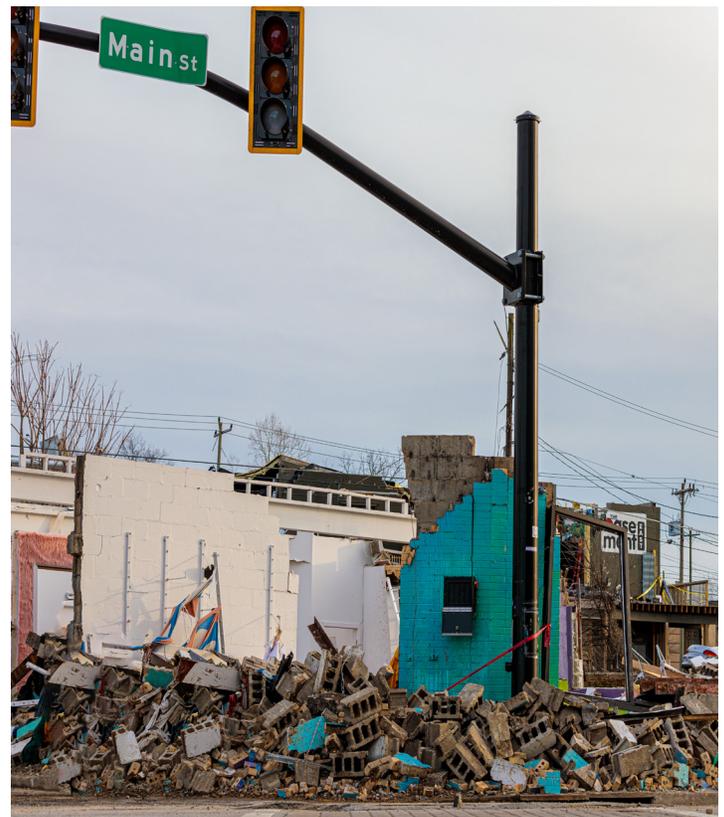
Business Interruption Claims

## Minimizing Business Interruption after a Natural Disaster

When disaster strikes, the goal is to resume normal practice operations as quickly as possible. If damage to your clinic is severe, though, recovery can take time. In many cases, practices will need to deal with local, state, or even federal government agencies before clinics can be reopened or, in the worst case, reestablished. The key to successfully weathering a disaster is to have a comprehensive disaster recovery plan in place; to focus first on the safety of your team members, clients, and patients; and to act quickly but steadfastly as you enact your plan.

### Steps on the Road to Disaster Recovery

Before you start working on your plan, remember to carefully record all expenses during and after the disaster. Proper documentation can speed up the claim process. Insurance brokers, agents, and claims professionals should be contacted before hiring any outside agencies, and practices should not sign contracts for non-emergency services before speaking with their insurance representative to confirm the circumstances under which costs will be covered.





## Business Interruption Claims

### Tornado & Accompanying Winds Destroy Clinic A's Roof

Clinic A sustained significant wind damage during a tornado. After the all-clear was given, on-site inspections revealed significant roof damage, and the overall structure was deemed unsafe until repairs could be completed. Dr. A, the practice owner, temporarily moved Clinic A's operations to another nearby location in order to continue offering services while the original structure was repaired. Several of Clinic A's insurance policies were triggered in this loss to cover business personal property, tenant improvements, business interruption, damaged computers and signage, and extra expenses. The total amount paid by the insurer on the claims was \$540,000. Of this, \$80,000 went toward lost revenue and rent, as well as relocation expenses.

### Frozen Pipe Results in Extensive Water Damage at Clinic B

Clinic B was closed for a winter holiday. When employees returned, they found standing water in the lobby and several exam rooms. Closer inspection revealed that a pipe had frozen and burst, resulting in significant water damage to Clinic B's interior. Restoration efforts were effective in reducing the severity of the leak, but both the building and its contents still sustained considerable damage. Clinic B was forced to close for the duration of the repairs and, in doing so, lost several weeks' worth of income. Clinic B had previously secured general property insurance (including business interruption insurance). As a result, the insurance carrier paid out a total of \$250,000, including \$75,000 for lost revenue and payroll expenses.

### Power Loss Due to Vehicle Hitting Clinic C

Forced off the road during a severe thunderstorm, a vehicle lost control and hit Clinic C where the power lines connected to the building. The collision resulted in the facility losing power. Due to delays with the power company and the need for city inspectors to approve repairs, Clinic C was left stranded for several days. As a result, Clinic C was unable to conduct business and incurred income loss. Clinic C's business interruption policy was triggered and paid \$9,000 to cover lost revenue.

## Initial Recovery Considerations

The preliminary step in your disaster recovery plan should be notifying all necessary parties. These should include:

- **Employees.** As soon as damage is confirmed, contact all employees and provide an update on practice operations. Ask for their understanding and patience as the situation will continue to evolve and change until repairs are complete.
- **Federal, state, or local government.** In the wake of certain disasters, federal, state, and local governments may offer financial assistance.
- **Insurance carriers.** Notify your insurance carrier about any damage and discuss potential restoration plans. If business interruption insurance is part of your coverage, request information on filing a claim.

## Business Interruption Insurance

If your practice is partially or completely destroyed due to a covered cause of loss, Business Interruption Insurance can provide a flow of income during the rebuilding period – so you can keep the practice open and continue to serve your clients. Covered expenses include:

- Normal payroll expenses & overtime pay
- Transferring operations to another site
- Outside services
- Lease payments on premises & equipment
- Lost income resulting from the business interruption
- Extended business income after your property is restored
- Clean-up costs
- Rent or mortgage payments

## Damage Assessments & Follow Up

After the necessary notifications have been made, the next step is taking a deeper dive into damage assessment, containment, and management. This process should include the following steps:

- **Minimize risk.** Any active hazards (sparking wires, gas leaks, flooding, burst pipes) should be remedied as soon as possible by the appropriate authorities. Swift action decreases the risk of additional damage.
- **Secure the site.** Damaged structures are often susceptible to unexpected collapses, so ensure that the property is cordoned off and access is prohibited.
- **Document the damage.** Once it's safe to re-enter the building, take photos of any damage to the structure and its contents for your insurance carrier. Conduct an inventory of damaged items and, if it's safe to do so, separate the damaged items from the ones that remain unscathed. *Note: do not discard any damaged items until any insurance claims are complete.*
- **Protect undamaged property.** If it's possible to remove undamaged machinery and equipment from the structure, do so. If moving the items isn't an option, cover them with tarps and take any additional measures to safeguard them.
- **Arrange repair work.** Get contractors out to the site as soon as possible, and secure the necessary permits for repairs. If any of your medical equipment or technology has been damaged, contact those vendors directly.



Looking for more resources on disaster recovery plans and insurance coverages? [Find additional information here.](#)

## Supporting Employees

Considering that even scheduled changes to the workplace can be highly stressful for employees, it comes as no surprise that work-life displacement at the hands of a natural disaster comes with an additional layer of stress. When communicating with employees in the wake of natural disaster, keep their emotional state in mind and consider the following areas of concern:

- **Salary.** If possible and appropriate, provide cash advances and salary continuation. Your business interruption policy should cover this cost.
- **Stress.** Providing counseling services (or access to counseling services) is highly recommended. Taking the time to check in one-on-one with employees can also go a long way.
- **Flexibility.** If damage from the disaster is widespread, employees' homes may have been affected as well. Be mindful of the fact that they might have their own repairs to tend to, and offer flexible hours, if possible.

## Preparing to Re-Open

The manner in which you resume operations will depend on the amount of damage your structure has sustained. In some cases, practicing in the damage-free portion of the building might still be possible while repairs are underway. (The site will have to be inspected and declared safe before operations can resume.) If damage has rendered the building entirely unusable, an alternate location will be required.

Regardless of where you resume operations, it's important to re-establish key administrative functions as soon as possible. It's also crucial to assess what services might need outsourcing. Are you no longer able to board pets? Is your radiograph equipment damaged? Identify all previously offered services and needs that you're no longer able to fulfill and determine whether outsourcing is required.

## Conclusion

While having a disaster recovery plan (and the appropriate insurance coverages) in place can't lessen the emotional toll of a natural disaster, being prepared can make mitigating the damage considerably more manageable.