

Earlier this year NASA released a report indicating that global climate change can be expected to cause weather events of increasing frequency and intensity in the coming years. This means more weather related disruptive losses for restaurants. And with restaurants relying on global supply chains for supplies, the bad weather event need not even happen in your own backyard to create problems for your restaurant. What kind of business interruption insurance do you carry on your restaurant? Have you carefully reviewed it to make sure that it will respond in the way that you need it to should you have a claim?

A 2012 Allianz Global Corporate and Credit study found that in the last decade roughly 30% of all business interruption related losses were covered by insurance. That's a lot of uninsured losses. Can your restaurant afford to overlook this important protection?

Most restaurant owners don't fully understand business interruption or extra expense coverage and tend to gloss over it when working with their insurance agent. This can be a mistake. You should take a little time and try to think through as many loss scenarios as possible to get a solid handle on your exposure to these types of losses. Areas of concern include:

- Lost Sales – Once you have lost these sales, there is no way to make them up but many of your fixed costs will continue to mount up while your revenue stream has dried up.
- Lost rent or lease payments - if you own the building you are in and have other tenants, what is your obligation to them and how will you make up this loss?
- Employee Wages - If you are unable to continue to employ or pay your workers during down time, many of them will move on to other jobs. At the very least you should identify your critical staff and have a plan to keep them from jumping ship while you rebuild or repair your restaurant after a large loss.
- Taxes – What will be the tax consequences of your loss? Which taxes will go on, even when you are out of business temporarily? Where will the money come from to pay these ongoing tax expenses?
- Loan payments – These obligations will likely continue after a loss even though your revenue may take a hit while you rebuild or repair your restaurant.
- Utilities – Another expense that might go on or even go up in the repair and rebuild process. How will you cover these expenses with no revenue coming in?

One common misconception that we run into with restaurant owners is the mistaken belief that their landlord's insurance policy will cover them for these losses in some way. This will almost never be the case. In fact, some of the tougher leases out there may even require you to continue to pay rent in the case of a partial loss to the building that is covered by the landlord's

insurance. If this partial loss means that you can't stay open for business, then you are at the mercy of the landlord's repair team as to when you can get back in business.

Hand in hand with the process of evaluating your business interruption insurance coverage is the process of creating a solid disaster plan. Here are a few items for consideration as you construct your disaster plan:

- Make a plan to have cash on hand for initial losses. Know where you will get this cash and make sure that your source is liquid so there is no delay waiting on funds.
- Educate your employees on your disaster plans and make sure each employee knows his or her role in that plan. They should fully understand what to expect before, during and after the disaster event.
- Make sure that you are performing regularly scheduled backups, off site, of all of your data, records and important papers. This backup should either be done electronically to an offsite data storage site or the backup disc should be physically removed from the premises each day. A backup disc that burns in the same fire as your restaurant won't do you much good.
- Have a plan for a temporary location change if that is possible for you. Any way that you can find to get back into business quickly and start generating revenue as soon as possible will reduce your overall losses.
- Make sure that you have alternate supplier chains for each and every supply that you purchase. The disaster that interrupts your business may not strike your restaurant; it could very well strike a supplier and if you have no other option your business could be interrupted.

Clinard Insurance Group insures hundreds of restaurant all across North Carolina, South Carolina, Georgia, Tennessee and Virginia. If we can help you with any of your restaurant insurance questions or needs, please feel free to call us, toll free, at 877-687-7557.