

# GRAHAM ADVISOR

## COMMENTS FROM THE CEO

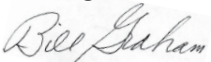
From earthquakes to hurricanes to heavy floods, there has been a seemingly constant stream of news about natural disasters that have left business owners surprised and in many cases, exposed. For those of us in the Mid-Atlantic region, expecting the unexpected has become the mantra over the past few months. However, I still hear from many business leaders, especially those in regions not prone to catastrophes, who simply brush off the importance of disaster preparedness and recovery.

Disasters, by their very nature, are unpredictable, which is why companies, regardless of location, have to actively prepare for them. Simply keeping a disaster recovery plan in your CIO's or CFO's desk drawer is not enough to keep your business safe. At The Graham Company, we frequently refresh our own plan and believe our preparedness is largely attributed to our familiarity with the plan and our commitment to practicing recovery procedures on a regular basis.

In this issue, we're proving disaster preparedness and recovery aren't just about intentions or plans – it requires a serious commitment (and practice!) from the entire organization. We're even sharing insights from The Graham Company's own disaster plan, which we hope will motivate you to reassess your organization's plan.

We'd love to hear from you; please send an email to [feedback@grahamco.com](mailto:feedback@grahamco.com)

Best Regards,



**WILLIAM A. GRAHAM, IV**  
CPCU, CLU, CEO



The overflowing Schuylkill River shut down the East River Drive and Main Street in Manayunk after Hurricane Irene surprised the Northeast in late August.

## DISASTER RECOVERY: THE PLAN BEHIND BUSINESS AS USUAL

Planning for disaster recovery is one of those topics that business owners agree is a good idea, but often worry where they will get the money to pay for it. One of the advantages of formalizing your disaster recovery plan is that it allows you to design your insurance program to provide the funds needed for your disaster recovery. Purchasing Property Insurance to protect your buildings and business property is only half of the protection a business needs in the event of a disaster. Regardless of the size or location of your business, a disaster plan can be the difference between business as usual and business no more. In making the case for a disaster recovery plan and budget to fund it, consider the following examples:

- A mid-size building suffered a fire that damaged two floors, including the elevator shaft. The property manager was forced to shut down the building for three months while it was being repaired. The property manager received more than \$2 million for the loss of rents.

- The building of a long term care provider was damaged in a fire, and the organization had to evacuate all of its patients and rent bed space from other facilities. The long term care provider received more than \$1.5 million for this extra expense to continue its operations.
- A fire destroyed the Malden Textile Mills just days before Christmas, but much to the astonishment of its workers, the president of Malden Mills promised to keep his 3,000 employees on the company payroll for 30 days while the mill was being rebuilt. Was the president filled with goodwill towards his employees, or did the company just have a well-designed disaster recovery insurance program?

### KEY PROVISIONS

Experts at The Graham Company agree, a well-designed disaster recovery plan includes

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# A disaster plan can be the difference between business as usual and business no more.

several critical coverage provisions to provide the necessary funding in the event of a catastrophic scenario:

**1. Business Income Insurance** – Property Insurance will help you rebuild your damaged property, but it will not protect the lifeblood of your organization. In the event of a disaster, how will you replace the cash flow from your discontinued operations? In addition, many expenses, such as mortgage payments and real estate taxes, will continue even after a disaster. Business Income Insurance can be used to fund the income that is lost and the expenses that continue after the disaster. Completing a business income worksheet with your insurance broker is an essential component of a disaster recovery plan and for pennies on the dollar provides a cost-effective way to fund this exposure.

**2. Payroll for Your Employees** – If your operations are temporarily shut down, how will you continue to fund the payroll for your employees? Do your employees have a specialized skill that makes them difficult to replace, or is it costly to retrain new employees? Retaining your employees may be a key component of your disaster recovery plan, and a well-designed insurance program can be used to pay this expense.

**3. Extra Expenses** – Most organizations cannot discontinue their operations in the event of a disaster. They must find a way to quickly get up and running at another location. Renting alternative space and equipment means additional costs. Detailing these extra expenses in a disaster recovery plan provides the opportunity to purchase insurance coverage instead of trying to obtain an emergency line of credit.

## FUNDING A PLAN

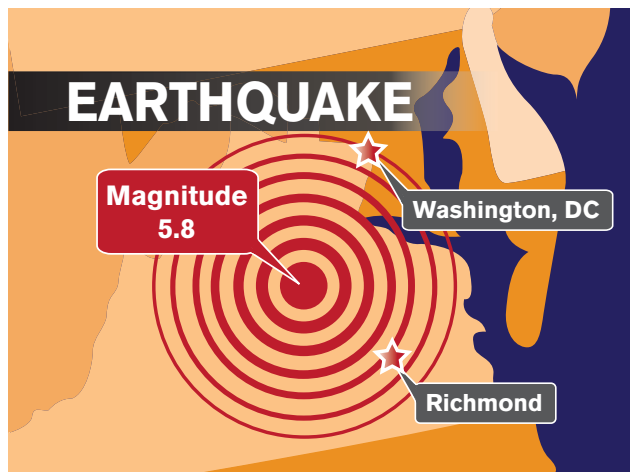
Developing a written disaster recovery plan is a good business strategy. However, many organizations fail to integrate the needs outlined in their disaster recovery plan with the potential funding from their insurance program. Designing your plan is step one, but don't forget step two – developing a strategy to fund your disaster recovery plan.

The type of business you operate will dictate the type of exposures you will have and the shape of your policy coverages. For example, a manufacturing operation will have different exposures than a petroleum distributor, who will have to prepare for the possibility of damaged underground

oil tanks and the resulting environmental implications. Experts at The Graham Company recommend an enterprise risk management approach, conducting an exposure analysis of your property, operations and supply chain risks.

## DATA VULNERABILITY

Data recovery has always been a concern for Information Officers, but in the age of cyber terrorism, data vulnerability must be a core consideration in your business' overall disaster recovery plan. In developing its own plan, The Graham Company established a disaster recovery committee comprised of senior management and department heads who meet annually to reevaluate existing plans in place for each department. Mark Alberto, Vice President - Information Technology at The Graham Company, is central to the committee. However, when creating a data recovery plan, it is important to get feedback from the heads of all of the functions within the company, not just IT. This will help to establish an overall understanding of each department's data needs and expectations.



The August 23, 2011, 5.8-magnitude earthquake in Virginia rocked much of the east coast.

According to Alberto, Graham's preparedness is largely attributed to employees' familiarity with the plan and the company's commitment to practicing data recovery procedures on a regular basis. "Twice a year, we practice returning our systems to the day before the disaster, also known as our recovery point objective. The practice of establishing this threshold forces us to examine and weigh the financial ramifications of possible data loss against the cost of taking the extra measures to

ensure a lower level of loss. Then, practice ensures that in the event of a real disaster, we will be able to be back up and running within 48 hours or less, also referred to as our recovery time objective," explained Alberto. He also noted that regular practice helps keep the plan fresh in everyone's minds.

## TRANSPARENCY RULES

The Graham Company's plan stresses transparency, not only from management to employees, but also employees to customers. "Our plan is easily accessible to our disaster recovery response team via the Internet. In the event of a disaster, employees will be able to access our systems remotely and continue to provide the level of service customers have come to expect," said Alberto.

To learn more about formalizing a disaster recovery plan for your business, contact G. Martin Irons, CPCU, CIC, ARM, Vice President - Technical Development Department, at The Graham Company at [mironsg@grahamco.com](mailto:mironsg@grahamco.com) or 215.701.5266.

# ASK THE EXPERT



## Kevin Connelly on Exposures to Natural Disaster

**Q.** How do I know if I am exposed to natural disasters?

**A.** Of course, every business is exposed to natural disasters. From an insurance standpoint, the real questions to consider include:

1. How exposed is my business?
2. What impact will the answer to that question have on my insurance program?

If you have significant locations in coastal areas, flood zones or earthquake zones, proper modeling of your exposures is the only way to determine your true exposure and the proper limits needed to address those exposures.

Catastrophe modeling (also known as CAT modeling) is also a vital piece of assessing the probability of various losses as well as how acquisitions in catastrophe-prone areas might impact your portfolio insurance costs going forward.

Finally, the quality of the data presented to insurance companies is essential to securing the lowest premiums. As insurers become more reliant on (and constrained by) CAT models, complete, accurate and properly presented information is more valuable than ever in managing catastrophe-exposed property placements.

**Q.** How does being exposed to catastrophic perils like wind, flood and earthquake impact my insurance program?

**A.** Although the broader insurance market is in a sustained period of soft pricing, coverage for catastrophe-exposed property is still a challenge. The latest string of catastrophic losses will only make things worse. Further exacerbating the situation is the advent of new CAT modeling systems that are producing predicted losses in various situations that are well in excess of those produced by previous models. Although these models are not the sole determinant of premiums by any means, they do place pressure on premiums for catastrophe-exposed properties.

Setting proper loss limits and deductibles for these coverages is critical to achieving the lowest possible cost of risk. It's also critical to ensuring that the level of risk your organization is taking on is known to you and acceptable.

To discuss the specifics of your business' exposures, please contact Kevin D. Connelly, Vice President at The Graham Company, at [kconnelly@grahamco.com](mailto:kconnelly@grahamco.com) or 215.701.5376.

# GRAHAM SIGHTINGS

## Experts in the News

Peter Prinsen & Sean Brogan on the recent changes to ACORD 25 – Certificate of Liability Insurance  
*CFMA Building Profits – Sept./Oct. issue*



## WEB EXCLUSIVE @ [grahamco.com](http://grahamco.com)

**Captive Insurance: A Long-Term Solution**  
*By: Kevin D. Smith, CPCU, ARM, Vice President*

**Employee Retaliation: Employers Beware, Be Educated**  
*By: Jeanne Oronzio Wermuth, CPCU, CIC, ARM, Senior Technical Specialist*

## Graham Gives Back

The Graham Company's employees have raised more than \$850 in charitable donations since August for such organizations as Patches the Bear and The Variety Club. In total, employees have raised more than \$7,850 in 2011.

## Movers and Shakers



The Graham Company ranked #44 on the *Insurance Journal's* annual list of the Top 100 Privately Held Property & Casualty Agencies.

Additionally, The Graham Company made the list as one of only eight finalists in the *Insurance Journal's* 2011 Best Independent Agencies to Work For.



For the 4th straight year, the *Philadelphia Business Journal* has ranked The Graham Company as one of the Best Places to Work. This year, the company ranked 3rd on the list of Large Employers. This is a significant distinction, as it shows The Graham Company's ongoing commitment to empowering employees and an unwavering dedication to the well-being and happiness of all employees.

# CLAIMS CORNER

## After Disaster Strikes: ⑤ Must-Take Steps

In the unfortunate event of a loss or damage to your business, the last thing you want to be burdened with is adhering to your insurance policies' reporting requirements and conditions, but doing so is essential to maximizing your coverage. While every policy differs slightly, some of the more significant requirements immediately following a loss include:

- ① Notifying the appropriate authorities.
- ② Providing your carrier with immediate notice of the loss: be aware of whether your policy states "immediate" notice or "as soon as practicable," as well as whether or not the notice must be in writing. Some policies even have time requirements as little as 72 hours following a loss.
- ③ Taking all reasonable steps to protect the property from further loss.
- ④ Permitting your carrier to inspect the property: it is highly recommended that you take pictures/video prior to any repair or replacement of damaged parts.
- ⑤ Submitting a formal proof of loss to your carrier, but be informed of what information your policy requires and when the proof of loss is due.

The Graham Company's Claims Services Department stands ready to assist you with these initial steps as well with providing support throughout the entire life of the claim; contact Dawn Houpt, CPCU, AIC, ARM, Vice President – Claims, at [dhaupt@grahamco.com](mailto:dhaupt@grahamco.com) or 215.701.5307.



# EXECUTIVE ANNOUNCEMENTS

## FRANCES GRAHAM ELECTED TO THE GRAHAM COMPANY BOARD OF DIRECTORS



Frances Graham has been elected by unanimous vote to The Graham Company's Board of Directors and Management Committee. She has been involved with the company for more than 35 years. Bill Graham, Chairman and CEO said, "As my wife, she is immersed with the company, and her intimate knowledge stems from decades of involvement with its mission, values and strong culture."

Ms. Graham, a 1966 graduate of Moore College of Art and Design, serves on Moore's Board of Trustees, chairs Moore's Visionary Woman Awards and has established the Fran Graham scholarship in order to ensure that others have access to an education at Moore College.

## GRAHAM RECOGNIZED FOR ADVOCACY ON BEHALF OF DISABLED COMMUNITY



In recognition of The Graham Company's positive impact on Philadelphia's independent living movement, Liberty Resources, Inc.

honored The Graham Company at its inaugural fundraising event on October 26, 2011.

Beyond providing insurance and risk management services, The Graham Company is being recognized as Liberty Resources' corporate honoree for embodying the mission of the organization.

"This honor must be attributed to our many employees who have translated their professional involvement into an opportunity to advocate on behalf of disabled persons – and for that I am deeply proud of our employees," said Bill Graham, Chairman and CEO of The Graham Company.

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