

# How to SURVIVE a catastrophic loss



By John Hodapp

**If a tragedy struck your operation, are you prepared, and how quickly would you be able to recover?**

**A** greenhouse is an extremely fragile environment that is susceptible to extensive damage in the event of a serious fire or natural disaster. As a greenhouse operator, you must be prepared for the possibility of a catastrophic loss of property, product and business should this event occur.

### Microburst mangles greenhouse

Tom Smith, owner of Four Star Greenhouse Inc. in Carleton, Mich., has firsthand experience in suffering a catastrophic business loss. On March 9, 2002, the company encountered a

weather phenomenon known as a microburst, a very localized column of sinking air that produces damaging straight-line winds similar to a tornado.

"The sky just turned black," Smith said. "Then it felt as if someone had picked up the entire greenhouse and slammed it to the ground."

The sidewalls of the nearly 5-acre greenhouse operation pulled out and the glass panels buckled from the rubber seals. In a matter of seconds, the entire greenhouse became a shell of broken glass and debris. All of the plants in the greenhouses were destroyed.

Moments later, it was over and the skies turned blue.

Fortunately for Smith, none of his employees was injured, and just a few months before, he had expanded his insurance coverage to include this type of damage. Within 48 hours, an insurance claim manager assessed the damage and cleanup costs. Smith's claim was for \$2 million. Repairs were completed within 19 days.

Although all of Four Star's losses were covered, greenhouses that are not properly insured could easily be forced out of business by this type of event.

### Insurance options

When reviewing insurance options to protect a business against catastrophic loss, there are several things to consider.

**General protection.** It is crucial to have general protection of buildings, structures, vehicles, equipment and crops. When insuring "real property" such as buildings, take into account permanently installed equipment such as boilers, generators, cooling equipment and irrigation systems. Disregarding the value of such equipment could leave a company underinsured.

Scheduling regular property surveys with your insurance agent helps ensure that all buildings and equipment are properly protected. Be sure to let your agent know when you add or reconfigure buildings, greenhouses and equipment so policies can be updated.

**Income insurance.** A company must have protection against the loss of income that could occur from disaster-related events. An Electrical Supply Protection policy will cover plant spoilage and resulting profit loss caused by a power failure or interruption. Crop income insurance replaces profits lost due to interruption of a crop cycle that may occur as a result of a natural or other disaster.

### Hurricane damage

In 2004, Sunshine State Carnations in Hobe Sound, Fla., experienced catastrophic damage as a result of hurricanes Francis and Jeanne. These storms occurred three weeks apart and directly hit all three of the company's locations.

"Our 40-acre farm was under a foot of water for two days," said company president Ole Nissen.

Sunshine State produces snapdragons, gerberas, sunflowers and lilies. All four crops were destroyed by the storms, resulting in a \$250,000 crop loss. There was an additional \$500,000 loss of structures including water systems, greenhouse roofs and other buildings.

Damage caused by hurricanes can be particularly extensive and widespread. Hortica Insurance received more than 170 claims from horticultural businesses in the Gulf Coast following hurricanes Katrina and Rita in September 2005.

### Flooding damage

One thing to consider with hurricanes is the flooding that often accompanies them. The flooding can cause much more extensive damage than the hurricane itself, as was the case in New Orleans with Hurricane Katrina. Typical business or commercial insurance policies covering property do not cover flood damage.

Flood insurance is written through the National Flood Insurance Program (NFIP) that was established by Congress in 1968. This program and the coverage it provides has evolved over the past 35 years and most of the time it is purchased by property owners through the "Write-Your-Own" program. This program was set up to allow insurers and agents to sell and service the standard flood insurance policy backed by the program in a more convenient manner for purchasers. However, the coverage provided and the method of settling flood claims is established by the government through the NFIP.

In cases such as devastating hurricanes like Katrina, it can be difficult and dangerous for claims adjusters to get into the most damaged areas, which can slow down the claims process significantly, resulting in further interruption of business. Greenhouse operators in areas regularly affected by hurricanes should consider having business interruption insurance. This coverage is designed to pay for lost profits and continuing necessary expenses when business operations are suspended. Business and/or crop income are triggered when a covered peril, such as a hurricane, causes direct physical loss to insured property.

### Preventing fire losses

Although people most often associate catastrophic loss with natural disasters, fires can cause some of the most extensive damage to property and business. According to the National Fire Protection Association, fires in the workplace cause more than \$1.1 billion in damage and more than 1,200 injuries each year.

The most common risk factors for fires in growing operations are faulty electrical wiring, pesticide/fertilizer storage issues, shade cloth risk factors and carelessness with equipment or materials.

Unlike natural disasters, most fires are preventable. Enacting basic fire prevention techniques and holding regular drills can save growers thousands of dollars and, more importantly, employee lives.

### Keep good records

In any catastrophic loss situation, it is imperative to maintain solid records and current information to provide to claims adjusters. Make it a practice to keep duplicate files and records in multiple locations. Weekly summaries should be kept off-site to provide some basis for reconstruction.

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