



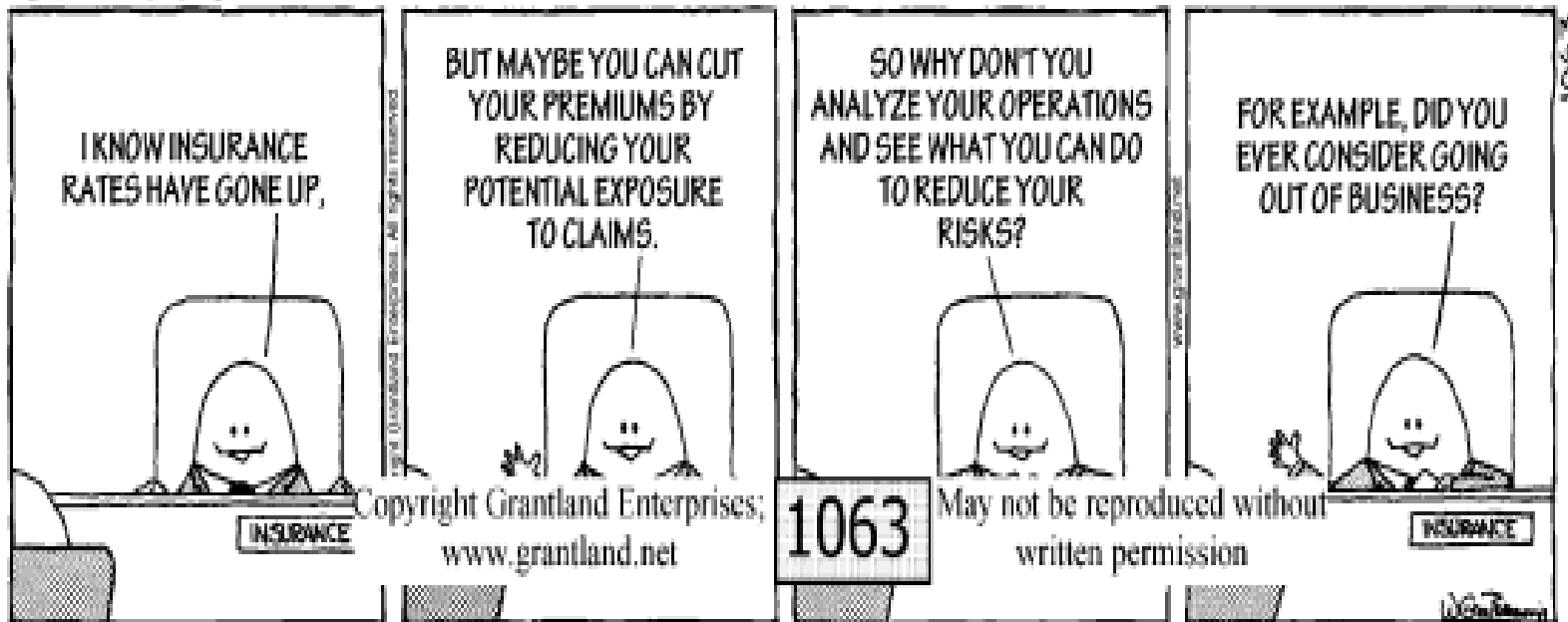
WESTERN PALLET ASSOCIATION

SAVING YOUR COMPANY FROM FIRE DISASTER

Presented by SHAW SABEY & ASSOCIATES
David Parry – Vice President

SAVING YOUR COMPANY FROM FIRE DISASTER

GRANTLAND®





SAVING YOUR COMPANY FROM FIRE DISASTER

RISK MANAGEMENT:

- ❑ Loss Prevention

PROTECTING ASSETS:

- ❑ Insurance to Value
- ❑ Insurance Program Management



LOSS PREVENTION

- **Major Exposure to Property Damage is FIRE**
- Loss Prevention Techniques are designed to Eliminate or Minimize FIRE DAMAGE



LOSS PREVENTION

- 90% of **FIRES** in **Pallet Companies** are caused by:

- Electrical Systems**

- Welding**

- Smoking**

- Other FIRE losses caused by:

- Poor Housekeeping

- Vandalism/Arson



LOSS PREVENTION

ELECTRICAL

Faulty wiring could lead to a fire. Electrical systems need to be monitored for “hot spots”

Loss Prevention Technique:

Conduct an annual thermo imaging scan on electrical equipment, wiring and control panels



LOSS PREVENTION

WELDING:

In plant welding creates potential for fire

Loss Prevention:

Adhere to a “Hot Works” permit program
whenever welding is done on premises



LOSS PREVENTION

SMOKING:

Smoking in the plant or yard increases chance for fire

Loss Prevention:

Establish a “No Smoking” policy or restrict smoking to designated areas.



LOSS PREVENTION

Other Loss Prevention Measures:

1. Daily cleanup of combustible material
2. Dust collection systems for all cutting machines
3. Lumber used as “fire breaks” and around perimeter
4. Good employment practices
5. Adhere to NFPA 91 “Blower & Exhaust Systems for Dust, Stock & Conveying”
6. Adhere to NFPA 664 “Prevention of Fires & Explosions in Wood Processing Facilities”
7. Store pallets at least 100’ from buildings
8. Security fencing and lighting
9. Monitored sprinkler system & heat/smoke detection systems



PROTECTING ASSESTS

HOW TO PROTECT ASSETS IF A FIRE OCCURS

- **INSURANCE TO VALUE.** Insure all Property to FULL VALUE

- **INSURANCE PROGRAM MANAGEMENT.**
Purchase the RIGHT COVERAGE



INSURANCE TO VALUE

- ❑ Insurance industry studies show that the vast majority of building owners are underinsured and that the average degree of underinsurance is about 40%
- ❑ A survey by a major insurance company revealed that only 15% of building owners are adequately insured.
- ❑ Construction cost increase in Canada in 2006 was 9.3%, a high in Alberta of 18% (Stats Canada)
- ❑ Increase due to labour shortages, labour wages and higher prices for commodities
- ❑ AGCA warns of higher material & labour costs in 2008.
- ❑ PPI for Construction Inputs up 28% since 2003
- ❑ Market shortages of selected materials such as cement, steel, copper & diesel fuel



INSURANCE TO VALUE

WHY INSURE TO FULL VALUE?

- ❑ Replacement Cost provision in policy requires full insurance
- ❑ Co-insurance penalties for underinsurance – Buildings, Contents & Inventory (example)
- ❑ Insufficient proceeds from insurance policy in the event of a total loss (example)



INSURANCE TO VALUE

Example 1

Building Replacement Cost	\$5,500,000
90% Coinsurance Requirement	\$5,000,000
Amount of Insurance	\$2,500,000
Fire Damage	\$1,000,000
Deductible	\$25,000
Amount Payable by Insurer	??
Shortfall (Coinsurance Penalty)	??



INSURANCE TO VALUE

Example 1

Building Replacement Cost	\$5,500,000
90% Coinsurance Requirement	\$5,000,000
Amount of Insurance	\$2,500,000
Fire Damage	\$1,000,000
Deductible	\$25,000
Amount Payable by Insurer	\$475,000
Shortfall (Coinsurance Penalty)	\$525,000



INSURANCE TO VALUE

Example 2

Building Replacement Cost	\$5,500,000
90% Coinsurance Requirement	\$5,000,000
Amount of Insurance	\$2,500,000
Fire Damage	\$4,000,000
Deductible	\$25,000
Amount Payable by Insurer	??
Shortfall	??



INSURANCE TO VALUE

Example 2

Building Replacement Cost	\$5,500,000
90% Coinsurance Requirement	\$5,000,000
Amount of Insurance	\$2,500,000
Fire Damage	\$4,000,000
Deductible	\$25,000
Amount Payable by Insurer	\$2,475,000
Shortfall	\$1,525,000



INSURANCE TO VALUE

OTHER FACTORS TO CONSIDER

- By-Laws
- Debris Removal



HOW TO INSURE TO VALUE

- ❑ Professional Appraisal on Buildings & Contents
- ❑ Insurance company estimator tools for Buildings only
- ❑ Review your policy to determine what increases have been made in recent years and increase to 2008 levels
- ❑ Add an amount to the Building value for By-Laws and Debris Removal
- ❑ Insure Inventory to maximum monthly amount & include a Premium Adjustment endorsement
- ❑ Complete a proper Business Interruption worksheet, project 2 years in the future and insure for the maximum 12 month period & add the Premium Adjustment endorsement
- ❑ Make sure that the policy has an adequate Inflation Clause



INSURANCE PROGRAM MANAGEMENT

PROPERTY INSURANCE COVERAGE

- ❑ All Risks, including EQ & Flood
- ❑ Functional Replacement Cost (New Generation)
- ❑ Blanket All Property
- ❑ Full By-Laws coverage
- ❑ Stated Amount Co-Insurance
- ❑ Premium Adjustment Endorsements
- ❑ Insure Inventory to Maximum Monthly Value
- ❑ Proper Inflation Clause



INSURANCE PROGRAM MANAGEMENT

BUSINESS INTERRUPTION

FACT: **The majority of companies do not get back into business if they don't carry Business Interruption insurance**

- ❑ Purchase “PROFITS” form, not Gross Earnings or Valued forms. Project 24 months
- ❑ Consider 18 and 24 month indemnity periods
- ❑ Contingent Business Interruption
- ❑ By-Laws
- ❑ Off Premises Power Interruption



INSURANCE PROGRAM MANAGEMENT

MANAGING INSURANCE COSTS

- ❑ Use premium savings in “soft” market to enhance insurance program
- ❑ Premium options for higher deductibles
- ❑ Install sprinkler and heat/smoke detection systems
- ❑ Maintain excellent housekeeping
- ❑ Upgrade building construction
- ❑ On premises water supply
- ❑ Security fencing



SHAW SABEY & ASSOCIATES

- ❑ Specialize in Manufacturing and Industrial Accounts and Group Association Programs
- ❑ Broker of Record for the CWPCA
- ❑ Member of Assurex Global
- ❑ Member of the CWPCA
- ❑ Expertise & Knowledge of the Pallet Industry
- ❑ Problem Solvers