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PAWNBROKER

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A Picasso in the Pawnshop



Complete New Orleans
Convention Information
Inside

Disaster Preparation

By
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The first flood came without warning when 7 to 10 inches of rain poured on Jefferson City, Mo., in one night last summer.

"At 10 p.m. the water was 50 feet from the building," said Carol Trim, who, with her husband, owns Trim's Pawn Shop. "At about 1 a.m. our security system called and said our back door had been hit. We went down there and there was four feet of water in the basement."

They had stored large pawn items like lawn mowers in the basement, all of which had to be repaired for water damage. They also sustained about \$9,000 worth of damage to their property, including a destroyed furnace and hot water heater.

Their second flood came a few weeks later when the Missouri River and its tributaries swelled their banks. The Trims removed everything from the basement, including the furnace motors, and they sandbagged the back of their property.

They hadn't counted on the drains backing up. This time their basement stayed under water for 10 days, Trim said.

Whether from a wall of water, a wall of wind, a swell of rioting gangs, or the swelling of the earth itself, this nation has suffered an inordinate number of catastrophic disasters the past four years. According to the Insurance Information Institute, the



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Pawnbrokers can't plan for every specific disaster, although those in areas prone to certain dangers, such as earthquakes and floods, should be ready for them. But every pawnbroker should have a disaster plan in place. What would you do if a plane crashed into your store tonight?

This nation has suffered an inordinate number of catastrophic disasters the past four years, from walls of water to swells of rioting gangs to the swelling of the earth itself.

annual average insured losses due to catastrophes from 1983 to 1988 was \$1.6 billion (\$2.2 billion in 1992 dollars). Since 1989, the average has been \$9.5 billion a year, culminating in 1992's weather- and riot-wrought \$22.970 billion. Of this nation's top 10 most costly insured catastrophes, eight have occurred since 1989 when Hurricane Hugo and the Loma Prieta (San Francisco) earthquake kicked off the current spate of disasters.

The trend continued last year with the Midwest flooding, the Southern

California fire storms, and the East's March blizzard. The January deep freeze and Los Angeles earthquake got 1994 off to a horrendous start. These events should serve as an alarm bell to pawnbrokers everywhere: prepare for disasters that seem ever more likely to visit.

Disaster comes in many forms, but its impact is uniform: destroyed property, lost revenue, injuries and death. Note the similarities of the following tales told 2,500 miles apart.

Lori Campbell, who has owned Village Pawn Shop Inc. in Homestead, Fla., since 1985, purchased a new building for her store in September, 1991. Eleven months later, Hurricane Andrew struck, leaving only the walls and safe.

"My experience with hurricanes in the past was we put up shutters, and branches broke and we had no power," said Campbell, 37, a Florida resident since she was 2 years old. "It never blew off roofs and shutters

before. The worst part of it was the fear when it became apparent I might not live. Death came kind of close.”

Not only did Campbell lose her



Advance arrangements with contractors, copies of records at another location, and a list of procedures to follow can make even severe disasters possible to handle.

store, she lost her home, too. Re-opening her business was only part of rebuilding her life. “Just to find ice and groceries took a lot of your energy.”

That same year on the opposite coast, Sam Shocket saw his King’s Jewelry and Loan, Inc. in Los Angeles suffer damage similar to Campbell’s after an entirely different type of storm. His shop, located in the usually sedate Mid-Wilshire area, succumbed to marauding mobs of looters on the second day of the Rodney King riots.

Shocket had a full staff and two armed guards in the store that Thursday morning, but as the rioting neared, Shocket had all merchandise stored in the vault, backed up his computer log, and ordered the store’s evacuation.

“Everybody left but the two armed guards,” Shocket said. “Things got so hairy they ended up leaving, and I don’t blame them. The fire across the

street burned so hot it burned our sign.”

Later, he got a play-by-play description from one of his security companies of the looters, who used a stolen pickup truck to ram through concrete and metal barricades and a pull-down gate. “It took about 15 minutes to get in the store,” Shocket said. “All they were able to steal was the computer equipment, video security equipment, and phones.” All told his 8,000-square-foot store suffered about \$72,000 in damage, including the loss of 22 computer terminals.

The next morning he started cleaning up the store. He ordered new terminals from New York and had them flown in over the weekend. With records in hand and merchandise safe,



Shocket opened for business Monday morning.

Similarly, with his disaster plan not only in place but now tested, Shocket had his store up and running the day after the Los Angeles earthquake in January.

Campbell took almost two weeks to re-open her Homestead store, and then for only a few hours a day. Though she had the added weight of rebuilding her home, Campbell wasn’t as prepared for the disaster as she could have been. She noted that other pawn shops were operating a day or two after Andrew because they rented trailer units with diesel generators until their permanent buildings could re-open.

“I didn’t know who to call, what to

do,” she said. “In your Rolodex you should have a couple of companies that provide temporary space and gen-

Preparation not only speeds recovery after a disaster, it lightens the psychological wear and tear people suffer from seeing their lives devastated. Start by making a list of all potential disasters in your locale and learn what dangers each brings.

erators that you can access immediately. I didn’t, but I do now.”

Preparation like that not only speeds recovery after a disaster, but lightens the psychological wear and tear people suffer from seeing their lives devastated.

First, to prepare for the enemy is to know the enemy. Make a list of all potential disasters in your locale and learn what dangers each brings:

- Earthquakes are popularly seen as shaking buildings and creating chasms, but their greatest danger comes from flying glass and falling objects, while both great San Francisco quakes this century and the one in Los Angeles in January caused fires;
- Floods not only cause water damage, but the wall of water carrying a cargo of debris will sweep cars, buildings and people away;
- Tornadoes turn trees and structures into deadly missiles which, along with building collapses, are their

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- chief cause of injury;;
- The primary causes of death in winter storms are traffic accidents and hypothermia, both occurring as people attempt to travel;
- Riots are dangerous both inside a store where looters will attack and outside where gangs run rampant in a frenzy of violence;
- Hurricanes do it all with 74 mph to 215 mph plus winds, heavy rainfall, and high water from the surge coming in at up to 20 feet depending on the tides. Plus, they spawn tornadoes. In 1989's Hurricane Hugo, the surge caused the greater damage along the South Carolina coast, tornadoes inland. With Hurricane Andrew, south Florida was leveled by a wall of wind. Drowning was the main cause of death in 1969's Camille in Mississippi, electrocution and heart attacks the main cause of injury in 1979's Frederick in Alabama.

Keep an open mind in preparing for all weather, water, earth and man-made disasters, no matter where you live. Did you know, for example, that 39 states are considered earthquake-



Thirty-nine states are considered earthquake-prone — and the worst-case scenario is not one hitting L.A.

prone? The second most common place to have earthquake insurance is South Carolina, according to an official with Armed Forces Insurance. The worst-case scenario for an earthquake in this country is not one hitting Los Angeles, according to experts, but one centered on Memphis, Tenn., or St. Louis where tremors travel further

in the loose ground.

Likewise, hurricanes are not merely coastal phenomena. Charlotte, N.C., is 225 miles inland, yet Hurricane Hugo was still swirling strong when it passed through on its way to the mountains.

Though the Missouri and Mississippi rivers got much of the flooding publicity last summer, the Trims fought their battle with Grays Creek. Then, too, backed-up drains flooded homes and businesses well away from the rivers. "This building never had water in 40 years," Trim said, but it got four feet twice in one summer.

Establish in writing a disaster plan for you and your employees that outlines responsibilities in event of catastrophe. Type of disaster doesn't matter, except in timing; does the plan go into effect with notice of evacuation (for hurricanes, floods, winter storms, riots) or when the disaster actually occurs (earthquake, tornado, terrorist act)?

The emergency plan should include communication contingencies, making sure managers and employees know who and where to call when disaster strikes. Shocket has a typed list of home and alternative telephone numbers for all 32 employees that he reduced on a photocopy machine and

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Good Disaster Program = Good Business

Aside from relieving anxiety and aggravation in the wake of a storm, and helping resume income quickly, a good disaster preparation program is good business.

Sam Shocket of King's Jewelry and Loan, Inc., in Los Angeles placed all his store's merchandise in a vault that looters couldn't penetrate when they otherwise ransacked the store during the Rodney King Riot. He also backed up all his computer records and had a plan for recovery he launched the day after the riot.

Shocket also was ready for the earthquake that hit in January.

Within three days after the riots King's was operating at full speed; the store was open the day after the

earthquake. In both cases, it gained two advantages on its competition.

One, it was the first able to serve customers who, under the circumstances, needed money. Two, and most important in the long term, King's earned customers' trust by protecting their belongings.

"I don't want my customers to know that we are vulnerable," Shocket said.

"The fewer days we are closed, the more respectable you are. If people came by and I was closed for two weeks, three weeks, people would know we were hurt pretty bad and would know we weren't as secure as they thought."

Many pawnbrokers lost merchan-

dise in the riots, Shocket said, and most "did their best to placate their customers and replace items, if they didn't get wiped out. But because I lost nothing, we gained a lot of business."

In catastrophes of such wide berth as riots, earthquakes and hurricanes, people are soothed and even encouraged by anything that shows a return to normalcy.

Pawn shops that get back on their feet not only provide a valuable financial service to their communities, they also instill in their neighbors a lasting image of strength and leadership. It speaks volumes where advertising money can never reach.

— Eric Minton

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carries in his wallet. The plan should also address the stress employees will have in times of disaster.

Though disasters, by their nature, bring unanticipated surprises, some general structural preparation will suffice in most instances. Notice that in the above description of disasters, flying debris is a primary cause for damage and injury, and the most common and dangerous debris is glass. Stores with large windows should use safety glass. If there is time, protect windows with wood boards, tape, or shutters.

If you can't remove your merchandise, cover it with plastic or large garbage bags. Safes need to withstand both the disaster and looting afterward. For protection during water disasters, make the safe watertight with Vaseline. Spread it on the door jam, then close the safe to squeeze the Vaseline throughout the door jam. Not only does this seal the safe but the door will open with a good pull.

Put together a disaster supplies kit at the store, supplies that will come in handy before and after disasters. In addition to Vaseline and plastic, the kit should have bottled water, a flashlight, a battery-operated radio, extra batteries, a well-stocked tool box, aluminum foil, tape, matches, waterproof containers, and an up-to-date first aid kit separate from the one for everyday use. Keep a regular inventory of the disaster kit and train employees in each item's use.

Learn how to turn off natural gas supplies and train your employees.

At least once a month, back up all of your records. Shocket backs his up weekly. Copy computer tapes and diskettes and store them somewhere off the premises. Photocopy ledger pages and contracts regularly and store them off the premises. Campbell lost a lot of records in Andrew, but she at least found her ledger. "It was muddy and wet, but we had it."

The aftermath of any disaster brings its own problems and dangers:

- Looting,
- Loss of power,
- Jammed or lost telephone lines,
- Disrupted transportation,
- A skewed supply and demand economy, and,
- An altered customer base.

Relatively inexpensive technology



P. J. HELLER

Do your homework now in lining up suppliers, contractors, electricians and plumbers. Learn alternative routes of travel, or consider transportation other than a car.

can circumvent two of these hassles: generators to supply electricity and cellular phones to maintain communication.

After both Hugo and Andrew, generators were in short supply for communities that were without electricity as much as a month. Many businesses could have returned to full operation within a day, however, with a generator. Campbell's shop was without power for almost four months because of extensive damage to her weather head.

Even if disasters don't themselves disrupt phone lines, people overcrowd them. Shocket learned this lesson from relatives in San Francisco after the '89 quake. "The only people who got through were people who had cel-

lular phones in their car," he said.

"We didn't have phone service for three months," Campbell recalled of Hurricane Andrew. "Everybody got a cellular phone. I still have it and will have it."

Getting all these things ahead of time allows you to stay above the supply-and-demand dynamics of typical post-disaster economies. After a disaster, equipment supplies are strapped, and costs generally go way up — if you can get the services and equipment at all. That's another rea-

son to do the homework now in lining up suppliers, contractors, electricians and plumbers.

Learn alternative routes of travel, or consider transportation other than a car. "I happen to have a bike," Shocket said. "During earthquakes they close down the freeway. If you can't drive your car or the city streets are tied up, it's nice to have a motorbike or bicycle to get to the store."

A disaster will alter the economic landscape as much as the physical landscape. After Hurricane Andrew, Homestead saw an influx of federal and insurance money. "There was so much free money, nobody needed us," Campbell said. "But they want to buy gold because they had money, so if

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you were up and in business you could move a lot of your inventory.”

After the Jefferson City flood, because few people had flood insurance the affected areas didn't get much rebuilding money. Trim also saw how disasters cause economic shockwaves beyond the affected areas.

One of her customers, a housekeeper, lost her job last summer because the houses she worked at were under water. Landscaping specialists also saw their businesses seriously dented.

“These people were coming in that don't normally use pawn shops to pay the monthly rent and pay the monthly utilities,” Trim said. “While we had several thousand dollars worth of damage, our business really grew. It's a mixed blessing.”

One route to financial protection when a disaster disrupts your business is to purchase business interruption insurance. It covers not only the amount of receipts lost but costs that continue despite temporary closure, such as rent, utilities, and wages. Campbell advocates purchasing business interruption insurance, but she herself hasn't done so yet because she is still recovering from the financial setback she suffered in Andrew.

Review all your current insurance coverage. What insurance Campbell had paid all her rebuilding costs, but covered only part of her contents loss. “Luckily, I had enough to cover my building, to put it back together,” she

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said. “But I still had walls. If everything had been destroyed, I would not have had enough.”

Whether you want to pay for further coverage is a financial risk you alone must determine, but at least learn what you have and don't have and might need. After Hugo, many property owners discovered that while their coverage protected them in event of wind damage, it did not cover property damaged by falling trees, even if the wind blew the tree down.

Adjusters in low-lying downtown Charleston also asked whether water damage resulted from falling rain (storm damage and covered) or rising water (flood damage and not covered). Shocket was dumbfounded when an insurance adjuster wouldn't

include wall telephones in a claim because they were wall fixtures, but would count desk phones as business equipment.

“You have to be able to read the policies, and policies are not made to be read,” Shocket said. “If you want to pay a professional adjuster to review your policy, I think it's well worth it.”

He hired an adjuster to draw up his insurance claims after the riots. An independent adjuster will cost the insured a percentage of the final

claim, but they have a better grasp of coverage and laws, the resources to determine the value of losses, and the wherewithal to argue with the insurance company, Shocket said. “They are professionals, they earn their money, they know what they're doing, and you don't have to do anything,” he said. “It cost me 8 percent, and probably brought me another 20 percent.”

His adjuster also noted lapses in Shocket's coverage, which he has since addressed.

After last summer's flooding, Trim looked into buying flood insurance. But the cost vs. the fact the property had remained dry for almost four decades routed her to self-insure. Still, whether it is to pay premiums to an insurance company or merely earmarking a savings account, Trim advocates putting money aside for bad times.

“You always say, ‘I'll take care of that when it happens,’ but then it happens and you're not ready,” she said. Then, lacing a common cliché with poignant personal experience, she added, “as a rule, people need to save for a rainy day.” □