

JUNE, 1973

# IGA GROCERGRAM

## BUSINESS INTERRUPTION INSURANCE...



**helped  
put these  
stores back  
in business**



*Please see  
page 7*

### PLEASE READ, INITIAL, AND PASS ALONG TO:

STORE MANAGER .....  
MEAT MANAGER .....  
PRODUCE MANAGER .....  
GROCERY MANAGER .....  
DAIRY MANAGER .....  
FROZEN FOODS MANAGER ...  
NON-FOODS MANAGER .....

ADDRESS CORRECTION REQUESTED

THE IGA GROCERGRAM  
300 West Adams St.  
Chicago, Illinois 60606

BULK RATE  
U. S. POSTAGE  
PAID  
St. Joseph, Michigan  
Permit No. 357





Robert Anderson holds overdone turkey after fire and smoke damaged Anderson's IGA store in Washburn, Wis. He stands next to the spot where the fire started in the meat case.

## Business Interruption Insurance Helped Put These Stores Back in Business

**B**USINESS INTERRUPTION insurance saved the day for two IGA retailers in northern Wisconsin after their stores were destroyed or damaged by fire.

An IGA store in Manitowish Waters was burned to the ground on June 30, 1971, and an IGA store in Washburn, a few miles away, was damaged by fire on January 2, 1973.

The two stores are back in business, but the owners said it would have been much more difficult and costly without the insurance.

Both stores are owned and operated by brothers: Robert and William Anderson in Washburn and Calvin and James La Porte in Manitowish Waters. Each store is in a small town in the heart of northern Wisconsin's vacationland. Washburn has a year-round population of 2,000, while Manitowish Waters has

501. In summer, however, the area is really jumping with tourists, and the owners must gear their operations to take care of tremendous increases in volume. The IGA in Manitowish Waters experiences the greatest gain in volume, something like 400 per cent over the average cold-weather figures.

The fire hit the Manitowish Waters store at the worst possible time, on June 30, just before the big July 4th holiday. The store had its heaviest inventory of the year, and it all went up in smoke.

In Washburn, the fire came just after the Christmas holidays. The store was not a complete loss; the building and some equipment were saved, but the inventory was lost.

Both fires resulted from electrical causes. In Washburn, the fire started in the self-service meat cases. It is

believed that the defrost cycle did not shut itself off for some reason, and heat began to generate. Smoke slowly filled the store, but flames were a long time in erupting because of the lack of oxygen. The defrost cycle should have cut itself off around midnight, but it was not until 5 o'clock in the morning that somebody smelled smoke. Occupants of an apartment on the second floor of the building next door got the first whiffs of smoke and called the volunteer fire department. The heat was so intense that a fire door automatically closed, saving inventory in the backroom of the adjacent building. Flames quickly burst out when the front doors were opened and oxygen rushed in, but they were brought under control.

In Manitowish Waters, the fire is believed to have been caused by a

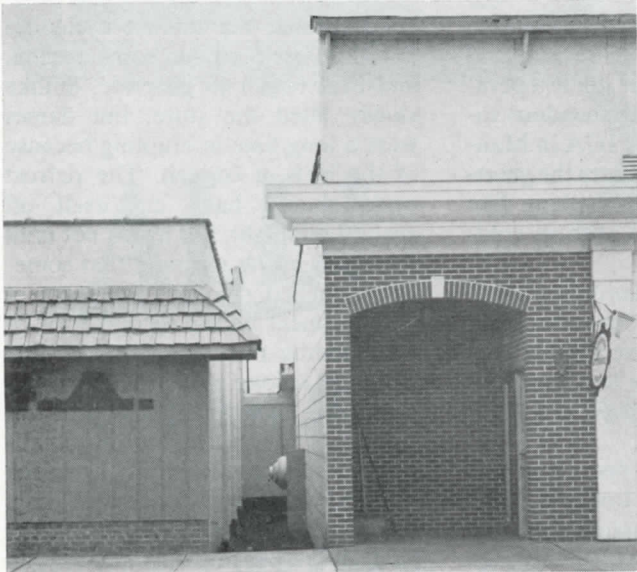




William (left) and Robert Anderson were able to get back into business in Washburn, Wis., two months after their fire. They were fully covered and paid their employees during the eight weeks.



Anderson's IGA store in Washburn suffered some of its greatest damage around the meat department, where the fire started. Bob Anderson said it was surprising that some of the pop bottles did not explode from the intense heat.



The passageway between Anderson's IGA store and the sports shop next door can be seen here. The IGA store keeps its backroom inventory in the rear of the older building next door and, therefore, was able to build its new store without backroom storage.

bolt of lightning striking the roof of the store and hitting worn electrical wiring. The IGA store was part of a small strip shopping center, and the flames spread and gutted the entire center. Fire departments from all over the area were called out, but they could not contain the fire.

The La Porte brothers were out of business in Manitowish Waters for about seven months, from the day of the fire on June 30, 1971, until the new store was opened on February 7, 1972. The IGA in Washburn, however, was closed only two months, from January 2, 1973, to February 26. The store in Manitowish Waters, of course, was burned to the ground, while the Washburn store was only damaged, and most of that damage was from smoke.

Robert Anderson said the Washburn IGA had to be cleaned out, washed, and repainted; and new ducts and new ceiling had to be installed. The damage incurred also necessitated the purchase of a new frozen food case and new compressor.

The Washburn store was almost new when it was damaged by fire and smoke. The Anderson brothers had opened the 8,000-sq. ft. store on April 4, 1972, just nine months before the fire. They had moved from a small building next door, which they still own and now lease. They do retain a part of the old building, however, for their back-



After the fire in Washburn, Anderson's IGA store had to be cleaned up and the walls washed and repainted. A new ceiling and new ducts were installed, and the store was carpeted throughout.





The new shopping center, with the La Porte IGA Foodliner store in the middle, is a gathering place for vacationers in the summer. Some snow was still on the ground after a six-inch snowstorm early in May.

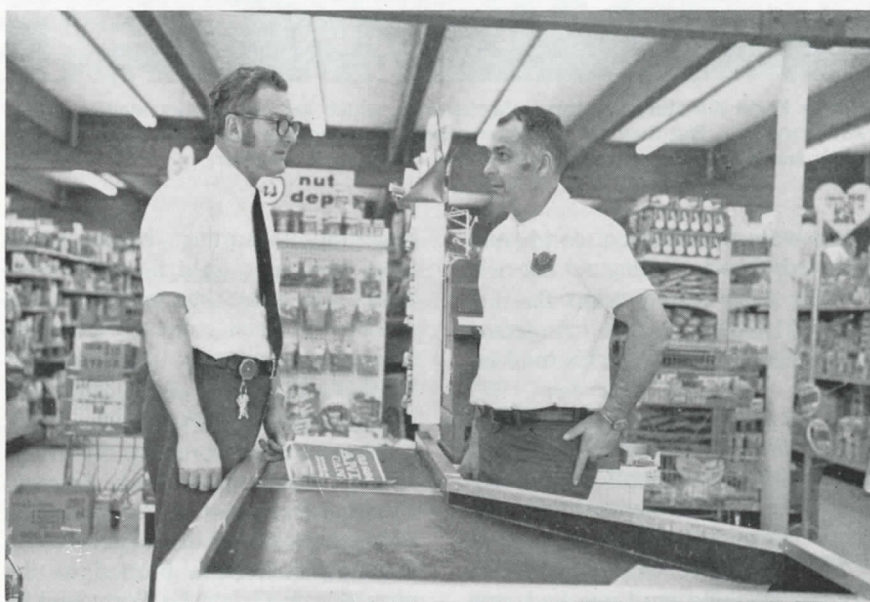
room inventory. With this in mind, they built their new store without a backroom for storage, and they constructed a passageway between the buildings for easy access.

Their backroom inventory was saved in the fire because the fire door closed automatically and kept the smoke from damaging anything in the adjacent building.

When the Anderson brothers moved into their new store in Washburn, they had a \$150,000 mortgage—and business interruption insurance. The new store attracted new customers, and Robert Anderson said the volume soon increased some 30 per cent over that of the old store. Last summer, the volume hit a peak of \$26,000 and then dropped down under \$20,000 when the cold weather blew in.

"We were covered 100 per cent with our business interruption insurance," Bob Anderson said. The brothers collected \$14,240 out of a maximum of \$15,000 that would have been allowed for the period of time the store was out of business. The value of the store's equipment was listed at \$15,000, the store's inventory at \$38,000, and the backroom inventory (undamaged next door) at between \$5,000 and \$6,000. "With our insurance, we were able to install a new 16-ft. frozen food case and a compressor for a total cost to us of \$511," Bob Anderson said. "The actual value was \$2,500."

The business interruption insurance was sufficient to cover all ex-



Calvin (left) and James La Porte stand at the front of their IGA store in Manitowish Waters, Wis. The new store is on the site of their old store, which was burned to the ground in 1971, along with other stores in the strip shopping center.

penses, including employees' salaries, insurance premiums, interest on the mortgage, federal and state unemployment insurance, employer's portion of social security, and heat, telephone, light, and water bills.

"Our employees worked only two or three weeks out of the eight we were closed," Bob Anderson said. "They were working on inventory salvage and cleanup during that time, but then we didn't need them until the new store was ready for stocking. We paid them their wages anyway because we thought it was good business. And we had the insurance to cover the wages."

Bob Anderson pointed out that he did not have business interrup-

tion insurance on his old store next door, but then he had no mortgage on the building. He said that he and his brother now rent the first floor of the old building (except the backroom area) for \$250 to the operator of a sporting goods shop, and they collect \$60 a month in rent for the apartment above the shop.

Bob Anderson said that IGA retailers can get some idea of what their business interruption insurance costs would be by checking their fire insurance rates. "Whatever the fire rate is, that is the same rate you can figure for business interruption insurance." One insurance company alone would not handle the Anderson's IGA store's fire insurance.





The La Porte IGA store has three checkstands, which are not always needed in the winter months. But they are kept humming in the summer when the sales volume soars some 400 per cent higher than that during cold weather.

There were five different companies involved, thus spreading out the risk.

"Our total claims from the fire were \$103,000," Bob Anderson said. And he added that his total insurance program costs for 1972 were \$7,000. "That included such insurance as hospitalization, auto, fire, business interruption, and liability, as well as some life insurance," he said.

The insurance company didn't pay out anything until the Anderson IGA was back in business in Washburn. "The first check was for \$27,000, and that was to cover our contracting expenses," Bob Anderson said. He explained that his IGA distribution center, Gateway Foods of Minnesota, Inc., in Duluth, was invaluable in getting the store back into business.

"We got our first order from Gateway so that we could start stocking the shelves, but Gateway held off billing us until we could collect on our insurance. That was a big help, of course, and Gateway was of great assistance in many other ways while we were getting back on our feet."

In looking back on the traumatic experience of the fire, Bob Anderson remarked, "I think we would have made it without the business

interruption insurance, but we would have been in a tight financial position." He said that when all the money has been collected from the insurance company, he and his brother will be "... back where we were before we had the fire."

The La Porte brothers in Manitowish Waters were in a different situation from that of the Anderson brothers in Washburn. The IGA in Manitowish Waters burned to the ground, and Calvin La Porte said he was underinsured with his business interruption insurance. The insurance company paid 58 per cent of the loss, and the store had to stand the 42 per cent loss. Also, the La Porte brothers had more than their normal inventory in the store because the big Fourth of July holiday was coming up, and that had to be proved.

The La Porte IGA store had been paying premiums on business interruption insurance for about three years when the fire hit. The store had carried similar insurance some years ago but then had dropped it. The La Porte IGA store, which had 7,000 sq. ft. of space, was one of several stores in the strip shopping center. Other stores included a bank, barber shop, grill, laundromat, and clothing store. Calvin La Porte said

his father started the store in 1937, and he and his brother took over in 1961. They added more space, putting the strip shopping center together piece by piece. Calvin thought the wiring had deteriorated somewhat, and that, together with the heaviest inventory of the year and the electrical storm, was enough to set off the fire.

The La Porte brothers were partially insured for any business interruption. They collected \$32,000 out of the \$60,000 loss. For the period of time the store was out of business, the maximum they could have collected with full insurance would have been \$64,000. The insurance company, of course, wanted some indication that the store would be rebuilt. If the brothers had not gone back into business, there would have been no insurance payments. Calvin and James told the insurance company they needed some of the payments to help them get back in business, and they did get an early payment of around \$15,000.

The La Porte IGA store was out of business for about seven months, and so the brothers had to lay off their employees and let them collect unemployment insurance. The two brothers pitched in and cleaned up the mess and concentrated their attention on replacing the store. However, James La Porte did go out and get a job as a construction worker for three months, but Calvin stayed with the store rebuilding program throughout the entire time.

Calvin La Porte can look back on those days after the fire and reflect on the things that might have happened. Even without business interruption insurance, he and his brothers would have managed to get back into business, he said. However, they own the shopping center and a sizable investment was required to rebuild the entire center. "We would have had to borrow an extra \$30,000 or more to get back in business," he declared, but added that with his insurance, that sum did not have to be borrowed. He said the business interruption insurance costs the store \$831 a year.

The La Porte brothers also gave credit to their IGA distribution center, Gateway Foods of Minnesota,

*(Continued on page 28)*