



# THE 9 MOST EXPENSIVE PITFALLS

Risk and Damage Management



# WHY THIS REPORT?

For over 50 years, we've helped companies minimize business interruption after disasters and have repeatedly seen how smart risk management makes the difference.

For this report, we asked ourselves the question that risk managers keep asking us:

**“What, from your experience, are the most expensive pitfalls for companies?”**

It's a legitimate question and one that has gained exponential importance with the climate crisis. Today more than ever, those who fail to manage damages properly, or plan business continuity adequately, end up at risk.

The consequences of poor risk management are not only expensive, but they can also threaten a company's existence: business interruption drags on unnecessarily, costs explode, customers move to competitors, reputation suffers, and company value plummets. But with the right knowledge, these risks can be reduced and some even avoided entirely.

This report highlights the nine most costly pitfalls. They lurk long before the actual incident, hide in the middle of the acute damage phase, and some only topple companies after operations have resumed.

That's why we divide this report into three parts: pitfalls before, during, and after the damage.

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# BEFORE THE DAMAGE

Those who want to manage risks properly cannot rely solely on processes, contracts, or technology. Many of the most expensive mistakes occur before the first drop of extinguishing water falls. This is where it's decided whether clarity or chaos will prevail when disaster strikes.

## 1. The Silo Trap

# THE STATE OF EMERGENCY KNOWS NO RESPONSIBILITIES.

**“What brings stability in daily life can lead to dysfunction in a state of emergency.”**

Everyone does their job, yet everything stands still. Responsibilities often live fenced off within their specialist worlds.

Risk managers calculate. Insurance experts negotiate. Facility management safeguards property value. But when an emergency occurs, one question often remains unclear: Who decides now? Who is allowed to do what and how quickly?

At an international corporation's production site, a short circuit in a machine leads to a flash fire and a chain of unfortunate events. Result: production downtime. A major loss. 1,000,000 euros in business interruption per day.

The machine can be saved, and restoration runs smoothly, until one replacement part is missing. Cost: 100,000 euros. The responsible manager is only authorized to approve 10,000 euros per day.

The solution? Ten separate orders over ten days. Not ideal, but faster than waiting for higher approval in the corporation's rulebook.

Not an isolated case. Major losses do not follow compliance regulations. They ignore responsibilities or override them. What brings stability in everyday life can become dysfunction in exceptional circumstances.

### **WHAT IT TAKES**

Smartly set switches—at the critical points where decisions must be made quickly and effectively in major losses. This ensures operational capability even in a state of emergency.

## 2. Misleading Protective Measures

# FIRE PROTECTION SYSTEMS EXTINGUISH FIRES AND CAUSE DAMAGE.

**“Those who rely on protective technology without thinking through the consequences underestimate the risk and the costs.”**

Sprinklers, sensors, certificates: many companies rely on fire-protection technology. But what is meant to protect often creates a false sense of safety.

One night, in a production facility, the sprinkler system activates. It works as planned: the fire is contained until the fire brigade arrives. Result: fire out. Everything wet. Extinguishing water, soot, and corrosion affect the entire production area. Production stops. Restoration: extensive.

The fire itself was small. The damage is not. Protective technology doesn't prevent damage, it only mitigates it.

Sprinklers release more than 15,000 liters of water per minute. Good for evacuation, safety, and firefighting, but disastrous for electronics and control systems. Relying on protection without thinking through the consequences underestimates the risk and the cost.

### **WHAT IT TAKES**

Realistic scenarios, understanding of fire consequences, and a shift from theory to operational reality.

### 3. The Insurance Fallacy

# BEING INSURED DOESN'T MEAN BEING READY FOR ACTION.

**“Those who believe “the insurance will take care of it” trust a system that functions variably in emergencies.”**

Insurance is necessary but only half the solution. Being insured doesn't mean immediate help when disaster strikes.

Those who believe “the insurance will take care of it” trust a system that functions variably in emergencies.

A fire breaks out in an electronics plant at night. Two sprinklers extinguish it. The internal team cuts the power, pushes out the water, and waits for instruction. Twelve hours later, an assessor arrives (and that's fast). Assessment. Coordination. Appointment of a restoration contractor.

The next day, the restoration team arrives 36 hours after the fire. Too late. The acid formed by fire gases and moisture has already eaten into rails and solder joints. Four of eight SMT lines are economically lost. Total loss: nearly €20 million.

The real structural deficit wasn't the fire, but the escalation chain.

#### **WHAT IT TAKES**

Preparation instead of hope. A framework agreement with a qualified and capable restoration company. Prices, authority, NDA, processes, and access rights are clarified in advance. One call is enough, and the team arrives—within hours instead of days.

# DURING THE DAMAGE

Is the damage already done, every minute counts. But anyone who expects everything to operate automatically right now will likely be disappointed. Time dependencies, coordination needs, and lack of resources drive costs up—precisely when quick decisions and actions are required.

#### 4. The Availability Illusion

# WHEN EVERYONE NEEDS HELP AND NO ONE CAN HELP ANYMORE.

**“The availability illusion doesn’t just burst with major disaster events — it explodes.”**

When the flood comes, there’s no time for the usual process to find your service provider. Overnight the water rises on the surface and production comes to a halt.

Supply chains are broken. And the contractors’ order books are full overnight—even without tenders, bidding rounds, or Excel lists.

The major disaster events of recent years have repeatedly overwhelmed entire regions: flooded roads, destroyed infrastructure. Companies fought to survive—some lost the battle.

Those in need of help had to wait. Weeks. “Maybe in two weeks—if you’re lucky.” “In a month, but only maybe.” Even simple tasks like pumping out basements or removing screed were delayed.

In this time moisture seeps in deeper, mold grows, corrosion eats through equipment. The damage compounds—day by day.

Moreover, the skilled labor shortage is no longer an abstract risk but a permanent concern in risk reporting. And the next chapter is already written: shortage of service providers.

The image of an army of service providers waiting for orders was already illusory in the past. Today it is dangerously explosive. When this illusion bursts, it does so with full force—and the consequences affect precisely those companies that rest in deceptive security.

#### **WHAT IT TAKES**

A realistic picture of resource availability for every location, at home and abroad. Most importantly: contractually secured capacity with a partner who guarantees to arrive first in case of major damage.

## 5. Action Prohibitions

# WHEN NO ONE IS ALLOWED TO HELP, NO ONE HELPS.

**“And a board member asks: Why hasn’t anyone taken action yet?”**

A fire in Hall 3. Extinguishing water mixes with post-fire products. The entire fire compartment is black. Can the plant maintenance help? „It’s just water.“ And yet the plant manager has to cordon off: No protective suits? No TRGS-524 training? No risk assessment? No chance.

Also: caution tape, security service, production downtime. The fire department has long since withdrawn. The external restorer has more questions: What exactly is being produced? Which hazardous substances were involved? Which production plants are affected? What are the critical systems anyway? What is the on-site situation?

But the operations management has already got many other questions to answer. Every hour of downtime costs: 42,000 euros.

And a board member asks: Why hasn’t anyone taken action yet?

Instead, answers are being sought to the questions of the restoration company. Not a favorable answer for the board.

If only there had been a team in Hall 3 ready to start immediately because they are allowed to. Because approvals and procedures had already been agreed long ago. And even procurement would be on board. Then the board could be presented with the 10-point plan for the first week and the question “Why hasn’t anyone taken action yet?” would never have arisen.

But if no one is allowed to help, a person in charge will do the math in their head: “Another hour of downtime, that’s another 42,000 euros, times 24, because nothing will happen by tomorrow anyway ...”

### WHAT IT TAKES

Integrate your restoration partner before an incident. When the team knows your site and has pre-approved permissions, they can act immediately—without delay or questions. Preparedness shortens downtime and limits damage.

## 6. Native Conflicts of Interest

# WHEN THREE INSURERS WANT TO HELP—AND PULL IN THREE DIRECTIONS.

**“Point of No Return: What was still repairable yesterday becomes an economic total loss today.”**

Clearly: Everyone at the table wants to help. Not everyone shares the same interests. For each party has its own perspective and its own logic.

A fire in Line 4. The sprinklers extinguish it, 800 m<sup>2</sup> of production are under firefighting water. The next day: crisis room, Teams call. Building insurance, contents insurance, BU (business interruption) insurance.

Three perspectives and many questions. Can you produce somewhere else tomorrow? What does your BCP (business continuity plan) specify?

Meanwhile, chlorine continues to penetrate through machines, contacts, tools. Three percent damage expansion per day. Sooner or later: point of no return. What was once salvageable yesterday becomes a total economic loss today.

Example two, a seemingly small intervention with a big impact: fire on the hall roof. The PV system must be removed, the roof repaired. But underneath: delicate equipment. To continue production, an indoor scaffold is required. More expensive, more complex, but necessary.

The scaffolding cannot be erected while the machines are running. Downtime. Who pays? The building insurance? The BU insurance? Or the contents insurance? Three insurers, three viewpoints. The entrepreneur becomes the moderator and the loss the subject of negotiation.

### WHAT IT TAKES

Clear leadership in the damage process. An experienced partner who knows the company and speaks everyone’s language—mediating, coordinating, prioritizing. Without defined processes, chaos wins—and trust, time, and money are lost.

# AFTER THE DAMAGE

The smoke has cleared or the mud from the flood has been cleared; the operation is back up. But is the damage really over? Many of the most expensive long-term consequences only emerge afterward—quietly, underrated, often invisible. And yet crucial.

## 7. The Damage Shadow

# DAMAGE REPAIRED – TRUST LOST.

**“Two major customers have canceled. The reputational damage far exceeds the actual damage.”**

Visible major damages are evident. Yet the most dangerous consequences remain invisible and linger for a long time. For what was destroyed can be repaired.

What was damaged is not always: trust.

A mid-sized manufacturer suffers a hall fire. Machines destroyed, supply chains disrupted. Now comes the destructive power of images: media, social media, WhatsApp; the damage shapes the brand image. Customers question, jump ship, ask other suppliers.

Three months later production is running again. But sales stagnate. Two major customers have canceled. The reputational damage far exceeds the actual damage.

The competition exploits the weakness and stays on the competitor during the production interruption.

Why? Because communication came too late. No clear message, no monitoring, no image-building. When people think of the company today, they still see the damage, not the performance.

### **WHAT IT TAKES**

Reputational damage is real damage. Rebuilding trust requires communication, transparency, and speed. Companies that address perception early protect their future and their market share.

## 8. The Proof Trap

# TECHNICALLY RESTORED – EMOTIONALLY BLOCKED.

“What smells, unsettles. What isn’t explained, is questioned.”

Because, in addition to facts, perception matters. What smells unsettles. What isn’t explained is questioned. And what seems technically resolved can block emotionally. Especially in sensitive environments.

Brand in an elementary school — luckily during holidays. The renovation is proceeding quickly, with full effort. In time for the new school year, everything is finished. Freshly painted walls, new floors, cleaned classrooms.

But just before the start, the staff hit the brakes: There is a smell. What if there are still pollutants in the air? The result: work refusal — out of concern, not defiance.

And the school? It was fortunate in misfortune. The experienced renovation partner had solid data, air analysis, and a certificate at hand. No pollutants detectable.

What smelled was fresh paint. With a few hours of airing and a clear verification, calm returned and classes could begin.

### WHAT IT TAKES

Not just technical expertise, but sensitivity. Measurable proof restores confidence. A partner who anticipates such concerns ensures smooth recovery—both practically and emotionally.

## 9. The Administrative Echo

# DAMAGE REPAIRED – BUREAUCRACY BEGINS.

**“If a structural deficit in the matter is solved, a new one begins on paper.”**

As is so often in life: If a structural deficit in the matter is solved, a new one begins on paper. In the event of damage, this principle is especially extreme.

For when the last dryer is removed, production resumes, and the smell has faded, comes the part that hardly anyone accounts for: the after-effects.

A fire damage, three insurers involved, five trades, and twelve weeks of renovation. The aftermath: two years. Frequent follow-up questions. About invoices, offers, photo documentation, building inspections, internal emails. The central contact person? Already swapped out of the business.

The company? Has other worries, must compete in the market. Instead: Excel folders, PDF chains, additional demands. That ties up resources and costs money.

### **WHAT IT TAKES**

Complete, structured documentation—who, when, why, and what was done. A restoration partner who provides clear and audit-proof records saves months of administrative burden.

# AVOIDING PITFALLS? RED ALERT®

These nine pitfalls are known to us—from practice. Many can be avoided if discussed early. That's exactly why we developed RED ALERT®: guaranteed resources for emergencies, tailored to your company and its critical sites. With clear SLAs and advice that saves you money precisely when it matters most.

Curious? We're ready when you are.

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