



Risk Control Services Technical Bulletin

Disaster Recovery

Background

Since September 11, 2001 much has been written about emergency management. This guide is intended to offer assistance in establishing a plan **to keep a business running** after a disaster.

This guide is generally intended for use by businesses that have a single manufacturing facility or that distribute a product from a single location (separate plans are usually required for each facility). However, it is not intended for such facilities as hospitals, nursing homes, financial institutions, although the principals may generally apply.

The guide assumes a facility with one building at one location. **Now, picture the facility totally destroyed by a single disaster such as a flood, hurricane, tornado or fire!**

What Will Be Needed to Revive The Operation?

- Management and leadership
- A physical facility
- Equipment
- Processes and procedures
- People
- Accounting, payroll, finance, etc. (the information systems)
- Sales and distribution
- Whatever existed before the disaster

What Are Some Of The Essentials Needs

- Plans of the building, flow charts, processes
- A list of essential machinery, where to obtain it, approximate cost, and delivery time
- Plans for any specialized machinery and information on availability
- Who are the essential employees and what will be necessary to retain them
- Can the existing foundation be used to rebuild, will there be environmental issues
- How will sales and marketing be impacted – what will customer need?

Rebuilding Process

Step 1: Make the business decisions now!

- Will the business rebuild?
- What changes need to be made in the facility or process?

- Establish a mission statement. Make an emphatic position statement such as: **The business will continue and we will rebuild.**

Step 2: Form a strong team

- Team members should be drawn from all major areas of your company. These may include: Finance, Human Resources, Operations, Engineering, Information Technology, Records, and Maintenance.
- The team should consider the plant, people, environment, sales, marketing, finance, and information systems.

Step 3: Set the stage and make team assignments

- Setting the stage for the team: The building no longer exists! All the on-site records are destroyed! The specialized machinery designed and built has vanished, carried off by the disaster!
- Assign each team member the task of developing a critical list of what exists now (currently in operation). What materials or equipment will be needed to reopen the business? Determine if the building plans are current.
- Assign team members to determine: What will be needed to regain customers? How much will it cost? What deliveries will be missed? Can we fill the orders by using competitors manufacturing capacity or product? How will we notify our customers?
- Assign team members to determine if a “Disaster Fund” (cash account) should be established and how much money should be set aside in this account.
- Assign team members to review existing insurance coverage with your Insurance Agent or Broker to ensure adequate coverage is in place.
- Set due dates

Step 4: Drafting the plan

- Collect and organize the materials generated and information gathered by the team and sort them in order of critical importance.
- Draft a flow chart that highlights “what to do” and “when to do it”. Stick to this flow chart in the recovery process.
- Draft a plan that outlines how to achieve each “to do” item in the flow chart. For example, one of the “to do” items may be to find a new building. In step 3, the team may have determined what type of facility is needed, located several facilities, and made contacts to lease these facilities. In step 4, these buildings should be ranked by choice and the contact names and numbers should be listed. The plan should specify who is responsible for completing this “to do” item.
- Identify key employees who must be retained throughout the recovery. Establish a plan to retain and compensate these employees during the recovery.

Step 5: Storing and maintaining the plan

- A copy of the entire plan must be stored at a secure, off-site facility.
- Upon completing the plan, the team should conduct a mock disaster recovery to evaluate the plan. Any needed corrections should be made at this time.
- The plan should be reviewed at least annually to ensure all information, contracts and contacts are up to date.

Additional Considerations

- How do we file the insurance claim? Where and how will payment be made?
- Should someone from the insurance company be on the team?
- What software is needed to develop the plan?
- How do we communicate with all the employees, customers, and suppliers? Remember that all the speed dial phones are gone.
- How often is the computer system backed up, where are the records, and how do we access them? Consider what software that will be needed! Are there any unusual contracts with providers of leased software?
- Should we purchase back-up materials or equipment that are critical to our operations and cannot be replaced quickly? If so, where do we store these materials?

Conclusion

If the plan is thorough it should serve the company under any foreseeable disaster even if the loss is only partial.

If you have any questions or would like additional information, please contact your local PMA Risk Control Consultant.

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