



Ensuring Your Business Is Prepared for a Disaster

A Guide for Organizations of All Sizes





Introduction

Regardless of industry, every business needs to be prepared for a disaster or other disruptive event. Hoping for the best will not get your business going again. In today's aggressive business environment, one misstep could mean losing business to your competitors.

Even with adequate insurance in place, the statistics are stark:

52%

of businesses have experienced at least one disruptive event in the last five years

UP TO
40%

of businesses fail following a natural or human-caused disaster

62%

of businesses have no emergency plan in place

The time is now to create or update your disaster preparedness plan to ensure your business can recover and resume operations efficiently and as soon as possible.

This guide will cover:

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Why You Need to Prepare

Having a thorough and actionable disaster preparedness plan in place will help you make the best use of your time and resources following a disaster or disruptive event. When a claim is paid or resources are made available to you, you want your company to be in the best possible position to recover as soon as possible and resume generating revenue.



Market Conditions

The relentless loss activity due to more intense and long-lived weather events and other natural disasters has resulted in a definite rise in premiums. Insurers pass those claims losses on to their customers in the form of increased premiums; this is known as a hard market. Hard markets are also characterized by insurers imposing strict underwriting standards, asking more questions, issuing fewer policies and being less willing to negotiate.



Business Advantage

You can promote your comprehensive disaster preparedness plan in proposals and/or sales presentations to let prospective clients know that you'll be there regardless of what occurs, positioning yourself ahead of competitors without proper plans.



Stakeholder Requirements

Your insurance carrier may require that you have a comprehensive post-disaster continuity plan in order for you to obtain coverage. Additionally, if you're a potential vendor to government agencies, they will likely ask to see your disaster preparedness plan.

Typical Natural Disasters

No matter where your business is located, Mother Nature can wreak havoc. In 2018 alone, the Camp Fire in California caused \$16.5 billion in losses, while Hurricane Michael caused \$16 billion.

Typical natural disasters include:



Hurricane



Tornado or Windstorm



Flood



Blizzard / Extreme Winter Weather



Lightning



Wildfire



Earthquake



Industry-Specific Hazards,
for example, crop disease
(agriculture), rising sea levels
(coastal businesses)

Other Disaster/Disruptive Event Scenarios

Unfortunately, there are other disruptive events and disasters that you see in the news every day and should prepare for, including:



Cyberattack



Sexual Misconduct



Human Error



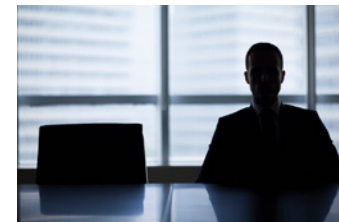
Workplace Violence,
such as an active shooter



Terrorist Attack



Social Unrest



Loss of Key Staff

Human error is difficult to plan for but should still be considered, particularly in certain industries where there is exceptionally high risk, such as construction, aviation and others.

Additionally, do not underestimate the negative effects of losing a key employee. Having a succession plan will prevent your business from scrambling to run effectively should a critical employee leave, retire, become seriously ill or pass away.

Hazard & Vulnerability Assessments

Part of creating or fine tuning a disaster preparedness plan is to conduct a hazard and vulnerability assessment.

During this assessment, you will identify any and all hazards that may affect your business. Include natural disasters specific to your region and other disaster/ disruptive event scenarios discussed on [page 5](#).

Evaluate how and to what extent each identified hazard could affect your business. Some hazards will be more significant than others.

Then prepare your plan and procedures to respond to each hazard. This should include detailed steps to follow in each scenario. In order to be effective, you must ensure the involved employees and other parties are educated and trained and have the authority to take action.

Finally, be sure to regularly re-evaluate your plan to keep it up-to-date and include any new threats and vulnerabilities your company may face.



Hazard & Vulnerability Assessments: Where to Start



There are many resources available to help a business get started on its assessment. The American Red Cross has a [Hazard and Vulnerability Assessment tool](#) that helps you determine which hazards to prepare for based on probability. Those that have the highest probability are the most significant threats facing your organization and should be prioritized when planning.

The tool considers:

- Likelihood of occurrence
- Impact on life
- Impact on facility or property
- Impact on operations
- Impact on dependencies

Consider having key members of your team – ideally from different departments and with varying areas of expertise – fill out the assessment individually. Then, meet to review and discuss each assessment in order to come to a consensus.

Communications

Communications are key in any type of disruption, ranging from a small fire to a power outage to a major natural disaster. Strategies include:

Plan Activation



Decide the trigger for each scenario, that is, when the plan will be set into motion. Who will execute the plan?

For example, decide when you are going to disconnect the natural gas pipeline and stop operations or when you will put up hurricane shutters. No matter how thorough your plan is, if you wait too long to activate it, it will be useless.

Family Radio System (FRS)



These are inexpensive systems that can be used as a backup when cell service is disrupted or to supplement other communication methods.

Dark Site



This is a separate website or a few pages of an existing website that can be remotely activated and updated in the event of a disaster or disruptive event. These pages should be used to keep your employees, vendors, customers and other key contacts up-to-date.

Social Media



Social media is a great resource. This includes Facebook and Twitter as well as apps that help you easily SMS text (e.g., Skype, iMessage, Android Messages, WhatsApp).

Contact List



Have a current list with phone numbers and email addresses of everyone who needs to be contacted in each scenario. This should include employees, insurance provider, clients, vendors and any other relevant contacts.

Satellite Phone Communications



These systems should be considered, especially by businesses in remote areas. While once very expensive, pricing has recently decreased substantially.

Financial Aspects

Financial matters that should be considered when developing your preparedness plan include:



Records/ Invoice Storage

These should be accessible offsite and ideally cloud-based. If this is not possible, have a contingency plan in place.



Payroll

Most employees will be reluctant to show up if they cannot get paid. Have cash reserves available for payroll.



Business Interruption Costs & Coverage

Ensure that you have these costs accurately calculated and have business interruption insurance coverage.



Extra Expense Costs & Coverage

For example, shipping costs if you cannot get required supplies locally. Ensure that you have these costs accurately calculated and have extra expense insurance coverage.



Lines of Credit

These funding options are readily available and should be included in your plan in lieu of large cash reserves.



Logistics

Some logistical questions to answer in your plan include:

- 1 | Can we relocate and/or shelter our outdoor equipment?
- 2 | Where will we work? What are our temporary facility options? Are there competing companies who will allow us to utilize their space if we agree to give them space during their own emergencies?
- 3 | What government agencies will respond to our disaster needs and how do we get in touch with them?
- 4 | What are our critical supplies and/or equipment? Do we have enough spares for when we won't be able to get them in time?
- 5 | Do we have inventory controls in place? For example, will we be getting a three-week supply of perishables one day before a hurricane hits? How can we stop that?
- 6 | Have we identified alternate suppliers so that we aren't relying on one company that may be shut down as a result of the disaster?

Risk Management & Insurance

It's best to insure any and all risks if you can do so at a reasonable cost. To ensure a smooth claims process, you must have thorough documentation. This includes:

- ✓ **Compile a complete list of all equipment.**
- ✓ **Utilize serial numbers.**
- ✓ **Take photos and videos of equipment and buildings – interior and exterior.**
- ✓ **Consider an aerial (drone) survey of your roof, building envelope and landscaping to help document pre-disaster conditions.**
- ✓ **Prequalify the vendors you'll use in the event of a disaster. Be sure they have the proper certificates of insurance, including general liability, workers' compensation and automobile coverage.**

Taking the time now to obtain this documentation will pay off significantly when a disruption or disaster occurs.



Reviewing Insurance Policies

Unfortunately, not all insurance policies are equal. Now is the time to closely review your policy to ensure you have the appropriate coverages for your business' unique risks. Be sure to include limits, deductibles and especially exclusions in your review.

Additionally, determine if there are special conditions listed in your coverage. For example, the policy could state that you will not have any coverage on your facility for broken water pipes unless the building is heated during freezing weather.

The following coverages are often not automatically included in a typical commercial insurance policy. When you conduct your review, make sure the coverages applicable to your business are included and, if not, consider adding them now.

- Flood insurance
- Business interruption insurance
- Extra expenses insurance
- Building ordinance or law insurance (used to cover things like building code upgrades and ADA compliance updates)
- Theft insurance
- Cyber insurance



Reporting a Claim



As mentioned earlier in this guide, all of your policy numbers and declarations pages should be accessible offsite and ideally cloud-based.

Steps to report a claim:

1

Document all of the damage and compare that to the “before” pictures, videos and aerial records. ([See page 11.](#))

2

Contact your insurance agent immediately.

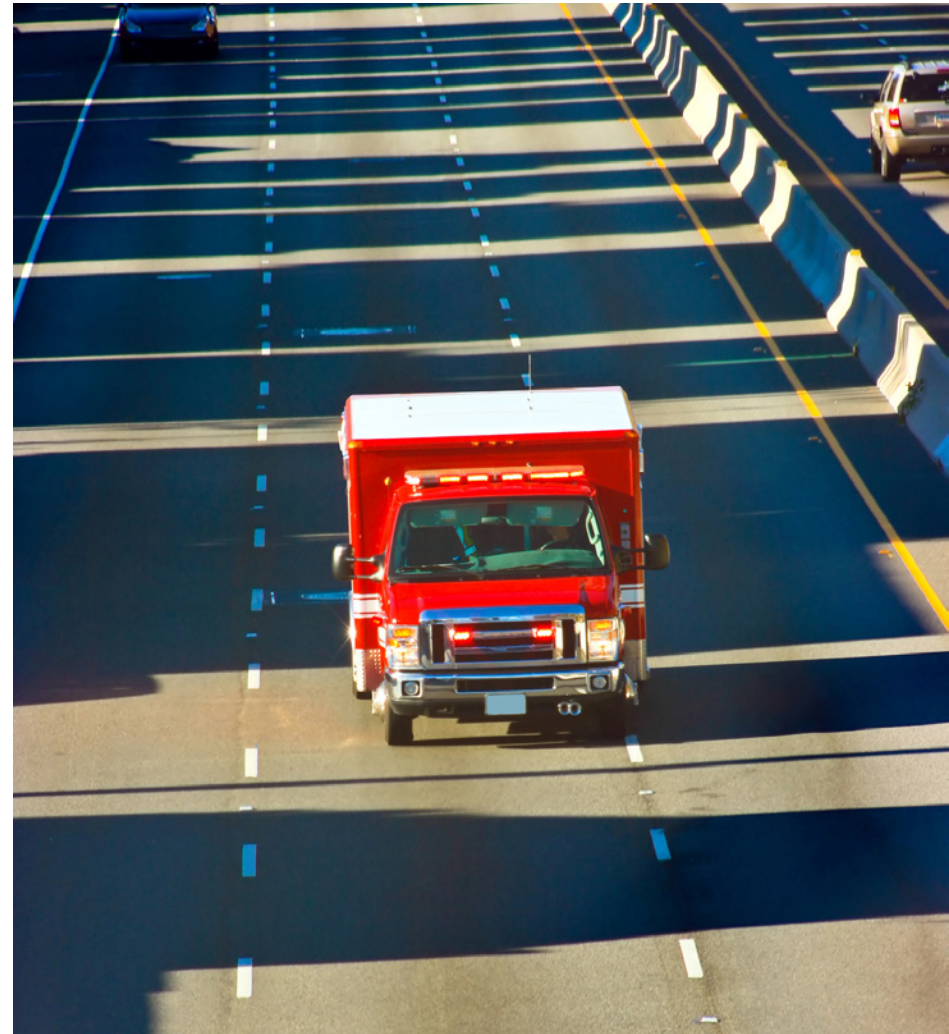
3

Mitigate as soon as possible. Do not wait for your agent or adjuster. You are obligated to do all that you can to reduce the extent of any damage/disruption. This includes things like water removal, mold remediation, utilizing tarps, any temporary repairs that you can do, etc.

Safety Aspects of a Disaster

This can be one of the most hazardous times for your employees. If they're helping with mitigation and recovery efforts, they'll likely be doing work outside of their normal job duties. This scenario could result in more damage and/or injuries if certain guidelines are not followed.

- Vehicle use during times of emergency can be hazardous, especially during disasters and disruptive events. Employees may be rushing and may be using their personal vehicles. Be sure your insurance covers them.
- Have the proper personal protective equipment (PPE) available and ensure your employees know how to use it correctly.
- Look out for fatigue, exposure to extreme heat or cold, and stress. Take measures to manage these things.



Train, Test & Practice

Now that you have a plan in place, be sure to train, test and practice for what will happen in each scenario. Ideas to consider include:



Local workshops and seminars

These are often offered free by insurance carriers and local government agencies.



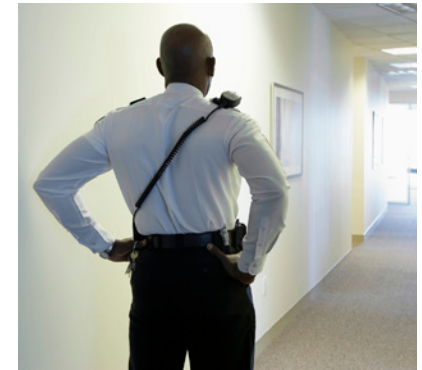
Tabletop exercises

Sit at a roundtable to discuss various scenarios and determine the steps that will be taken in response to each.



Functional exercises

Go live to a specific area/department of your business and present them with a scenario (e.g., there is a fire in the lobby). The employees in that area will walk through the steps they would take to respond to that emergency.



Full-scale exercises

All employees go through the entire disaster/disruptive event preparedness plan. Make this scenario as realistic as possible without unnecessarily upsetting employees.

Conclusion & Resources

In today's highly contentious society, lack of disaster planning and preparedness will be seen very negatively. It can and will impact your business reputation and revenue. If your doors are closed while your competitors' are not, you *will* lose customers.

Conversely, businesses with a proper disaster preparedness plan in place will be perceived very favorably and can gain market share.

It's much easier to retain clients than find new ones. Be disaster prepared!



Resources

American Red Cross Ready Rating Hazard Assessment: www.readyrating.org

Federal Emergency Management Agency: www.fema.gov/preparedness-checklists-toolkits

Insurance Institute for Business & Home Safety: <http://disastersafety.org>

Occupational Safety and Health Administration (OSHA): www.osha.gov/SLTC/emergencypreparedness/index.html

A background image showing several business professionals in a meeting. They are seated around a table, looking at documents and holding pens. The image is overlaid with a blue gradient.

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Our team of forward-thinking risk control professionals will support and collaborate with you to develop an actionable plan designed to supplement your risk management strategy by addressing your specific business hazards. You can count on us – with over 25,000 clients and 300 associates nationwide – as your trusted advisors committed to your success.

To learn more, visit us at cbiz.com/insurance.



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