

# Frankly speaking, the best businesses are prepared for the worst.

Our Disaster Preparedness Guide has you covered.



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# Overview

You've got your business up and running, things are going well, and then a tornado comes along and takes the roof off your building. Or there's a power outage at your ice cream shop, and your inventory is instantly liquidated.

Sometimes, life throws some hard curves. But if you prepare for these unexpected events, you can minimize the effects they have on your business.

Did you know one in four businesses forced to close because of a disaster never reopens? This workbook, developed in conjunction with the Insurance Institute for Business & Home Safety, will help you make sure you're one of the three that do.

## **We'll help you:**

1. Identify the business activities that are essential for continued operation during a disruption
2. Deal with risks your organization faces
3. Create an easy-to-use recovery plan tailored to your business, giving you confidence if the worst occurs



# Step 1: Know your risks

No two businesses are exactly alike, so potential threats will impact each business differently. Location, industry, culture, business structure, management style, work functions and business objectives will all affect how you protect your business from threats, and how you recover from a business disruption.

## The two biggest mistakes small businesses make are:

- Failing to identify a potential threat
- Underestimating the severity of a known threat

Performing this risk assessment will help you avoid these mistakes and determine which threats have the greatest potential to disrupt your business.

Assessing your risks consists of identifying threats to your business, ranking the probability and severity of those threats, and multiplying your scores for each. Below is an explanation of how to fill out the Risk Assessment Form.

## Part one: Identify your threats

Use the assessment form on the next page to determine the threats most likely to affect your business. Add any threats you are exposed to that are not already listed.

### Tips for identifying threats:

- Use the Insurance Institute for Business & Home Safety's ZIP Code tool to get a list of natural hazards that may affect your business's location. You can also generate a customized list of projects that can reduce your risks.
- Contact your local emergency management office to obtain a copy of your community's hazard vulnerability analysis, which will list the possible natural and man-made hazards that could affect your area.
- Don't forget to consider damage to infrastructure (roads, bridges, power lines, etc.) that could affect your ability to resume operations. Develop possible workarounds to expedite recovery.

## Part two: Rank the probability of threats

How likely is this to happen? Assign a rank of 0 (not likely) to 5 (very likely) in the Probability column.

## Part three: Rank the severity of threats

Assess the amount of damage the event is capable of causing. To do this, think about the duration, magnitude and extent of the potential threat's reach (e.g., just one floor of your building, the entire structure, the whole neighborhood, entire region, etc.) After assessing these factors, assign a rank of 0 to 5 (low to high severity) in the Severity column.

## Part four: Multiply the probability and severity scores for each threat

After ranking the probability and severity for each threat, multiply the two values and record the answer in the Total column.

The threats with the highest total values (17–25) are those you need to plan for as soon as possible. Assume these hazards will strike your business at some time, and determine what controls you have in place or could implement to minimize your risk.

# Risk Assessment Form

Use this form to review potential threats. Fill in one field for the probability and one field for severity. Finally, multiply the probability and severity levels and enter the total in the total value column.

Threats	Probability (0-5)	Severity (0-5)	Total
Earthquake			
Tornado/wind/hurricane			
Flood			
Severe winter weather			
Interior fire			
Wildfire			
Loss/illness of key staff			
Workplace violence			
Software/hardware failure			
Power outage			
Loss of utilities (water, gas, electricity, etc.)			
Pandemic/epidemic/flu			
Loss of premises			

# Step 2:

## Know your operations

Your ability to respond quickly to a business disruption could mean the difference between survival and closure. To determine the maximum amount of time your business could afford to stay closed after a disaster occurs, first identify your key business functions and processes, and then decide how long you can go without being able to perform them.

### Consider the following

- What is your main product or service?
- How do you produce this product or service?
- What are the things that could most likely impact your ability to do business?
- If your business was impacted, who would you need to call? How would you reach them?
- What other business functions and processes do you perform to run your overall business? Consider functions in all areas: Accounting/Finance, Production/Service Delivery, Sales/Marketing, Customer Service, Human Resources, Administration, Information Technology and Purchasing.
- Which of these functions and processes involve legal, contractual, regulatory or financial obligations?
- Can the function be performed offsite? What equipment is needed?
- How much downtime can you tolerate for each function?
- What are the consequences if the function cannot be performed?
- Can your business survive without a specific function?

### Filling out the Business Function Form

After listing all business functions, fill out a separate form for each function. Rate each with a priority level of Extremely High, High, Medium or Low, and consider any possible workarounds or backups for each function, as well as any temporary processes that could be implemented until a permanent solution is available. Document detailed procedures for these workarounds and processes, including additional resources needed.

To keep your plan current and relevant, review your business functions and processes every six months.

# Business Function Form

Use this form to identify what business functions are critical to your business' survival. Duplicate the form for each business function.

Updated: \_\_\_\_\_

Next review date: \_\_\_\_\_

## Business function:

Priority:  Extremely High  High  Medium  Low

Employee in charge: \_\_\_\_\_

Timeframe or deadline: \_\_\_\_\_

Money lost (or fines imposed) if not done: \_\_\_\_\_

Obligation:  None  Legal  Contractual  Regulatory  Financial

## Who performs this function?

(list all who apply)

Employees: \_\_\_\_\_

Suppliers/vendors: \_\_\_\_\_

Key contacts: \_\_\_\_\_

## What is needed to perform this function?

(list all that apply)

Equipment: \_\_\_\_\_

Special reports/supplies: \_\_\_\_\_

Dependencies: \_\_\_\_\_

## Who helps perform this function?

(list all who apply)

Employees: \_\_\_\_\_

Suppliers/vendors: \_\_\_\_\_

Key contacts: \_\_\_\_\_

## Who uses the output from this function?

(list all who apply)

Employees: \_\_\_\_\_

Suppliers/vendors: \_\_\_\_\_

Key contacts: \_\_\_\_\_

(For additional space, use the Notes area below)

## Completing the function:

Brief description of how to complete this function: \_\_\_\_\_

Workaround methods: \_\_\_\_\_

Notes: \_\_\_\_\_

# Step 3:

## Know your employees

Your employees are your business's most valuable asset. In an emergency situation, two-way communication with your employees is critical.

### To ensure you and your employees are prepared, consider these questions:

- If a disaster strikes, would you know how to reach your employees?
- Do you have current home and mobile phone numbers, street addresses, email addresses and emergency contact information for each of them?
- Is this information available outside your business location?

### Improve your communication readiness:

Besides filling out these forms and keeping them current, here are some other actions you can take to improve your communication readiness:

- Create an employee phone tree and an emergency call-in voice recording phone number where employees can leave messages.
- Create a special emergency email account using free services provided by Yahoo, Gmail, Hotmail, etc. In a disaster situation, employees can use this account to contact the company regarding their status. Be sure all employees know how to access the emergency account.

### Other employee-related considerations:

- Is any assistance needed for employees with special needs? Consider communication difficulties, physical limitations, equipment instructions and medical procedures.
- Which employees are caring for children or individuals with special needs? These responsibilities may prevent them from being available in a disaster situation.
- Which employees are trained in first aid or CPR? These skills could be critical in an emergency.
- Does one employee have special work skills no other employee has? Consider training another employee in these skills so a backup is available.
- Finally, encourage all employees to have their own personal emergency preparedness plans at home. The more prepared they are at home, the faster they can return to work to help your business recover.

Use the Employee Form on the next page to gather the information you need about each employee.

Review and update these employee information forms every six months.



# Employee Form

Use this form to record information about all employees, including the business owner, so that each person can be contacted at any time. Duplicate this form for each employee.

Updated: \_\_\_\_\_

Next review date: \_\_\_\_\_

## General information

Employee name: \_\_\_\_\_

Position/title: \_\_\_\_\_

Home address: \_\_\_\_\_

City, State, ZIP code: \_\_\_\_\_

Office phone: \_\_\_\_\_

Ext. \_\_\_\_\_

Alternate phone: \_\_\_\_\_

Home phone: \_\_\_\_\_

Mobile phone: \_\_\_\_\_

Office email: \_\_\_\_\_

Home email: \_\_\_\_\_

Special requirements: \_\_\_\_\_

## Certifications

First aid     Emergency Medical Technician (EMT)     CPR     Ham radio

Other: \_\_\_\_\_

Special licenses: \_\_\_\_\_

## Local emergency contact

Full name: \_\_\_\_\_

Relationship: \_\_\_\_\_

Home phone: \_\_\_\_\_

Mobile phone: \_\_\_\_\_

Email: \_\_\_\_\_

## Out-of-state emergency contact

Full name: \_\_\_\_\_

Relationship: \_\_\_\_\_

Home phone: \_\_\_\_\_

Mobile phone: \_\_\_\_\_

Email: \_\_\_\_\_

# Step 4:

## Know your key customers, contacts, suppliers and vendors

In an emergency, your key customers need to know that you'll be doing "business as usual," even if others near you are experiencing difficulties. They'll want to hear if you're still in business, and if you aren't, they'll want to know how soon you'll be up and running again. The more you can keep them in the know, the happier they'll be – and happy customers are the key to a successful business. That's why keeping up-to-date contact information for all your key customers is critical.

### Key customers

In addition to keeping contact information current by filling out a form for each customer, consider these ways to keep customers informed in an emergency:

- Set up a designated emergency phone number with a recorded message
- Send texts for quick updates
- Send messages via social media such as Twitter or Facebook
- Make announcements on your company website

Be sure to let your customers know in advance where they can go for updates in a disaster situation.

### Suppliers and vendors:

No matter how prepared your business is for an emergency, you won't be able to resume business operations if your suppliers and vendors can't deliver. And that could lose you customers.

To protect your business, fill out a contact form for each supplier and vendor, and also take these precautions:

- Make sure your suppliers and vendors are not all in the same geographic location as you
- Have alternate or backup suppliers and shippers in place
- Request copies of your suppliers' business continuity plans
- Establish a notification list and procedures

### Key contacts:

Fill out forms for each of your key contacts. Key contacts are those you rely on for the administration of your business, such as:

- Accountant
- Bank
- Billing/invoicing service
- Building manager/owner
- Building security
- Insurance agent/broker
- Insurance company
- Internet service provider
- Payroll provider
- Public works department
- Telephone company
- Utilities

# Key Contacts Form

Use this form to record information about your current suppliers, those you could use as an alternate choice, and your key customers and contacts. Duplicate this form for each contact.

---

Updated:

---

Next review date:

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## Contact type

Current supplier/vendor     Backup supplier/vendor     Key customer/contact

## General company information

Company/individual name:

Account number:

Material/service provided:

Street address:

City, State, ZIP code:

Company phone:

Website:

## Company representative

Primary contact:

Title:

Office phone:

Mobile phone:

Email:

Alternate contact:

Title:

Office phone:

Mobile phone:

Email:

## Additional information

Notes:

# Step 5:

## Know your information technology

Almost all businesses depend on access to computers and the internet to conduct business, communicate with customers and retrieve important information. So, it's critical to include information technology in your disaster preparedness plan.

### Protect your hardware

- If you have advance notice of a disaster (such as a severe storm), shut down and unplug all computer hardware to avoid serious damage due to power fluctuations.
- Consider elevating equipment in case of flooding, or moving it offsite, if possible.
- Have your employees take their laptops home each day so they can work offsite, if necessary.
- Make arrangements with IT vendors to replace damaged hardware and software, and/or to set up hardware and software at a recovery location.
- Request written estimates for rental or purchase of equipment, shipping costs and delivery times. List these companies on your supplier or vendor forms.

### Protect your data and software

- Determine which data and records are vital to perform the critical business functions you listed in the *Know your operations* section on page 4. Back up this data on one or more types of media.

#### **Some examples of critical data include:**

- Payroll files
  - Tax information
  - Accounting files
  - Production records
  - Computer and internet logins and passwords
- Keep one backup copy of your data onsite for smaller emergencies (e.g., a failed hard drive). Keep a second copy in a safe, easily accessible offsite location for larger disasters.
  - When possible, keep hard copies of critical virtual files offsite.
  - Keep a backup copy of your computer's operating system, boot files, critical software and operations manuals.

Fill out Information Technology Forms for all your hardware, software and vital records. Review the forms every six months and add new ones when you acquire new hardware or software.

# Information Technology Form

Use this form to list computer equipment, hardware and software, vital records and your backup processes that you will need to fulfill your critical business functions. Duplicate the form for each item or record.

Updated: \_\_\_\_\_

Next review date: \_\_\_\_\_

## Record type

Computer equipment/hardware     Computer software     Vital records

## General item information

Item name: \_\_\_\_\_

Version/model number: \_\_\_\_\_

Serial/customer number: \_\_\_\_\_

Registered username: \_\_\_\_\_

Purchase/lease price: \$ \_\_\_\_\_

Purchase/lease date: \_\_\_\_\_

Quantity (equipment) or number of licenses (software): \_\_\_\_\_

License numbers: \_\_\_\_\_

Technical support number: \_\_\_\_\_

Primary supplier/vendor: \_\_\_\_\_

Alternate supplier/vendor: \_\_\_\_\_

## Business use information

Name of business function vital record supports: \_\_\_\_\_

Type of media: \_\_\_\_\_

Is it backed up?: \_\_\_\_\_

How often is it backed up?: \_\_\_\_\_

Type of media for backup: \_\_\_\_\_

Where is it stored?: \_\_\_\_\_

Can the record be recreated?: \_\_\_\_\_

Notes: \_\_\_\_\_

# Step 6:

## Know your finances

Preparing your business financially for a disaster is just as important as preparing your physical location and employees. You'll need emergency funds to help your business recover, as well as funds to keep up with regular business expenses. And for damages or loss, you'll want to make sure you have adequate insurance coverage.

### Prepare for emergency expenses

- Have an emergency cash reserve fund to purchase supplies or equipment, or to temporarily relocate your business if necessary.
- Have a credit card or line of credit available, in case your cash reserves aren't enough.
- Identify critical financial obligations such as mortgage, lease or rental payments, or key suppliers and vendors.
- Create a policy regarding payroll during and after a disaster, and be sure employees are aware of it. Don't assume employees will work without pay during a business disruption.
- Establish clear strategies for controlling costs in a disaster situation.
- Clearly outline procedures for budgeting and tracking emergency spending, as well as for reporting information to appropriate groups.

### Protect your assets with insurance

Evaluate your insurance policies and meet with your insurance agent/broker to make sure you understand your coverage, deductible and limits, and how to file a claim.

Most policies do not cover flood or earthquake damage. You may need to buy separate coverage for these events.

#### Coverages to consider

- A policy that will reimburse you for business disruptions in addition to physical losses.
- Business income (or business interruption) and extra expense insurance. Even if you have to close your doors for a limited period, the impact on your revenue and net income can be substantial.
- Adding contingent business income coverage to your basic policy to be sure you are covered for expenses and loss of net business income, as well as income interruptions due to damage that occurs away from your premises, such as to your key customers, suppliers or utilities.

Answer the questions on our Financial checklist to make sure you're financially prepared for a business disruption. Review your plan every six months to keep it current.

# Financial Checklist

Use this checklist to consider and plan for your business financial needs in the event of a disruption.

Updated: \_\_\_\_\_

Next review date: \_\_\_\_\_

## Overall business needs

Have you worked with your bank to set up a line of credit for your company?  Yes  No

If yes, who is responsible to activate it and who has access to it?

How much cash is needed to survive a 3-day \_\_\_\_\_, 5-day \_\_\_\_\_, 10-day \_\_\_\_\_ or longer shutdown?

For what purpose is the cash needed?

Will you have that cash on hand?

Who would make the decision to utilize the cash?

Who would have access to the cash?

Do you have sufficient cash to pay for various additional services that might be needed, such as janitorial or security services?  Yes  No

Do you have a company credit card that could be used for emergency purchases?  Yes  No

Who is authorized to use the credit card?

Will you be able to pay your bills/accounts payable?  Yes  No

Do you have procedures in place to accommodate a business disruption?  Yes  No

Will you be able to continue to accept payments from customers/accounts receivable?  Yes  No

Have you identified an alternate location where you can work?  Yes  No

## Human resources

In the event of a widespread disaster, how will payroll be handled?

If your business is forced to shut down temporarily, will some or all employees continue to be paid?  Yes  No

For how long?

Will they be able to use their sick time and/or vacation time without restriction?  Yes  No

Are there union considerations?  Yes  No

Have your employees been made aware of your policies that will be in place during a disruption?  Yes  No

If banks are closed, will your business provide paycheck-cashing services?  Yes  No

What is your business's policy on cash advances, check cashing and employee loans?

Will your employees be expected to work overtime?  Yes  No

# Step 7:

## Know where to go for help

Relationships with your community and outside agencies can help you protect your employees and property and get back to business as soon as possible. Maintaining channels of communication with community leaders, public safety organizations, government agencies, utility companies and others can give you the information you need to recover quickly from a disaster.

These resources can help you prepare for and recover from disaster situations.

### Insurance Institute for Business & Home Safety

In addition to providing this free business continuity toolkit, IBHS provides free disaster preparedness and property protection guidelines, recommendations, and projects for small businesses. The Institute also offers post-disaster recommendations on repairing and rebuilding to make your building(s) stronger and safer the next time a disaster strikes.

[www.disastersafety.org](http://www.disastersafety.org)

### American Red Cross

Among other disaster preparedness and response services, the Red Cross offers a number of preparedness training programs and resources for workplaces, families and individuals.

[www.redcross.org](http://www.redcross.org)

### Business Civic Leadership Center – Disaster Help Desk

The BCLC Help Desk is designed to enhance community economic recovery after a disaster. The Help Desk provides on-the-ground coordination of information among businesses, local chambers of commerce, non-governmental organizations (NGOs) and disaster recovery specialists.

[www.uschamberfoundation.org/disaster-help-desk-business](http://www.uschamberfoundation.org/disaster-help-desk-business)

### Federal and Local Emergency Management Agencies (FEMA)

Even the largest, most widespread disasters require a local response. Local emergency management programs are the core of the nation's emergency management system.

[www.fema.gov](http://www.fema.gov)

### DisasterAssistance.gov

This organization provides information on how you might be able to get help from the federal government before, during and after a disaster. If the president of the United States makes help available to individuals in your community after a disaster, you can visit this site to apply online.

[www.disasterassistance.gov](http://www.disasterassistance.gov)

### Internal Revenue Service (IRS) – Disaster Assistance and Emergency Relief for Businesses

The IRS offers audio presentations about planning for disaster. These presentations discuss business continuity planning, insurance coverage, record keeping and other recommendations for staying in business after a major disaster.

[www.irs.gov](http://www.irs.gov)

### Small Business Administration

The U.S. Small Business Administration provides loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses following a disaster.

[www.sba.gov](http://www.sba.gov)

### Small Business Development Centers

The SBDC assists small businesses with financial, marketing, production, organization, engineering and technical problems, as well as feasibility studies.

[www.sba.gov/content/small-business-development-centers-sbdcs](http://www.sba.gov/content/small-business-development-centers-sbdcs)



# Step 8:

## Maintaining and testing your plan

For your plan to be effective in a business disruption, it needs to be kept current. It's a good idea to review and update your plan whenever there are changes to your business: new employees are hired, new equipment is purchased, procedures are changed, etc. Keep employees aware of changes to the plan so they can hit the ground running in an emergency situation.

### Employee review

Every six months, have your employees review the plan and answer these questions:

- Is anything out of date?
- Has all contact information been verified and updated?
- Have your procedures changed?
- Have there been any changes in business priorities?
- Have responsibilities changed?

Document any changes on the appropriate forms, and then test your plan.

### Testing your plan

Conducting exercises or drills is an effective way to test your plan, as well as train and engage your employees. The next section includes an exercise dealing with a hypothetical disaster: a power outage. Once you learn the basics of conducting an exercise, you can easily generate your own scenario for further training.

# Team exercise: The power outage

Gather your team, key employees and anyone else who would benefit from the exercise and present the power outage scenario. Begin your group discussion with the questions provided.

## Friday, 11:30 AM

It's a hot, rainy morning. It's business as usual until suddenly, the lights go out and all the computers, printers and copiers turn off. One of your emergency lights comes on, but the rest are not working. While many offices have windows to provide minimal light, the majority of the hallways and interior rooms are left in the dark.

1. Take the first 10 mins to discuss what you will do next.
2. Create an action plan.

## Friday, 1:00 PM

The power is still out, and with the HVAC no longer functioning, the temperature inside the building is becoming unbearable. Your entire power grid is without power. There is no word from the electric company about when it will be restored.

1. Is your technology/computer room being dealt with? By whom?
2. Has someone turned off all computers, printers and equipment to prevent electrical surge when power is restored?
3. Is your phone system down? How are you going to manage the phone lines?
4. Create an action plan.

## Friday, 2:00 PM

Employees are asking if they can leave early. The word around town is that the power may not be restored for several days.

1. How will you communicate this message? What instructions will you convey to your employees? Customers? Vendors?
2. Are you going to declare a disaster and activate your preparedness plan?
3. How are people within the organization communicating with each other (e.g., sending and receiving messages, information and response details)? How are they communicating with other stakeholders (i.e., your customers and clients, the media)?
4. Is there a predetermined and agreed-upon central meeting place for company leaders, management and employees?
5. Is there a copy of your disaster preparedness plan that you can easily retrieve?
6. Are there any business processes for which there are manual workarounds? If so, discuss how that would happen.
7. How would you find an appropriate place to operate from for the remainder of the day? For the next one or two weeks, if necessary?
8. Create an action plan.

## Further Friday afternoon considerations

- 1. Have you begun an assessment that includes an evaluation of the status of employees, customers, operations and external utilities?
- 2. How would you ensure that customer concerns are managed?
- 3. Have you begun to determine how much data has been lost and how that will affect your operations?
- 4. Some employees are asking, "How will I know if I should come to work on Monday?". What will you tell them and how will you communicate this?

## Monday, 7:30 AM

Three days later and the power is still out. The Health Department has determined that "no building without running water can open for business." Clients are calling and the company voicemail system is full. Employees are texting the Human Resources Director for guidance.

- 1. What do you tell them?
- 2. Create an action plan.

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**Notes:** \_\_\_\_\_  
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## Exercise debrief

- 1. What is missing from your plan?
- 2. What worked well in this scenario?
- 3. What did not work so well?
- 4. What could you do differently next time that would improve your response?
- 5. List the actions you will take to improve your plans.

## Exercise wrap-up

To complete the exercise, have all participants write down their thoughts and concerns. You can address these and the debrief issues at future meetings.

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