Key Considerations in Disaster Planning & Management
For Independent Agencies & Brokerage Firms
An Agents Council for Technology Report[1]

Table of Contents

Disclaimer
The purpose of this report is to assist agencies and brokers in considering issues relevant to developing their own disaster plans. The report includes only general information, and is not intended to provide advice tailored to any specific agency situations. It was prepared solely as a guide, and is not a substitute for agents and brokers independently evaluating any business, legal or other issues, and is not a recommendation that a particular course of action be adopted. If specific advice is required or desired, the services of an appropriate, competent professional should be sought.

Overview

We hope this report will inspire you to take steps now that will protect the ongoing viability of your agency or brokerage firm should a disaster strike. A disaster can bring your business to a standstill; it can keep you from servicing the needs of your policyholders when they most need it; and it can jeopardize the ongoing viability of the business you have spent your life building.

Unfortunately, a disaster of some nature can strike any agency or brokerage firm. No one is immune. The disaster can result from fire, wind, ice, flood, hurricane, earth movement, terrorism, hazardous material, spyware, viruses, worms, and other causes. To the affected business, the net result is the same, because it may not have access to its

---

[1] The Agents Council for Technology (ACT) is an association of agents, brokers, users groups, carriers, vendors, and industry associations dedicated to encouraging and facilitating the most effective use of technology and workflow within the Independent Agency System. ACT is part of the Independent Insurance Agents & Brokers of America, Inc. (IIABA). See the ACT web site at www.independentagent.com/act for more information about ACT and its initiatives.

systems, its phones (land lines or cell), the Internet, nor its fax lines, at the very time when hundreds of its policyholders need assistance.

In the aftermath of the multiple hurricanes in Florida and surrounding states during the summer of 2004, a major problem faced by agents and brokers was getting their computer and telecommunication systems back on line to enable the firm to handle the onslaught of claims. Many agents did not know where to turn for help. An increasing number of vendors, user groups, associations, and consultants offer defined services to agencies to help them in these situations. Where the agency will turn for help in such a crisis needs to be established in advance and made a part of the continuity plan.

The critical things are for the agency or brokerage firm to think through how it will manage the disaster *in advance,* and to develop a continuity plan where its employees understand their role in the emergency, and regularly practice responding to the various contingencies. This report focuses on the key, strategic issues agents need to be aware of and take action on to implement an effective disaster plan. In addition, agents will find the catastrophe planning tools available on the market to be very helpful as they structure their plans. These are listed under "Additional Resources" at the end of this report.

The following report is divided into three major sections: Steps to Take Well Before a Disaster; Steps to Take When a Disaster is Imminent; and Steps to Take After a Disaster Strikes. As you plan, remember that with some disasters, you will not have any warning to take the steps outlined in the "Steps to Take When a Disaster is Imminent" section, so try to be as prepared as possible in these areas on an ongoing basis. Also, keep in mind that you will make your disaster plan in today's world, with today's technology, and that world may very well be significantly changed or gone after a disaster strikes. For example, you may decide to rely on cell phones as a back up, but after the disaster, when the phone lines are down, the cell towers also may be inoperable or the cell phone circuits overwhelmed by all of the traffic. Most important, be ready to be flexible, because you will need to adjust your plan to the situation you find yourself in following the disaster.

Steps to Take Well Before a Disaster

Developing, Instilling, & Practicing the Disaster Plan

- Have a staff team develop a disaster plan which assigns roles to each staff member. This plan should contain the specific triggers which when met will begin the plan's implementation. Each staff team handling an aspect of the disaster plan can have a coordinator who reports to the agency's president/CEO. The plan can be reinforced regularly in staff meetings, and the staff can brainstorm regarding possible disasters and the steps that should be taken in each situation. The plan should be reviewed and updated at least annually. When a staff member leaves the agency's employ, his/her duties under the disaster plan need to be reassigned.

- Prepare a list of employees and their contact information that includes their work assignments related to a disaster for the period leading up to the event and after. Producers/sales people should be involved in greeting clients who come in after the disaster.
- Develop a phone tree system to contact all employees before and after the disaster. Document this and make sure all employees know their role. Update your call list and telephone numbers frequently (cell and all other numbers).
- Investigate what services are available to assist the agent with disaster planning, as well as dealing with the aftermath of an event, such as the agent's user group, vendors, association, or computer consultant. (Also see the "Additional Resources" at the end of this report.) Perhaps most important, the disaster plan should spell out specifically where the agency or brokerage firm will turn for help to get each aspect of the business operations back up and running.
- A hard copy of the disaster plan, including a list of all employee, carrier, vendor and emergency numbers and contact information (addresses and faxes), should be kept in a designated place in the agency known by all employees, in case a disaster occurs and the information cannot be accessed electronically. In addition, you may want each employee to have a hard copy of the disaster plan at home, including this same list of employee, carrier, vendor and emergency contact information.
- Different aspects of the disaster plan should be tested and practiced regularly. This should be part of the plan.
- The plan should foresee that when the disaster occurs, the agency or brokerage firm will not be dealing in an environment where some or all of the existing services continue to be available. Plan to be flexible and ready to adapt to the unique situation the disaster is likely to create for you.
- Make a list of all active clients, which should include active policies with the policy number, billing and issuing company, and expiration date of policy. You may also find it helpful to have an expiration list of policies to be processed for the next six months. Make a list of all vendors which can help you get your computers, software, phone systems, phone and Internet lines, and any other systems and equipment up and going again after a disaster. You may want to print these lists as well as export them to a portable storage device of one or more senior staff of the agency or brokerage firm, and even copy them onto a disc that can be retained by appropriate senior staff. It is critical that special steps be taken to protect the security of this vital agency information that is taken off-site.
- Incorporate, as a part of your regular, ongoing communications with your policyholders, information spelling out what they should do in the event of a disaster and whom they should contact.
- Be prepared to communicate with your policyholders via newspapers and radio ads with pre-designed ads. You may need to direct them to a new phone number or to a specific location.
- Consider whether an automated outward bound calling service, using "Reverse 911" technology, might provide your agency with another tool to

communicate a specific message to your policyholders shortly before or after a disaster. If you plan to use such a service, set up the database and the likely script for the message in advance.

- Have a contingency plan to access additional staff resources to relieve your regular staff during a disaster because typically the normal agency workload dramatically increases when dealing with a disaster situation.
- Consider a financial disaster reserve to deal with the added costs the agency may encounter as well as the possible losses due to business interruptions.
- Find out if insurance companies with which you do business will provide the agency with drafting authority for claims if not already permitted under the agency appointment agreement, and if so, set up the workflows for that processing, and include it as a part of the plan.

[Table of Contents]

<u>Protecting Agency Data & Systems & Preparing to Access Them After the Disaster</u>

Listed below are some key steps you can consider taking to protect your data and systems:

- Not only does your most current data need to be backed-up and stored off-site in a secure way, you must be able to access it from off-site. Contact your agency management system vendor to see what it can do to make sure you have access to your management system remotely after a disaster.
- Develop a relationship with your current agency management system vendor or other third party to back-up your data out of your region where you can access it and your agency management system following the disaster from a secure Internet site.
- Make sure your staff are assigned passwords and are trained on accessing policyholder information remotely from this off-site source.
- Some off-site sources will perform authorized functions for the agency, if the agency is unable to access its systems locally. These contingency arrangements should be established in advance so that the appropriate agreements can be put in place, covering such things as scope of the third party's authority to act on the agent's behalf, agency notification before certain actions are taken, and the privacy and security protections the third party will employ to safeguard client and agency information.
- If possible, load your management system on one or more office laptops since these are easier to power up or recharge than a desktop.
- Consider a relationship with a technology firm that has the capability to provide the agency with emergency services, such as a help desk, on-site assistance and equipment to help the agency get back up and running after a disaster.

[Table of Contents]

Protecting Internet Access

- If you use an ASP over the Internet, find out what they can do for you in the event you have no Internet connection.
- If resources allow it, consider having a redundant Internet connection. For example, if you use DSL, get satellite or an Internet wireless service (WAN). Using a combination of WAN and satellite, the Florida Association of Insurance Agents was able to keep Internet access most of the time as it set up in areas affected by the hurricanes in 2004.

Protecting Equipment & Providing for Continued Electrical Power

Listed below are some important steps you can consider to protect your equipment and continued access to power:

- Have a UPS (uninterruptible power supply) on all equipment. This not only allows a controlled shutdown, it also affords a conditioned electrical circuit when power is restored or you use a generator. Never connect a computer directly to a generator due to the power fluctuations.
- Consider a UPS with a power rating that is able to provide continuous power to the workstation for a minimum of 15 minutes, and the servers for a minimum of 30 minutes. This will allow for enough time to properly close all open files and properly turn off the systems, preventing data loss or corruption. Note: Most UPS systems come with software and cables that allow for the automatic closing of files, applications, and the powering off of the workstation/server, if power is lost for a period of time.
- UPS units should be tested at least quarterly. This is best performed when the workstations and servers are in an idle state and not being accessed, and allows enough time for the UPS to recharge (end of business day or weekends). Remove the UPS input power plug from the electrical socket, and record the total time that it takes for the UPS to quit supplying output power to the workstation/server. If the total time is not within your expectations, replace the UPS batteries or entire unit.
- Purchase a generator that can run all mission critical equipment. Don't forget your phone systems. Look into whole office generators. In 2004, 100-200 amp generators cost in the range of $4,000– $7,000. Carefully assess differing power needs in winter and summer. An alternative approach is to contract with a firm that will drop off and activate a generator in the event of a loss of power. The agency should have a high confidence that the firm will perform before taking this approach.
- Test the generator and check the oil and fuel levels according to the directions with the unit, and at least on a quarterly scheduled basis. Make sure to test the generator under an electrical load to assure that it is producing electricity (rather than the motor just running).
- Have a licensed electrician wire your electric panel for a clean cross-over to generator. Don't try to do this yourself unless you are a licensed electrician.

- Make sure the generator is located out of the building and away from its windows and doors, since fumes and carbon monoxide can make staff ill or be lethal. Also consider the impact of the elements on the generator, since you may be experiencing a lot of rain after a storm or ice conditions.
- If the agency has a rented office, find out what plans the landlord has made to power the building in the event of a disaster.

Alternative Communications

Listed below are some important steps you can consider to maintain communications during and after a disaster:

- Understand the phone company's restoration procedures to give priority to businesses such as insurance agencies because of their vital role in handling claims for the public. (Note: Depending on the outage, it's not always a matter of being on the priority list. From a safety standpoint, the phone company may have to restore certain service first to avoid dangerous spikes in power or more outages.)
- If there is a risk that your phone system can lose programmed data, follow the recommended back-up procedures for the system and store the back-up in a safe off-site location, as well as on-site location.
- Know in advance how to switch your incoming telephone calls to another line both at the switch in your office and via your telecommunications provider remotely (in case your office is without power or your staff is unable to get into the office).
- Consider having an alternative telephone answering service such as a call center, a branch location (far enough away so as not to be likely to suffer the same disaster), etc. A remote phone call center service could handle the agency's calls after hours as well as during emergencies. In many cases, these vendors have access to the agency's data to answer questions and can provide referrals to carrier claims centers, if so authorized by the agency.
- Cell phones may not be a reliable alternative system, given that the sheer volume of cell calls following the disaster may overwhelm the system or the cell towers may be down because of the disaster.
- Make sure those handling your calls have been given appropriate scripts and have the most up-to-date carrier claim phone numbers. Have an escalation procedure for when specific agency personnel should be contacted to respond.
- Buy some inexpensive phones that you could use to bypass your phone system's master PBX in the event you get phone service before electric service. You should route an alternative phone line from where it enters the building directly to a phone jack, to which a simple phone set can be attached.
- Have the vendor who installed your phone system develop a crossover for your regular phones to an alternative phone line. Document and test it.

<u>Provisions to Have On Hand</u>

Listed below are some provisions you may want to have on-site:
- Fans, extension cords, batteries, flashlights, battery-powered lamps and radios, and low heat, low-energy lighting available to use with your generator.
- Sufficient bottled water to handle employees' needs for two weeks.
- Canned or dry food goods that do not require refrigeration or cooking.
- Can openers, paper/plastic utensils, plates and cups, trash bags, bleach, paper towels and cleaning supplies, and hand wipes.
- First aid supplies and blankets.

Steps to Take When a Disaster is Imminent

<u>Implement Disaster Plan</u>
- If the triggers to activate the disaster plan are met, begin implementation. Do not delay.
- <u>If the disaster occurs during the work day, and you have warning about it, take appropriate steps to assure that your employees and office remain as safe as possible.</u> Confirm that your employees know their role. If it is after-hours or you have employees who telecommute or work from remote locations, you may need to use your phone tree.
- Activate the central number employees can call after the disaster to get instructions and to learn about next steps. This line can include a recorded message with this information. A secondary "backup" number can be added, further mitigating the chance of lost communications. Direction should include what staff should do if they are unable to meet their assignment.
- Communicate with customers as to what they should do if a disaster strikes and how they should communicate with you in such an event. Include toll-free numbers provided by insurance carriers for claims and/or customer service and numbers for back-up call services if the agency has contracted for this resource.

<u>Protecting Agency Data & Preparing to Access It After the Disaster</u>

If a disaster is imminent, double-check these data and systems issues from your Disaster Plan (See above section on data and systems protection). Also, consider these steps with your work-in-progress:
- Be sure your data is backed-up and secure, per the disaster plan you developed.
- Make sure your data is properly backed-up with your agency management system vendor or the third party you developed a relationship with prior to the disaster. You should have at least two backups that are kept securely in separate off-site locations.
- Be sure your list of all active clients is complete, per the disaster plan you developed. You can also run an expiration list of policies to be processed for

the next six months and contact those renewals that are coming up for action around the time of the predicted disaster.

- Staff should complete processing of all work that is outstanding (consistent with carrier directives), especially that which relates to coverage for the disaster. This includes outstanding endorsement requests; any policies that are not an "automatic" renewal such as E & S placements (paperwork sent in and premiums paid); following up on any policies that are pending cancellation due to non-payment (depending on agency policies for handling such pending cancellations); etc.
- Be sure your list is current with all insurance company addresses, phone numbers and fax numbers with which your agency or brokerage firm does business. Be sure your list is current regarding all vendors that can help you get your computers, software, phone systems, phone and Internet lines, and any other systems and equipment up and going again after a disaster.
- Print all of the above lists as well as export them to a portable storage device that is kept in a secure and safe location by one or more senior staff of the agency or brokerage firm. Also consider loading this information onto the laptop of a senior staff member, provided special attention can be paid to safeguarding the laptop and protecting the security of the sensitive agency information contained on the laptop.
- Disconnect all electrical equipment.
- Make sure all surfaces are clear of paper and that work in progress is wrapped in plastic to protect against water damage, if possible, placed in boxes bearing the employee's name, and put in as safe a location as possible. Before packing desks up, make sure all outstanding work that relates to coverage for the disaster has been processed and sent, as discussed above.

Protecting Equipment & Providing for Continued Electrical Power

Consider these important steps to protect your equipment if a disaster is imminent:
- Make sure your generator has fuel and oil enough to run for days, and possibly weeks. (We have seen agents without power for extended periods of time. It depends on the magnitude of the disaster.)
- Test the generator under an electrical load to make sure it is producing electricity (in addition to the motor running).
- Disconnect all electrical equipment from the wall.
- Take reasonable steps to protect all equipment. Some people put plastic over it, or store it in an area away from the windows where it may be less likely to suffer water or other damage. Double check to make sure all equipment is disconnected from power sources to eliminate possible heat damage.

Alternative Communications

- Redirect your phone numbers in the event you would like to have them go to another number. Do this before the disaster, because after the event the telephone companies will be focusing on other issues, such as restoring service based on priority of need. Phone companies will focus on emergency services, hospitals, and other key support mechanisms first, so be prepared to be without power for some time.
- Call your phone vendor and Internet provider to advise them that they should put your agency on the priority list, since after the storm you will be servicing clients who need immediate recovery help.

Provisions to Have On Hand

Listed below are some provisions you may want to have ready to use during and after a disaster:
- Prepare your office to be without power and phone service. Strategically place lighting and fans around the office since you may not be able to easily find them when you come back. This includes stairwells and entry/exit areas.
- Fill coolers with ice, water, and Gatorade-type products (better than sodas for electrolytes).
- Make sure you have plenty of non-perishable food and snacks for your staff. Sweets work well since they provide immediate energy. Fresh fruit is also a treat if available. Provide for a method to make hot coffee or tea, if possible.
- Fill your refrigerator with other products if you have the power to run it.
- Have enough cash on hand to meet needs following the disaster for a few weeks, since banks and ATM's may take time to come back on line because of infrastructure damages in your area.
- Review your disaster plan as a checklist for all other supplies that may be needed and replenish or purchase whatever is needed.
- Check for full first aid supplies and adequate blankets.

[Table of Contents]

Steps to Take After a Disaster Strikes

Implementing the Disaster Plan

Listed below are some suggested steps to consider taking after a disaster:
- Do an assessment of the damage to your office and equipment. Determine what can be done to bring your office back on-line.
- Assess the personal and financial impact of the disaster on your employees, and make sure their needs are being met, so that they can focus on agency operations. Assist them in any way that you are able, since they are your number one asset!

- Make your office area as safe as possible to accommodate walk-in traffic. If it is not safe, identify another location to meet policyholders and post a sign to direct them. Have the alternative location information posted on your website and included on a message callers hear. Set aside an area of the office to greet clients and start the information gathering. Remember you may have children present so have some toys/activities/snacks to keep them occupied and comfortable.

Provisions

- Have things in place for your policyholders such as water and other beverages, snacks, and most of all…friendly faces. They want you to help them and are there to make a claim. Treat each policyholder as if this were the only claim you received that day because it is their only one. Ask your staff to put on their game face to focus on the policyholder's needs, even though they too are likely to have been affected by the disaster in some way.

Some Final Thoughts

Be sensitive to the pressures on your staff in the aftermath of a disaster. There is a high probability that your staff will be taking thousands of claims from a myriad of different personalities—each having their own feelings. Your employees will be dealing with their own emotions and losses as well. In this environment, schedule shifts that will give your staff time to rest, take care of their personal needs, and rejuvenate themselves.

Unfortunately, disasters can strike in many different forms and levels of magnitude. People's reactions to disasters vary greatly as well. Some people can handle them, others cannot. The key is for you not to be complacent, because disasters do happen. If you plan for the possibility, work your plan, monitor it, and modify it when you need to, you will be prepared, both personally and professionally, and you will guide your agency through the disaster successfully.

Additional Resources

- IIABA has released the *Best Practices of Crisis Management—A Step-By-Step Business Recovery Planner.* This tool includes both a written manual and an interactive CD designed to enable you to create an in-house, fully customized plan to lead your agency step-by-step through the disaster recovery process. This guide is available for $99.95—shipping and handling included. (www.independentagent.com, click on Best Practices, then click on Best Practices Product Catalog.)

- The Institute for Business and Home Safety (IBHS) has a free "Disaster Planning Toolkit for the Small Business Owner" on its web site which

includes a lot of helpful forms. In addition, free single copies of a "Disaster Recovery Folder" are available from IBHS. This tool contains planning advice and can hold the agency's important papers. These tools also make good hand-outs for the agency's policyholders. To access the tools, go to www.ibhs.org and click on "Open for Business."

- The National Institute for Occupational Safety and Health (NIOSH) web site contains an excellent list of emergency preparedness resources and emergency contact information at: http://www.cdc.gov/niosh/topics/prepared/.

- A search of "Insurance Agent Disaster Planning" and "Small Business Disaster Planning" on www.google.com displays several additional resources to consider.

The members of the ACT Disaster Planning Work Group, which produced this report, include:

Ed Higgins, Thousand Islands Agency (chair)
Donna Barr, Marsh, Inc.
Amy Batson, Afni Insurance Services
Madelyn Flannigan, IIABA
Mele Fuller, Safeco
William McCarthy, Liberty Mutual RAM
Carl Moll, Head-Beckman Amerinsurance
Paul Peeples, Florida Association of Insurance Agents
Sue Putnam, SCA Insurance
Bob Slocum, The Slocum Agency
Tim Woodcock, Courtesy Computers
Jeff Yates, ACT Executive Director

Debra Perkins, IIABA Executive Vice President and General Counsel also provided input into this report.

For more information, contact Jeff Yates, ACT Executive Director, at jeff.yates@iiaba.net.