

## LOSS CONTROL TOOLS

# Disaster Planning

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Disaster recovery is defined as returning the entire institution to full operation.

With proper planning, downtime and loss of revenue can be kept to a minimum. Financial institutions have a unique obligation to the community to be the first to open following a disaster.

Natural disasters can come in many forms. The most common natural disasters affecting a community are windstorm, fire and flood. Disasters can be very local in nature, such as an electrical blackout

following a lightning strike or a vehicle collision with a power line and they can affect one institution only, such as an internal fire loss.

Whether community wide or limited to one institution, the key to a fast recovery is proper planning, and planning for the worst. The FDIC includes reviewing the disaster recovery plan as part of their audit process. Their guidelines call for a formal written disaster recovery plan with the following elements:

- An organization wide disaster plan approved by top management and the board of directors
- A key management person designated as the plan coordinator who has responsibility for the disaster management committee
- Disaster management coordinators and branch office leaders with defined duties
- The plan is part of your risk assessment protocol
- The plan is based upon a comprehensive business impact analysis
- A formal agreement exists for an alternative processing site and equipment
- Offsite backups have been tested and audited
- Regular disaster drills are run
- Your IT security has robust access control and security protocols

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While it is certainly commendable to have all of the above elements, there are pitfalls that can cause the best of plans to falter.

### **Communication issues**

In a typical community wide disaster, only about one third of the disaster team will be able to make it to site, due to blocked streets and problems at home.

It is therefore important to have reliable communication alternatives, such as; cell phones with out of state area codes and text messaging capability, satellite phones or two way radios. Alternative meeting places should be set out in the event that the planned location is inaccessible. Employees also need solid identification credentials, showing them as your employees to allow them access to otherwise restricted areas.



### **Authority issues**

Local branch managers or designated disaster leaders have to have authority to act in order to start immediate remedial repairs. Past disasters have shown that much time is wasted while local personnel try to get authority to hire a contractor, who is on the scene, to start repairs. Most property insurance policies give the policy holder wide latitude to take emergency action to mitigate damages.

### **Contractors/Vendors**

It is wise to try to get a commitment from a local remediation contractor for a priority response to any catastrophic event. Often, the general contractor who built the branch location is a good source (they have the plans) or a general contractor who is a depositor at the branch location. Servpro or Servicemaster are both national disaster remediation companies who will respond to disaster events and are skilled at emergency remediation measures.

### **Power Sources**

A reliable power generation system is a vital part of any disaster plan. Whether it is a diesel or natural gas powered system, it needs to be tested monthly under a full power demand load in order to assure reliability. Recent disasters have shown that as many as 30% of power generators will fail to support power demands when needed.

## Small Things

Experience has taught us that little precautions can yield great loss savings. If you have enough warning of a pending disaster, putting all valuable papers and inventory records in the vault can preserve them when needed. Unplugging and covering sensitive computer and other office machines with trash bags can save them and their internal records from water damage. Duct taping windows can avoid damage from shattered glass. Taking all laptop computers home is an overlooked precaution.

With a good disaster recovery plan in place and attention to detail, you should be able to rapidly recover from any catastrophic event with the least amount of damage.

## Source Materials

Federal Deposit Insurance Corporation [www.fdic.gov](http://www.fdic.gov)

Bankers Online [www.bankersonline.com](http://www.bankersonline.com)

Servicemaster [www.servicemaster.com](http://www.servicemaster.com)

Servpro [www.servpro.com](http://www.servpro.com)

*These guidelines are intended to offer general suggestions for follow up and discussion and should not be considered a substitution for professional advice.*