

Emergency Preparation

Every year, emergencies take their toll on business and industry—in lives and dollars. Community associations can limit injuries and damages and return more quickly to normal operations if they plan ahead. The best time to respond to a disaster is before it happens. A relatively small investment of time and money now may prevent severe damage and disruption of life and business in the future.

Ask yourself: What if the worst happened?

How would it affect our owners and employees?

What if we had to shut down the building for weeks or months? What can we do to make sure we survive? Community associations must be prepared for emergencies of many kinds. Be a little pessimistic now, and

assume it CAN happen to you.

With proper emergency planning, a community association's insurance policy is tailored to its specific needs and potential exposures.

What is an emergency?

An emergency is any unplanned event that can cause deaths or significant injuries to employees, residents, or the public; or that can shut down your community association, disrupt operations, cause physical or environmental damage, or threaten the community association's financial standing or public image. Numerous events can be emergencies, including fire, hurricane, tornado, winter storm, commu-

nications failure, civil disturbance, loss of key supplier, or explosion.

What areas should we think about?

Facilities (Buildings & Equipment): What would we do if our community association was damaged, or even totally destroyed? What could we absolutely not survive without? Computers? The elevators? What can we do to assure we never have to live without them?

Operations: What if there was a prolonged power outage? What if our key suppliers or shippers were shut down?

Critical Information & Communications: What if our payroll, tax, or accounting records were destroyed? What if our computer or computerized machinery was destroyed? What if the local phone service was disabled?



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VULNERABILITY ANALYSIS CHART

TYPE OF EMERGENCY	Probability	Human Impact	Property Impact	Business Impact	Internal Resources	External Resources	Total
	High 5 ←→ 1 Low	High Impact	5 ←→ 1	Low Impact	Weak Resources 5 ←→ 1 Strong Resources		

The lower the score, the better.

Insurance: Is our insurance adequate to get us back in operation? Do we understand what is covered and what is not? Can we pay creditors and employees during a prolonged shutdown?

See the sidebar on page 4 for tips on these areas.

What can we do to prepare?

Develop a disaster plan for your community association now so you can rest a little more easily in the future. To begin, you need not have in-depth

knowledge of emergency management. What you need is the ability to create a plan to make emergency management part of your community association's culture.

A disaster plan identifies and quantifies the physical and financial resources necessary to maintain operations after a disaster. The plan will detail the steps necessary to avoid, reduce, or transfer loss exposures. Remember to maintain a copy of the plan safely offsite—it won't help if the plan goes up in flames.

The Federal Emergency Management Agency (FEMA), in alliance with a number of private companies and associations representing business and industry, produced "The Emergency Management Guide for Business & Industry." This publication provides a step-by-step approach to emergency planning, response, and recovery for companies of all sizes. (See below for information on how to obtain a copy.) The guide is organized as follows:

Section 1: Four Steps in the Planning Process—how to form a planning team; how to conduct a vulnerability analysis; how to develop a plan; and how to implement the plan.

Section 2: Emergency Management Considerations—how to build such emergency management capabilities as life safety, property protection, communications, and community outreach.

Section 3: Hazard-Specific Information—technical information

WHERE TO ORDER GUIDE

The Federal Emergency Management Agency (FEMA), in alliance with a number of private companies and associations representing business and industry, produced "The Emergency Management Guide for Business & Industry." This free publication provides a step-by-step approach to emergency planning, response, and recovery for companies of all sizes. It is available through FEMA's web site at www.fema.gov/library/bizindex.htm or by writing to FEMA, Publications, P.O. Box 70274, Washington, DC 20024.

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about specific hazards your facility may face.

Section 4: Information Sources—where to turn for additional information.

Do you have any specific tips?

The following tips will help community associations prepare for emergencies.

Establish a disaster management team with representatives from management and owners. This team will be responsible for establishing your disaster plan.

Analyze capabilities and hazards.

Determine where you stand right now by reviewing internal plans and policies; meeting with outside groups such as government agencies, community organizations, and utilities; and doing an insurance review.

Develop a written checklist for each type of possible disaster. By having a written checklist, you will be sure you will not miss any of the points of your plan in the event of a disaster.

Establish a clear communications process. You should designate one person as the designated spokesperson. Depending on the nature of the disaster,

you may be contacted by the media. You need to be certain that the information you are providing them is consistent, accurate, and current.

Implement the plan. Implementation means more than simply exercising the plan during an emergency. It means integrating the plan into company operations, training employees, and evaluating the plan. Emergency planning must become part of the community association's culture. Look for opportunities to build awareness; to educate and train personnel; to test procedures; to involve all levels of management, all departments, and the community in the plan-

ASK THE EXPERT

“Ask The Expert” is a regular column in *Insurance Focus*, featuring an interview with an expert about an important insurance issue facing community associations. This month our expert is John Ermlich, ARM, vice president and corporate risk manager of USI. Mr. Ermlich has 27 years of insurance and risk management experience. He has worked with numerous community associations in developing risk management programs to meet the specific needs of their communities.

Q: Why is it important to plan for a disaster?

A: You spend valuable time reviewing the limits of insurance you purchased to protect your community association. It's just as important to spend sufficient time developing a disaster recovery plan to protect your association. Business Interruption Insurance will only provide coverage for a certain period of time, and the quicker you get operations back to normal the better.

A detailed and well thought out disaster recovery plan is one of the most important business plans you can have for your community association. Without proper planning, you will not be able to respond quickly should a disaster arise, and you'll probably lose valuable time first assessing the situation and then implementing a solution. Plus, your disaster plan needs to respond to both “internal disasters”

(a fire in your building) and to “external disasters” (an earthquake, flood, hurricane, or even a fire at your largest outside supplier).

Remember that a disaster can occur at any time, and you need to be prepared for the unexpected. Let your employees and owners know that you have a definite plan in the event of a disaster. Conduct periodic disaster drills to make sure you have covered all possible points. The most important component of your disaster plan is managing the situation to the most positive outcome possible. You can only reach that goal by being adequately prepared, and that can only be achieved by planning in advance for a potential disaster. Your insurance company loss control department is a good source of material to help you with this process.

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ning process; and to make emergency management part of what personnel do on a day-to-day basis.

Will insurance cover damages?

Checking insurance coverage is an important part of disaster planning. With proper emergency planning, a community association's insurance policy is tailored to its specific needs and potential exposures. Surprisingly, this does not necessarily mean higher insurance premiums—just a better distribution of coverages to meet actual needs. A professional insurance and risk management agent can assist you in evaluating your facility, drafting and testing your disaster plan, and implementing your overall loss prevention program.

Where should I go for more information?

It is critical to review your association's legal responsibilities and insurance needs with qualified professionals, including your association's legal counsel. If you have any questions, please call Steve Dickerson at Morgan & Cheves (703-739-2346).

EMERGENCY PLANNING TIPS

Facilities

- **Keep extra hard-to-replace parts or supplies on hand.** Store them off-site. If this cannot be done, work with suppliers in advance to assure a secure and adequate supply.
- **Make upgrades now that would prevent possible future damage.** Relying on building codes to protect your facility may not be enough. Strengthening exterior walls, adding a retaining wall, or shoring up a creek bank are relatively minor projects in comparison to losing the building to flood waters.

Operations

- **Purchase a backup generator** to maintain full operations or critical functions such as lighting, entry systems, and computer control in the event of a power failure.
- **Have back-up vendors and shippers in place** in case your primary ones are disabled. Set up relationships in advance and maintain them. Place occasional orders so that they regard you as an active customer when you need them.

Information & Communication

- **Make backup copies of all critical records** such as accounting, employee, and owner data. Store a copy of all vital information on-site and a second in a safe off-site location. Make it a critical part of your routine to regularly back up files.
- **Make pre-arrangements with computer vendors** to quickly replace damaged vital hardware. Surge-protect all computer and phone equipment through power and phone lines.
- **Maintain an up-to-date copy of critical information**, such as phone numbers, computer and internet logon codes and passwords, and employee phone numbers in an accessible location. Develop an employee "telephone tree" to rapidly contact employees in an emergency.

Insurance

- **Review your current insurance coverage.** Make it a regular annual procedure to review and update insurance.
- **Be aware of your contents insurance.** Does it cover the replacement cost of critical equipment?
- **Know what your insurance does not cover.** Most property insurance policies do not cover flood damage. Many require additional riders for windstorm, sewer backup, or earth movement. Consider adding coverage for likely perils.
- **Be prepared for the extraordinary costs of a disaster** such as leasing temporary equipment, restoring lost data, and hiring temporary workers.
- **Don't assume that just because it never happened before it never will.** Flooding patterns are changed by development: water, which runs off new streets and parking lots, may overwhelm nearby streams and surrounding land. Landslides and sinkholes may develop because of distant earth movement, natural or man-made. The creek by your building may be a tiny, placid stream that has never flooded, but a downpour may change it into a destructive torrent that destroys your building foundation. Plan for the worst.



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