

Ready for the *Worst*

Proper planning can expedite a law firm's recovery from a disaster.

By Phillip M. Perry

As the U.S. Gulf Coast continues its long recovery from Hurricane Katrina — one of the costliest natural disasters in U.S. history in terms of lost lives and shuttered businesses — it's a very appropriate time for legal administrators to consider their firms' disaster recovery plans. How would your firm weather the damage caused by an unexpected catastrophe such as fire, flood, wind storm, tornado or earthquake?

Any such event could cripple your firm by destroying buildings and critical records. Just ask the estimated 6,000 lawyers who lost their offices due to damage from Katrina. Suppose you no longer have your accounts receivable. How will you know who owes you money? And what if your customer lists are irretrievable? That will potentially limit your earnings.

"Every business should prepare itself as best it can for disaster," said Don Griffin, vice president of personal lines at the National Association of Independent Insurers in Des Plaines, Illinois. "That means creating a recovery plan."

Let's take a closer look at how to create such a plan.



SHORTCUT

Legal administrators must take the initiative to assess how their firms would withstand catastrophes such as floods, fires, tornados or earthquakes. Follow several key steps to ensure your firm is protected against financial losses and can get back in business quickly in the event of a disaster.

STEP 1: GET THE RIGHT INSURANCE.

Work with your insurance agent to make sure you have all the coverage you need.

"You can't insure yourself for everything that can possibly happen," Griffin said. "But you can look at the policy you have right now and get advice about improvements from an experienced professional."

Make sure your policy covers your firm's building and your inventoried goods. And be aware that property insurance policies do not compensate for flood damage. Such losses must be covered by insurance purchased from the National Flood Insurance Program (www.floodsmart.gov). Finally, consider the benefits of insurance that will maintain your liquidity when revenues screech to a halt. (See sidebar, "Protect Your Revenue Tree")

Understanding the potential for **financial loss** ahead of time will make the actual and **psychological** losses from a disaster **less severe**.

STEP 2: SECURE YOUR CRITICAL INFORMATION.

When disaster strikes, it's too late to think about gathering information from destroyed sources. Now is the time to create records of critical data and store them in remote locations away from your principal place of business.

"Start by putting together your databases of information," said Jeffrey Williams, president of Binomial International, a disaster planning consultancy in Ogdensburg, New York. "In deciding what data to include, imagine yourself trying to run your business from a phone booth. Then make a list of the contacts you will need to call."



Paramount, of course, will be the lists of customers and staff members. These may already be in a backup file. If not, you will need to create a new file of names, addresses and phone numbers.

Once that's done, assemble a list of "emergency responders" — individuals you will need to call to resume operations. The following list contains some you may wish to include.

- Attorneys, accountants and insurance representatives
- Service firms that can accomplish tasks such as removing water from the premises, cleaning, removing rubbish, painting, repairing electrical and plumbing systems, replacing locks and repairing and installing data processing systems
- Real estate agencies, which may assist in establishing an alternative base of operations while restorations continue

Make copies of all of the above data and store them offsite in a bank safe deposit box or your home.

STEP 3: ASSIGN DUTIES TO EMPLOYEES.

"Things will go much smoother if everyone knows what they ought to do in a crisis," Williams said. Based on the data you accumulated in step 2, select people to complete other key tasks.

- Call all staff members and major customers to let them know what has happened.

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- Notify suppliers and insurance companies.
- Arrange for repair work by plumbers, electricians and restoration contractors.

You should outfit an office for temporary quarters while you conduct recovery operations. This may be located in your home or another secure place away from the firm's main office. A copy of your emergency phone number list and your recovery plan should be kept at this location. Have a computer system in place into which the latest data can be installed. Under optimal conditions, this computer would be updated regularly with business data.

STEP 4: MAINTAIN THE PLAN.

Don't just write the plan once and put it on the shelf. It must be a "living document" that people are familiar with and constantly update. You don't want to be stumbling around looking for current information when disaster strikes.

"The plan must be a living document," Williams said. "People change. Either they leave the organizations or they get new home and mobile phone numbers."

Understanding the potential for financial loss ahead of time will make the actual and psychological losses from a disaster less severe. Start by identifying those departments in your firm that have the most impact on cash flow and those that are critical to operations. Then develop an emergency plan to either ensure their continued operation or institute a substitute activity to minimize damage. Pay special attention to developing fallback systems for telephone and computer operations.

No matter how careful you plan, a disaster will undoubtedly have some impact on your cash flow and profits. Draw up an estimate of how much you will lose in terms of productive days. Ask the following questions:

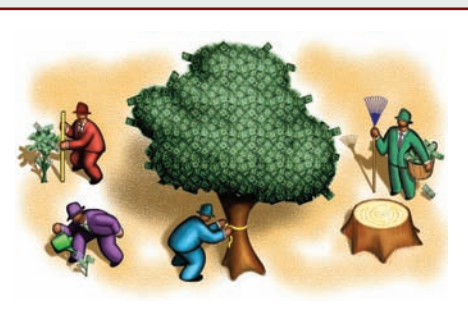
- What impact will the disaster have on your cash flow?
- How will a disaster affect your ability to provide services?
- How much will it cost to get the firm back up and running?
- What inroads will be made by competitors who can pursue your current customers?

ANTICIPATE REQUIREMENTS

While the above steps provide a rough blueprint for obviating a disaster's worst effects, realize that no business is an island. You need to anticipate the requirements of the government agencies that will be securing your buildings in a disaster.

Protect Your Revenue Tree

Property insurance will cover your inventory and assets when disaster strikes. But who will reimburse you for the lost revenue when your firm suspends operations? That's the role of business interruption insurance, and it can be essential to your continued operation while you recover from a natural disaster.



"If you have a fire, your property insurance will typically pay for rebuilding, but not for the other expenses you will incur to continue in business," said Don Griffin, vice president of personal lines at the National Association of Independent Insurers.

Many businesses cover themselves with six months worth of business income insurance. See if your property insurance policy already includes this category of compensation. If not, you will need to have a rider attached or seek coverage from another carrier.

Griffin also advocates purchasing "contingent business interruption" insurance, which protects you against loss if your flow of incoming goods or services is cut off because a key supplier has been damaged by a natural disaster.

"You not only need to plan for yourself, but also for coordinated action with local emergency responders," said John Copenhaver, president and chief executive officer of DRI International, an educational organization in Falls Church, Virginia devoted to disaster planning. For example, if you have a fire at

LEARN MORE

ALA Resources

These titles are available through ALA's Web site, www.alanet.org/education/mrc/index.asp.

- *Disaster Recovery Yellow Pages*, by Edwards Information
- *Disaster Survival Planning: A Practical Guide for Businesses*, by Judy K. Bell
- *Emergency Management for Records and Information Management Programs*, by Virginia A. Jones, CRM, and Kris E. Keyes
- *Manager's Guide to Contingency Planning for Disasters: Protecting Vital Facilities and Critical Operations, Second Edition*, by Kenneth N. Myers

The following articles are available in the ALA Management Encyclopedia (ALAME), www.alanet.org/alame.

- "Disaster Planning Why and How"
- "How to Create Effective Business Continuity Plans Before Disaster Strikes"
- "Business Continuity Planning from an IT Perspective"

The following articles are accessible via ALA's Legal Management Resource Center, <http://thesource.alanet.org>.

- "Disaster Preparedness, Disaster Recovery," by LawNet Inc. – Type in keywords "disaster recovery" in the search engine
- "Classes of Recovery," Computer Network Technology Corporation – Type in keywords "disaster recovery" in the search engine
- "Putting Together a Disaster Recovery Plan," by Jean Barr – Type in keywords "disaster recovery" in the search engine

On the Web

- "Ten Tips for Dealing with Disaster Recovery and Business Continuity Issues," by Dennis Kennedy – www.abanet.org/lpm/lpt/articles/mgt10053.html
- Disaster Recovery Planning A-Z, "The Disaster Recovery Guide" – www.disaster-recovery-guide.com
- *DisasterPlan.com*, "Contingency Planning and Disaster Recovery" – www.disasterplan.com
- Disaster Recovery Community Web Portal, "The Disaster Recovery Planning Forum" – www.disasterrecoveryforum.com

On the Shelf

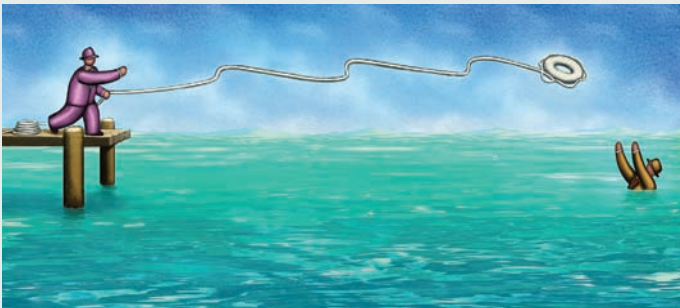
The following titles are available for purchase or download through many online retailers, including www.amazon.com.

- *Disaster Recovery Planning: Strategies for Protecting Critical Information Assets*, by Jon William Toigo
- *Contingency Planning and Disaster Recovery: A Small Business Guide*, by Donna R. Childs and Stefan Dietrich
- *The Backup Book: Disaster Recovery from Desktop to Data Center*, by Dorian Cougias, E. L. Heiberger and Karsten Koo

Lifelines of Information

You'll find a wealth of information at the Web site for the U.S. government's principal source of disaster readiness and recovery information, the Federal Emergency Management Agency, or FEMA. Visit www.fema.gov. To access the comprehensive selection of reference materials, find the section marked "Library" on the lower left part of the screen. Then click on "Preparation and Prevention." Of special interest is the online manual, "Business and Industry Guide for Emergency Management."

The Phoenix Disaster Recovery Planning System, a computer program that assists in disaster planning, is published by Binomial International. A description is available at www.binomial.com.



your building, your local fire department will need to know what types of materials are stored there. The only way to get this done is to establish communications before unexpected events occur.

Ultimately, following some of the basic steps elucidated in this article will help protect you and your law firm against excessive loss from natural disasters. (See the related sidebar, "Lifelines of Information," for two Web sites with additional information about contingency planning.) Investing in the effort to develop a recovery plan now will help preserve and ensure your future success. *

about the author

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