

Commercial Insurance Update

Topics Affecting Buyers of Commercial Insurance

MSP C 08/2006 – “Disaster Recovery Checklist”

August, 2006

Disaster Recovery

A 10-Step Checklist for Disaster Preparedness



Article by XL Design Professional Insurance Company, an XL Capital Company, and Professional Liability Agents Network (PLAN)

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Disaster preparedness sometimes seems like an unending game of “what if?” What if a fire breaks out? What if an earthquake strikes? What if flood waters rage? What if a tornado touches down? What if a hurricane hits? What if a bomb explodes?

And, at another level: What if power lines fall? What if water pipes burst? What if toxic fumes escape? What if computer cables are cut? What if security is breached? What if a riot breaks out?

Sometimes these events seem so remote, they lose their urgency; efforts at preparedness drift into limbo. Yet the stakes remain high. The safety of you and your staff, the security of your business assets, the stability of your income and the future viability of your business – all are threatened when a disaster occurs.

What to Do?

Don’t let the possible scenarios of disaster overwhelm and immobilize you. Although there are some disasters you cannot anticipate or completely control, there are many more for which you can prepare.

You can put a comprehensive plan in place that recognizes the disasters to which you are vulnerable and provides ways in which you may be able to lessen their impact – or prevent minor disasters from escalating into major catastrophes.

But, in the process, don’t ignore the possibility of a major catastrophe – often sudden, widespread and devastating. Begin by thinking the unthinkable. Consider worst-case scenarios for potential disasters (as well as their aftermaths) and plan your responses to them. Confer with local authorities and community organizations to coordinate your actions with any measures they may have in place, particularly for such shared concerns as emergency food and shelter,

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rescue and medical care, transportation and communication.

It is impossible to cover every eventuality in this article. So much depends upon your location, building construction, type of business, size of staff and available resources. This article focuses on some of the current information that may be of strong interest and help to a number of different types of companies, but it should be considered a good first step and not a comprehensive dissertation on the topic.

The information is presented in ten steps that take you from the first concerns at the planning stage to the final considerations in the recovery process. Each step contains a checklist that offers you observations, suggestions and an opportunity to check your progress.

These checklists are not meant to be exhaustive, nor could they be, given the range of firms and professions pursuing disaster preparedness. But they can serve as a helpful introduction to the necessity – and challenge – of preparing for disaster and recovery.



Step 1 – Plan Ahead

Whether your firm is large or small, just starting or long established, the tasks necessary for an effective disaster preparedness plan are the same.

- Identify and locate critical physical assets, fire extinguishers and exit routes.
- Evaluate current insurance coverage.
- Include the following basic elements in your plan:
 - Provisions to protect human life (including first aid and CPR training)
 - Property protection measures for critical equipment, records and systems
 - Contingencies for alternative business services and leasing temporary facilities
- Outline specific measures for specific disasters; include measures for worst-case scenarios.
- Assign people to specific duties in specific disasters; clarify lines of authority.
- Compile lists of vendors and suppliers, off-site leasing venues and emergency phone numbers.
- Identify emergency supplies and establish a location for them.
- Develop on-site emergency and “all clear” signals.

2006 Seminars

Cavnac & Associates' Training Room

Bank of America Plaza
450 B Street, 18th Floor, San Diego, CA

- **How to Lower Your Workers Compensation Premiums**
Friday, August 18th, 2006 — 9:00—11:00 AM
- **OSHA 10-Hour Course**
Friday, September 15th, 2006 — 7:00 AM — 5:00 PM
(Certificates of Completion and OSHA 10-Hour Cards will be issued to attendees who pass all exams on day of seminar)
- **Sexual Harassment Prevention Training**
Friday, September 22nd, 2006 — 9:00 — 11:00AM
- **Property Management Seminar**
Thursday, November 16th, 2006 — Time TBD

**All training sessions available to our clients
Reserve early / seating is limited!**

For more information about upcoming seminars:

- Visit our Web site at www.cavnac.com
- Contact **Jasmin Adriano** by e-mail jadriano@cavnac.com or by phone at **619-744-0596**.

- Post evacuation routes in each hallway next to fire exits.
- Schedule practice drills of plan.
- Conduct post-disaster assessments.



Step 2 – Assess Your Vulnerability

Disaster preparedness begins with recognition of the disasters to which you are vulnerable:

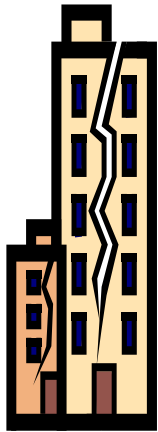
- Earthquakes
- Floods
- Hurricanes
- Tornadoes
- High Winds
- Electrical Storms / Lightning
- Fires (Brush / Forest / Urban)
- Torrential Rains
- Cold Weather (Ice Storms / Blizzards / Severe Cold)
- Power Outages
- Toxic Fumes / Waste
- PCB Contamination
- Chemical Spills

Recovery (continued on page 3)

Recovery (continued from page 2)

- Theft, Security Breaks
- Software Viruses, Computer Hackers
- Labor Strikes
- Civil Riots / Demonstrations
- Acts of Terrorism
- Other _____
- Other _____
- Other _____

Step 3 – Watch for the Big Ones



Earthquakes

- Secure equipment, cabinets and fixtures vulnerable to earthquakes
 - Post evacuation routes in hallways
 - Remain inside building when earthquake occurs. Get under a heavy desk, table or brace yourself inside a door frame or against an inside wall. Move at least 15 feet away from windows.
- Evacuate area only when absolutely necessary, or directed by authority. Use stairway to leave building.
 - After quake, check for fires; extinguish them with extinguisher or baking soda. If you smell gas, turn off main gas valve, open windows, leave building.

Fires



- Install and maintain fire extinguishers, smoke detectors and sprinklers. Consider a fire detection system that automatically notifies a security device.
- Establish evacuation routes and designate person in charge. Conduct fire drills. If there is heavy smoke or fire, stay low; crawl to nearest exit or stairwell.

Floods



- With sufficient warning, raise equipment and furniture above floor level; relocate endangered records, computers and equipment to an alternate site.
- With flooding imminent, turn off electricity and shut off gas service. Evacuate office to an alternate site.
 - Use vacuum pumps to remove water.



Hurricanes

- With first notice of hurricane *watch*, monitor developments on radio/TV.
 - If hurricane *warning* follows, take precautions as time permits.
- Tape or board up windows and glass doors.
 - Where possible, move critical equipment and papers out of the hurricane's path.
 - Turn off electricity and gas
 - Evacuate to a designated shelter. If you cannot, stay indoors – away from windows and doors.
 - Be aware of the “eye of the storm,” the calm that precedes the wind's shift in the opposite direction.

Tornadoes



- With first notice of tornado *watch*, monitor developments on radio/TV.
 - At news of tornado *warning*, prepare to take cover in a designated shelter on or off site.
- Close interior doors. Close windows.
 - If no designated shelter is available, seek cover in halls, stairwells, storage areas or restrooms. Stay away from windows, skylights, exterior doors and walls.
 - Crouch down, under something sturdy, if possible, and cover your head.
 - If outside (or in a car), take cover by lying flat in a ravine, ditch or culvert. Cover your head to protect it from flying debris.

**Step 4
Preserve Records**

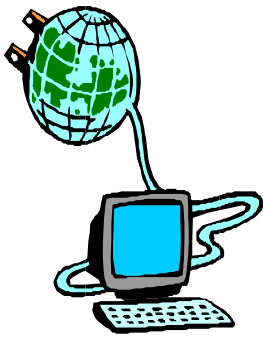


Records in Print

- Store critical records in fire-rated cabinets or safe in a clean and well ventilated room.
- Install fire extinguishers and smoke alarms.
 - Locate files above ground level if flooding is a risk.
 - Bolt file cabinets together and secure to wall if earthquakes are a risk.
 - Lock files when office is closed.
 - Periodically transfer records to off-site storage.

Records on Computer

- ❑ Consider storing backup system and files at a distant location (perhaps a branch office in another county or state) as protection in a major catastrophe.
- ❑ Install smoke detectors near the server and fire detectors and sprinklers in the server room.
- ❑ Periodically change computer passwords for access to confidential information.



Step 5 Stay On-Line

Computer Protection

- ❑ Back up complete computer files at least once a week.
- ❑ Make several copies of backup files, and store them at different locations off site.
- ❑ Inventory all computer equipment.
- ❑ Protect computer hardware.
- ❑ Maintain log of existing software applications.
- ❑ Log all software updates.
- ❑ List controls on personal computers.
- ❑ Periodically update virus protection utility.
- ❑ Identify source for temporary replacement hardware. Review insurance for coverage.
- ❑ Get written confirmation that supplier can deliver replacement computer equipment within a specific time frame.
- ❑ Identify vendors of replacement software. Review insurance for coverage.
- ❑ Have a power supply of sufficient size (capacity) – generators or an Uninterrupted Power Supply (UPS).
- ❑ Place essential electronic equipment in an interior, windowless room, protected from outside flood waters.
- ❑ Install a water detection and drainage system to protect computers from internal waterline breaks.
- ❑ Identify source for replacement/repair of cabling for computer.

Step 6 — Keep Communicating

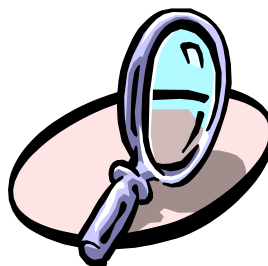


“Keep in touch” is more than just a friendly farewell; it’s the mainstay of modern business – and made fast and immediate by the telephone.

Today you can also reach for your mobile phone, fax machine, or e-mail key. In a disaster, all can be called into – or put out of - service.

- ❑ Plug all electronic equipment into industry standard surge protectors.
- ❑ Check to see if your internal telephone system requires battery backup to operate.
- ❑ Use cellular/mobile phones or fax machines if your internal phone system is inoperable. Have a large supply of batteries (with unexpired expiration dates) on hand. Make sure you have text messaging on your cell phone.
- ❑ Before an emergency occurs, get time estimates from your telephone company for repairing or replacing your cabling – for repairing or replacing the system itself.
- ❑ Check the possibility of getting a temporary system and confirm the necessary time frame.
- ❑ See if your insurance policy covers phone system replacement or repair.
- ❑ Install surge suppression devices between the telephone line and communication devices. Plug your computers into industry standard surge protectors.
- ❑ Determine your communication requirements for a relocation site. Identify vendors/sources for communication equipment.
- ❑ Develop cellular phone list for key people to communicate if access to building is not possible.

Step 7 — Check Your Insurance Policy



Review your office insurance policy to see what it covers and how replacement costs are determined.

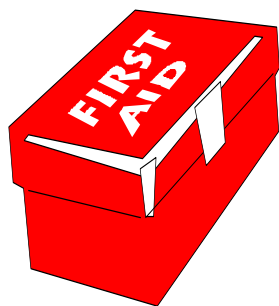
Coverage for:

- ❑ Property loss
- ❑ Business interruption

Recovery (continued from page 4)

- Loss of income
- Payroll for employees during a possible shutdown
- Emergency location setup
- Damage by floods
- Damage by earthquakes
- Damage by water
- Damage by chemicals
- Damage by smoke
- Damage by lightning
- Damage by fire
- Theft
- Replacement and installation of computer hardware
- Replacement of computer software
- Replacement cost *without* deducting depreciation value
- Amount of policy deductible: \$ _____

Step 8 — Be Prepared



Emergency Supplies

The following items are commonly included in lists of emergency supplies. The specific disasters you face will determine your final list.

- Aspirin, bandages and related first-aid supplies, first-aid book
- Bottled water and non-perishable food, soda, instant coffee
- Water purifying tablets
- Paper plates and cups; plastic forks, knives and spoons; non-electric bottle / can opener
- Water for sanitation purposes
- Paper towels, toilet paper and plastic bags; portable toilets, waste drums
- Blankets, cold weather heating source
- Candles, matches in waterproof container, flares
- Batteries – and more batteries (prior to expiration date!)
- Battery-operated citizens band portable radios, tape recorders, TVs, cellular phones
- Fire extinguisher, smoke detector

- Vacuum pumps
- Generator
- Flashlights, spare bulbs, camera, film
- Crow bar, hand tools, crescent wrench
- Ladder, electrical and duct tape, rope
- Cash (banks and ATMs may not be operating; repairers may require cash; employees may need emergency funds)

Step 9 – Call for Help



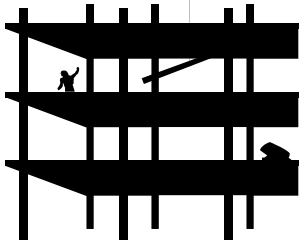
Keep in a safe place – both on- and off-site – the telephone numbers (and fax / cellular phone / mobile phone / beeper numbers as appropriate) you may need after a disaster.

Insurance Agent:

- _____
- Employees (*attach list or indicate its location*)
- Local hospitals, medical clinics: _____
- Ambulance services: _____
- Fire Department: _____
- Police Department: _____
- Electrical contractors: _____
- Off-site data storage center: _____
- Water company / servicers: _____
- Gas company: _____
- Electric company: _____
- Telephone company: _____
- Sewer services: _____
- Alarm company: _____
- Computer hardware suppliers: _____
- Computer software suppliers: _____
- Office supply vendors: _____
- Copier services: _____
- Adjacent business firms: _____
- Local media: _____
- Coordinator of actions between agent and carriers: _____
- Other: _____
- Other: _____

Recovery (continued on page 6)

Recovery (continued from page 5)



Step 10 Begin to Recover

Post-Disaster Actions

- ❑ Check on welfare of employees; identify needs for medical care; seek help.
- ❑ Particularly after a major catastrophe, continue to monitor developments on radio (or TV, if operable).
- ❑ Follow broadcast directives concerning public safety and use of roads, vehicles and telephones.
- ❑ Check building for structural safety, gas leaks; remove combustible material.
- ❑ Take inventory of damage; photograph damage.
- ❑ Coordinate actions between insurance agent and carriers.
- ❑ Where possible or necessary, protect property from further damage (cover equipment, furniture with plastic).
- ❑ Immediately order replacement equipment and supplies.
- ❑ Keep all receipts for incurred expenses; keep a record of total expenses.
- ❑ Have contingency plan in place to resume operations.
- ❑ Have a pre-negotiated lease to an alternate facility.
- ❑ If facility cannot be occupied, lock it and post signs; arrange security to prevent looting. Move office to a temporary location, branch office or a cooperative office.
- ❑ If necessary, alter business hours; initiate car pooling; keep employees' schedules flexible, allowing leaves if essential.
- ❑ Prepare public service announcements (PSAs) of relocation site and business hours – or of business closure. Also consider telephone trees to get the word out to employees and clients, and call forwarding or an answering service to direct calls away from your former office.
- ❑ Make sure that any other computer system you use on a temporary basis is compatible with yours.
- ❑ After a major catastrophe especially, be prepared for:
 - Lack of electricity and telephone service for several days or a week

- Uncertainty about the availability and delivery of goods
- Limited hours and heavy demands on banks and other financial institutions
- Delays and difficulties in vehicle repair and rental because of increased demand, heavy work load and shortage of parts

You can never anticipate every possible disaster, but a well-thought out Disaster Recovery Program will go a long way toward reducing the potential impact of a catastrophic event and give your company a better chance of survival. ✨

Disclaimer: This article is written from an insurance perspective and is meant to be used for informational purposes only. It is not the intent of this article to provide legal advice, or advice for any specific fact, situation or circumstance. Contact legal counsel for specific advice.

Determining the Validity of an Internet Site

*Article courtesy of Cavnac & Associates'
Employee Benefits Department*

When trying to determine if an Internet site is a valid place to obtain health care information, consider the following:

- Is the name of the author listed on the page?
- Is there contact information for the author other than an e-mail address?
- How are the “facts” presented?
- Does the author provide a place to find “further” information in which you can verify the facts he/she has discussed?
- Are there charts, graphs, or other visuals to support the author’s claims?
- Is the information written with objectivity, or is there author bias throughout the article?
- Do the advertisements promote the author or company opinion?
- Do the advertisements relate to the topic or subject?
- How recently was the page written, published, or last updated?
- Can you verify the information or conclusions through other creditable sites? ✨



Workers Compensation: Reduce Injuries and Claims with a Successful Safety Incentive Program (SSIP)

By Stuart Nakutin, CSM, ASP, AIC, WCCP, CPDM

Reduce claims by instituting a Successful Safety Incentive Program (SSIP). This involves a cultural change in the way companies think about safety itself and typical reward programs for their workforces.

Instead of penalizing an employee who does not perform well, reward employees for non-optional good behavior.

Good Behavior Rewards Program (GBRP)

By making all employees eligible to win cash and prizes, all employees become involved in the safety process, and their behavior begins to change – both in the way they think about safety and how they actually perform their work. Here are the keys to success:

Mottos to Motivate

- Work safe today – you have a family
- Safety is doing the right thing – even when no one else is looking

Make the message “*safety because we care about our employees*” – no games, just safe behavior.

Begin an Immediate Safety Recognition Program (ISRP)

1. Look for Safe Work Activities Every Day, All the Time, and Give Small Rewards on the Spot

- Provide monthly awards
- Keep the focus on safety by meeting and discussing accidents, near-misses, and safety every month
- Celebrate injury-free months with as many employees attending over as many shifts as possible, and
- Deliver with lots of enthusiasm

2. Make Rewards Large Enough to Influence Behavior

For employees that are inclined to act carelessly and violate safety procedures, a pizza party or \$50 is not

going to change their behavior. Offer at least one award that is desirable and large enough to encourage behavior change.

While a company can't afford to have every employee win every month, every employee who acts safely can qualify to win every month. Use a drawing to provide the award to one of them. Workers compensation costs are so high that they justify a meaningful award.

3. Encourage Positive Peer Pressure

Getting your employees to encourage each other to do the right thing and discourage unsafe or dishonest behavior is one of the cardinal rules for safe companies.

If the rewards are meaningful, and there are positive benefits for teams and departments to be safe, companies can create an atmosphere of teamwork and an important second level of peer pressure. Those that want to do the right thing are given a reason to step up and exert influence on those who are not as careful or dedicated.

4. Manage the Program

Stay involved and make changes to the safety program after both bad and good months. Stay visible, stay involved, and keep the program fresh and interesting. Add surprises, such as having the president attend, and spontaneously add a couple of \$100 awards to names drawn from a hat.

If you invest the time, effort, and money, the payoff can be ten-fold. A safer company tends to be a happier company, with better morale and productivity. ✨

Stuart Nakutin is Cavnac & Associates' Director of Loss Control Services.

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Avoid Discrimination Lawsuits!

By Stuart Nakutin, CSM, ASP, AIC, WCCP, CPDM, Director of Loss Control Services

Do you know how devastating a discrimination lawsuit can be to your company? Did you know that the cost to defend yourself in such a suit – both in money and time wasted – can be ruinous, even if you win?

The information below addresses some of the common errors businesses make, and can help you protect your business from employee-related lawsuits. Feel free to share it with your business colleagues.

- Adopt a **written employment manual** and use it properly. By committing certain procedures to writing, you will operate in a fair, consistent manner. However, be sure to apply each element consistently or it could work against you.
- When hiring, **prepare a job description** so you know exactly what you are looking for. It's a good idea to have one manager trained in human resources do all the interviewing. Each applicant should be asked the same questions.
- When hiring, **avoid questions** about an applicant's race, gender, marital status, age, religion, union affiliation, arrests, birthplace,

citizenship, workers compensation history or disabilities.

- **Train employees** about sexual harassment prevention and other employment laws. Do it at the time of hiring and at least annually for all employees. Not only will this reduce the chance of problems, but it could be your only defense if an incident occurs and you are named along with the offender.
- **Take prompt action in writing** with any employee problem, be it simply poor job performance, sexual harassment violations or anything in between. Documenting problems gives the employee an opportunity to improve, and protects you if you are sued by an employee you fire.
- **Never fire in haste or in anger.** Make sure you have documented the issue involved. Talk to your attorney about any problems that might come up. Firing an employee is an important business decision, and deserves thoughtful consideration and fairness to the employee. ✨

Summer Grilling Safety

Don't Let Your Barbecue Go Up in Smoke!

By Stuart Nakutin, CSM, ASP, AIC, WCCP, Director of Loss Control Services

Grilling is a pleasant and healthful way to cook in the summer. But whether you use a gas or charcoal grill, you need to know the hazards.

According to the City of San Diego Fire Department, the leading causes of structure fires involving charcoal-fueled grills are (1) unattended cooking and (2) placing combustibles too close to the grill. The leading causes of fires involving gas-fueled grills are (1) parts failures, (2) leaks, or (3) breaks in the fuel line.

If you use a grill this summer, follow this advice from the Home Safety Council:

- Position your grill **at least** three feet away from other objects, including the house, shrubs, or bushes.

- Make the grilling area a **"No Play Zone"** for kids and pets.
- Use only starter fluid made for barbecue grills when starting a fire in a charcoal grill.
- Check the connection between the propane tank and the fuel line before using a gas grill to be sure it is working properly and not leaking.
- **Immediately** turn off the gas if you detect a leak, and don't attempt to light the grill again until the leak is fixed. **Never** use a match to check for leaks!
- **Never** bring a barbecue grill indoors, or into any unventilated space. This is both a fire and carbon monoxide poisoning hazard. ✨

