

With all the devastating news about hurricanes, tornados, snowstorms and floods, why are we so negligent in planning for catastrophes of any kind? Every day businesses are forced into crisis mode by natural disasters, business surprises and legal difficulties.

Despite the news stories, we still believe "it won't happen to me." Hurricane Katrina recently showed the staggering difference between firms that were prepared and those that were not. Business owners with careful contingency plans had a significantly better chance of survival than those without.

Are you prepared? Here are three steps to mitigate business interruptions.

The **first step** is to identify what can go wrong and estimate the costs.

"BUSINESS OWNERS WITH CAREFUL CONTINGENCY PLANS HAD A SIGNIFICANTLY BETTER CHANCE OF SURVIVAL THAN THOSE WITHOUT."

Several Louisiana companies understood the flood danger from old levees and knew their customers couldn't wait for ongoing service. Shrewd owners moved offices and documents to higher floors and created data backups accessible from well outside the city. Employees were trained to work with customers from remote locations and jump in for colleagues who might not be immediately available. These precautions were far less costly than having to recreate everything from scratch. And the process of rethinking their operations created more streamlined processes, saving money up front.

The **second step** is to write up simple business continuity plans - how to restore operations quickly - for your more likely scenarios. Assign tasks to a small crisis management team to detail the steps to take during and after a crisis and to catalog what you'll need in advance.

Recently a manufacturer said that to survive a major loss he needed to be able to serve customers within a month. We listed his major factory equipment and researched the delay times to get replacements. He was surprised to find it would take close to 4 months to replace most machines! A contingency plan was clearly needed, and he began contacting several of his best competitors to offer a mutual aid program. If any one of them suffered a crippling loss the other(s) would offer their facilities during off days or second shifts. This was a perfect example of where insurance can't help your business to survive.

The **final step** is testing and supporting your plans.

A property developer's contingency plan was designed to include these steps:

"WHY ARE WE SO NEGLIGENT IN PLANNING FOR CATASTROPHES OF ANY KIND?"

- Backup tests every six months on different equipment
- Quarterly updates to customer, supplier, and employee contact lists and hard copies off-site
- Annual meetings with outside experts like employment or general business lawyers, human resources consultants and insurance professionals to stay current with legal and regulatory trends
- Annual team celebrations plus planning updates and new ideas
- Regular review of insurance protections: what coverages do you have for these situations; what else is available; what documentation will you need to prove a loss?

Then, as Murphy's Law suggests, keep your fingers crossed. My father likes to say, "I expect to be lucky, and the harder I work at it, the luckier I get."