

# Disaster Recovery and Business Continuity Plans

## Property Risk Management Guide from Liberty Mutual Insurance



Many businesses find themselves under-prepared when disaster strikes.

A well-thought out and documented Disaster Recovery and Business Continuity Plan can make the difference between a temporary business interruption and the complete and permanent disruption of operations.

Disasters happen every day and affect businesses large and small. These can include far-reaching newsworthy events, as well as other lesser, but more frequent occurrences that can still threaten the lives of employees and customers, your property, the environment, and business operations.

Percentage of U.S. companies that have had business operations interrupted by listed peril.\*

Human error	34%
Lightning	34%
Flood	17%
Fire/Explosion	14%
Hurricane	12%

\*The Rough Notes Company

### Reducing Uncertainty

Only you can develop your disaster recovery and business continuity plan. Your operations, hazards, and capabilities are unique, and your plan must be tailored to your own circumstances. No “off the shelf” plan will fit your needs perfectly; however, we can offer a framework on which you can begin to build your plan.

When disaster strikes there is little time to react and even less time to evaluate and develop plans, teams, and procedures for communicating key logistical information.

Take the following steps to help combat the risks of an unexpected interruption and help create a successful disaster recovery plan:

- Establish a planning team
- Analyze perils and capabilities
- Develop a draft plan
- Test and implement the plan
- Update the plan

### Establish a Planning Team

The success or failure of a company’s disaster recovery and business continuity plan requires implementation from the top down, which results in greater attention to risk at every level. All departments and levels should be represented on the planning team with no individual acting in isolation. For full effectiveness, the planning team should be led by a project manager who has ultimate responsibility for writing and updating the plan.

### Analyze Perils and Capabilities

After establishing a planning team, the next step is to identify *perils*, their *likelihood* of occurrence, and the *threats* they present to your employees, property, environment, and business operations. Additionally, consider perils that may affect your *critical vendors* and customers. A “critical” vendor is defined as one that, if lost, would severely impact your business.

---

## Plan for Impacts

Develop your plan for the *impacts* of the selected perils since the volume of perils identified during your analysis may be vast. Attempting to develop a plan to address all possible disasters can be all-consuming, and may still be incomplete. A more concise and thorough approach is to plan for *impacts*.

## Complete a Vulnerability Analysis

Completing a vulnerability analysis with probability charting can help identify common impacts and critical business operations. There may be some elements of your business that are important but not critical to meeting the company's basic goals of continuity of operations. For example, marketing, research and development, product testing, etc., can most often be suspended for short periods of time without permanent consequences, and some resources may be redirected to other, more critical operations. Identify regulatory requirements for life safety and disaster preparedness, including any public sector resources.

## Develop a Draft Plan

Each identified impact should have the following corresponding plans:

- Strategic plan: A guide for activating recovery procedures
- Emergency Response Plan: A guide for responding to the various impacts
- Mitigation Plan: Seeks to minimize or eliminate hazards
- Recovery Plan: Focus on priorities, vital resources, and restoration

## Strategic Plan

A guide for activating recovery procedures, the Strategic Plan states the plan's objectives and scope, structure, and personnel's responsibilities.

### Strategic Plan Elements

The following elements should be considered in the Strategic Plan:

- Direction and control: Define lines of responsibility and authority
- Communications: For employees, the public, customers, vendors, authorities, etc.
- Property protection: Security to site, security of information
- Community outreach: Capabilities of organization to aid in community wide event
- Administration and logistics: Offsite command center, relocation of operations, employees
- Financial requirements: Funding of each phase of plan, maintaining revenue streams
- Who is responsible for the budget
- Who oversees the business recovery effort

### Plan Considerations

Consider these aspects as you develop your plan.

- Plan Purpose (what is it designed to achieve). Example: Reduce business interruption, continue operations at alternate site
- Scope (What does the plan address). Example: One or multiple business units, local, or widespread event
- Assumptions (what is taken for granted in the plan, confidence level). Example: Outside response, use of infrastructure, in-house capability
- Plan Elements (plan structure, access, use). Example: Posted on web, paper documents in kit, USB drive

---

## Emergency Response Plan

The Emergency Plan is a guide on responding to the various impacts identified in the development phase and provides details regarding what constitutes an emergency, how to report them, how to respond to them, establishment of a command structures, and safety program information.

### Emergency Plan Elements

The following elements should be considered in the Emergency Plan:

- Method to define levels of emergencies: Coded signal, numerical, threat level
- Method to report emergencies: Fire alarms, other alarm, PA system
- Evacuation Procedures and Routes: Evacuation rehearsals
- Consideration for disabled personnel: Identify and plan for their safety
- Procedure for employees with role in the plan: Shut down, critical services
- Response team contact procedures: Use of calling trees, social media
- Security procedures: Identify authorized personnel, site security, manage funds
- Rescue duties: Training, equipment
- Shelter in place procedures: Identify perils, manage shelter, shut down
- Media relations guidelines
- Medical alert procedures
  - On site staff and training
  - Notification procedures
  - List of potential medical impacts
  - Access to medical services
  - First aid and personal protective equipment availability

## Mitigation Plan

A Mitigation Plan seeks to minimize or eliminate hazards that expose your company to perils, to guarantee the response of vendors selected in the strategic plan, to ensure the life safety of personnel, and to provide guidance on site security and business resumption including communicating with customers.

### Mitigation Plan Elements

The following elements should be considered in the Mitigation Plan:

- Pre-event: Measures designed to prevent or reduce the impacts
  - Consider agreements with key vendors
  - Evaluate use of alternate sites, mutual aid agreements (with competitor)
  - Review insurance requirements
  - Prepare crisis kits
  - Repair/replacement availability of critical production equipment and systems
  - Evaluate critical raw materials and packaging replacement availability
  - Evaluate ability to restore critical production utilities such as electrical power, steam, compressed air, cooling water, etc.
  - Evaluate ability to restore critical computer and communications equipment and systems
  - Identify facility access

- 
- During an event: Procedures to help manage the event while it is occurring
    - Life Safety considerations
    - Document events
  - Post-event: Measures designed to reduce the time to return to operations
    - Secure the site to prevent further damage
    - Initiate agreements with vendors, mutual aid
    - Take photographs of damage
    - Keep track of expenses

### Recovery Plan

The Recovery Plan should focus on short and long term priorities, access to vital resources, and time frames for restoration of services, facilities, and infrastructure.

#### Recovery Plan Elements

The following elements should be considered in the Recovery Plan:

- Strategies to recover critical operations
- Procedure to obtain critical equipment and supplies
- Provisions to house essential personnel
- Focus on time sensitive applications
- Consider alternate site resources
- Create special ledger for accounting of all expenses

### Test and Implement the Plan

After the plan is drafted, complete a functional exercise and evaluate the essential elements. Grade post-incident reports to identify weaknesses and lessons learned, and take corrective action where necessary.

When testing is complete, the plan should be integrated into operations through the following means:

- Publication (including off-site and web-based access),
- Training, including:
  - Cross-training for certain key positions
  - Details of the emergency action plan
  - Evacuation plans
  - Alarm systems reporting procedures for personnel
  - Shut down procedures
  - Types of potential emergencies
- Drills and response rehearsals.

Determine what kind of training is needed, to whom it should be provided, and when it should be conducted. Drills should be held at random intervals, at least annually, and include, if possible, outside police and fire authorities.

### Update the Plan

After the plan has been implemented and tested satisfactorily, the planning team should conduct a review to identify, evaluate, and update the following:

- Plan components
- Effectiveness and response times
- Discontinuities

- 
- Changes in critical support staff
  - Notification information
  - Organizational and operational changes
  - Impact analyses

Revise the plan as necessary. This review and any necessary updates should occur annually, at a minimum.

### Conclusions

Many organizations are being asked about their preparedness efforts by their customers, and it certainly is a consideration of insurance companies. Having a well-designed and rehearsed Disaster Recovery and Business Continuity Plan benefits your organization not only by increasing your chances of surviving a disaster but also by increasing the confidence of your customer base that you will be able to continue to provide the goods and services they need to stay in business.

### Resources

NFPA 1600, *Standard on Disaster/Emergency Management and Business Continuity Programs*.

---

[libertymutualproperty.com](http://libertymutualproperty.com)   @LibertyB2B

The illustrations, instructions and principles contained in the material are general in scope and, to the best of our knowledge, current at the time of publication. No attempt has been made to interpret any referenced codes, standards or regulations. Please refer to the appropriate code-, standard-, or regulation-making authority for interpretation or clarification. Provided that you always reproduce our copyright notice and any other notice of rights, disclaimers, and limitations, and provided that no copy in whole or in part is transferred, sold, lent, or leased to any third party, you may make and distribute copies of this publication for your internal use.

© 2014 Liberty Mutual Insurance, 175 Berkeley Street, Boston, MA 02116. PE 1054

01/15