CONTINGENCY PLANNING

Business Income insurance is the most complicated and misunderstood form of insurance, resulting in misconceptions and wrong decisions that cost businesses a lot of money and some people their jobs. Clearly, most businesses do not know how to calculate their needs resulting in over 70% of them going out of business after a major loss. At the same time, the other 30% never quite fully recover, as they are always playing “catch-up” with the marketplace. Most executives rely on their financial statements for planning and financing activities, but these are not the correct numbers when it comes to insurance values or loss recovery.

As complex as this issue may appear, a systematic approach will guarantee that the right kind of insurance is purchased for the correct amount of coverage. A Business Contingency Plan also ensures that alternative actions and resources are identified and everyone in the organization is aware of their responsibilities. This approach is essential to a smooth recovery, making sure adequate resources are available.

The first stage would be to review the disaster recovery planning process because this impacts the calculation of both the business income limit (how long it takes to recover the business) and the extra expense limit (the amount of extra financing you need to recover immediately). Next, review the insurance coverages because they directly impact what and how much of the loss will be paid. You will not know how much financing you require until you understand how the contract will respond. Otherwise, it is like asking a bank for a loan without knowing how much you really need. Finally, calculate how much income the business will lose and how much extra expense will be needed to recover as quickly as possible. Risk management and business continuation planning are critical components of a competitive strategy. Contrary to popular belief, disasters do happen, and they do not always happen to the other person. Organizations need a business contingency plan for protection of market share and brand reputation, regulatory compliance, maintenance of cash flow, protection of vital records, protection of assets and employees, and the survival of the company.

Companies don’t plan to fail, they fail to plan!

Most organizations do not have a fully tested contingency plan, jeopardizing their assets and their employees’ lives. The business contingency plan is the survival document that determines what needs to be done and who is responsible for implementation. Strategic plans include response to permanent total/permanent partial damage, or temporary total/temporary partial damage, as well as “hot work” issues (continuing to operate while repairs are ongoing). We suggest Internal Audit be involved and responsible for overseeing the plan.

Determining the disaster recovery period directly impacts how much financing (insurance) a company will need in order to rebuild their business after a disaster. The contingency plan identifies the continuing expenses and lost profit (business income), as well as the extra dollars (extra expenses) that are needed to carry the company through
the recovery period. This recovery time is measured from awareness of the disaster/event, to the time it takes for the organization’s revenues to reach their projected level had there been no loss.

Without a plan, an organization does not know what to do or where to go after a disaster. Time and resources are wasted tying to recover the business instead of creating a more efficient operation. The contingency plan is an opportunity document that allows the organization to look at all phases of the operation and use the recovery as the time (based upon a cost/benefit analysis) to eliminate low margin products, flatten the organization, and increase productivity. The result is to reform the organization into a more efficient operation, competitively ready to do business into the next decade.

The key components of the contingency plan are developing a strategy, assessing the impact of various catastrophe scenarios on the organization, protecting employees, assigning specific contingency responsibilities to teams with the appropriate expertise, and finally, testing, testing, testing. Develop a contingency plan that makes the disaster transparent to the marketplace, one that will reduce the recovery time and allow you to stay in business while the property is being restored. Then purchase sufficient business income insurance or secure other financing for the full time frame of recovery. Keep in mind that business income insurance policies generally do not pay for the rebuilding of inventory. Use the inventory coverage on your commercial property policy.

Do not forget that the plan also includes the community’s response capabilities. When testing your plan, include the emergency management system (police, firefighters, hospital, and ambulance) so they may also rehearse their response plans.

The easiest way to develop a business contingency plan is to separate it into its different components.

- The Contingency Coordinator, who heads contingency planning committee, is appointed by the chairman or president with the committee consisting of the senior managers responsible for such areas as operations, legal, sales, administration, etc. It is the responsibility of this group to outline the strategic plan and to supervise the development and testing of the company’s contingency plan. We suggest Internal Audit monitor the plan’s overall progress throughout the organization and report to the committee.
- A business impact analysis is completed to identify bottlenecks and the most serious threats to the organization. Functional unit managers are required to complete the business impact analysis for their area. They are also responsible for reducing risk and implementing operating efficiencies, establishing necessary back-ups, and eliminating unnecessary redundancies. Additionally, they should identify outside resources that could be helpful at the time of a disaster and establish interactivity with them.
- Next, to protect employees and visitors, life safety procedures should be implemented and practiced.
- Contingency teams and their responsibilities are identified, staffed, and supplied.
- The plan is tested, tested, tested.
STRATEGIC PLANNING is the general outline of what actions the company will take should a disaster occur. Base the length of recovery time on the worst possible loss that could occur and consider seasonality, as well as new and renewal business. For example, if a Christmas ornament manufacturer has a disaster in July that takes a year to recover, not only may they lose the current season, but the next one as well. That is two years of sales – enough to bankrupt most companies.

- Determine how long the marketplace will allow you to be nonfunctional before you start losing business. This is your Return Time Objective and it dictates all the other components of your plan. For example, if you are the only business selling your product or service, customers will wait “forever” and you will have time to recover. On the other hand, if there are a large number of suppliers for your product or service, you may only have three or four weeks to get back into the market, so it is critical to have a well-developed contingency plan.

- Ascertain how much data you could afford to lose. This is your Return Point Objective and will determine your back-up policies. For example, if you can lose one week’s data, why back-up every night? On the other hand, if you cannot afford to lose one day’s data, why back-up only once a week? Also, do not store back-up data in the same building where you operate. Store it at least 25 miles away.

- Review your storage facilities. Do you have a separate warehouse? After the disaster, how much undamaged inventory will you have on hand or in the marketplace? Could you “stuff” the pipeline and redistribute inventory after the disaster? For example, if you have one month’s inventory on hand, you might have one month to recover before you start losing sales. Also, if there is extra inventory available in the marketplace, you might be able to redistribute it to take care of key customers. At the same time, if you have one month’s inventory available then you will not lose sales during that first month. This means you do not have to finance (insure) one month of lost sales.

Decide what you want your organization to look like in the future.
In order to be competitive into the next decade, what changes should be made to the organization?

1. Operations: Do you continue what you are presently doing or do you change the company focus? Would the organization benefit from totally new or revamped products, services, delivery systems, or organizational changes? What do you want your organization to look like? Are you ISO certified? What are their requirements? What should your staff configuration look like? Do you want to change departmental reporting
and/or responsibilities? For example, do you switch from manufacturing to wholesale by subcontracting the manufacturing operations? Do you stop selling shoes in stores and start selling purses over the internet? Do you franchise your locations? Should you flatten out and remove all middle management? Do you outsource R&D, mail, shipping, bookkeeping, etc? Should you make everyone responsible for income generation? Do you implement a production/sales incentive program?

2. **Supply chain:** What changes will make it more cost effective? Are you “just in time” and what happens if they are late? For example, do you change, add, or consolidate your suppliers? Be careful. If you consolidate suppliers and any one of them represents more than 20% of your sales, you need to protect your exposure to loss if they suffer a catastrophic loss. How do you integrate and employ their contingency plan? Will they “quick ship” for you and lengthen your payment terms?

3. **Customers:** Who are your customers? What should you change in your relationships? Are you meeting their needs and are they meeting yours? Should you change payment terms and/or eliminate slow payers? For example, have your customers prepay for services during the recovery period. Reduce or eliminate deliverable requirements. Do you have a customer and supplier contact procedure? Who is notified first?

4. **Facilities:** Will you work in the same physical space? What physical changes may you make to increase production and reduce expenses? Where are the building plans? Have they been updated with improvements, and do they conform to regulatory requirements such as the Americans with Disability Act? Consider preparing architectural designs for your new facilities. That way you will not waste time after the disaster trying to figure out what you want. For example, consider replacing the current one story building with three stories. Would it be beneficial to change the loading dock configuration, reposition the sales department near the receptionist, or put R&D next to the production area? Be careful to pay attention to building occupancy/use and parking lot requirements not to mention any EPA issues. Are there any municipal easements or paper roads that would interfere? Might you make use of your suppliers’ or customers’ facilities, thereby reducing your own building needs?

**BEWARE!** The insurance policy will only pay the value to replace your current facilities (depending upon your coverage), but you can add your own money and build anything you want. **PLAN FOR THE FUTURE!**
Some questions to consider as you develop your strategy:

1. Do you immediately continue operations or do you wait to assess the damage?
2. Do you change operations, organization, or distribution model?
3. Which departments or products will recover first?
4. What are the existing or necessary redundancies in plant operations, computer operations, utilities, and personnel?
5. If you are a tenant, what is the landlord going to do to help you recover?
6. Do you give discounts or other considerations to keep your suppliers and customers?
7. Do you use a competitor or your own employees to continue operations?
8. Will the bank and other creditors allow you to delay payments and/or increase your credit line? Will investors allow you to delay dividends? How much cash do you need? Set aside a sufficient amount of cash to see you through at least three month’s expenses.
9. Is there a crisis management media protocol and who is the spokesperson?
10. What are the computer operations back-up procedures?
11. Do you need a hot, warm, or cold site? Will you have a guarunteed seat at a guarunteed location?
12. How long will it take to permanently move or repair the facilities?
13. Do you move to another location or rebuild? If you move, where will you go? If you rebuild on your current site, where will your temporary facility be located?
14. What type of a new facility do you want and have the architectural plans been developed?
15. Who are the members of the incident command team and where is the command center located?
16. What will you do if a major supplier, subcontractor, or customer suffers the disaster?
17. What is the employee notification system?
18. How long will it take to replace key personnel, equipment, or materials?
19. If material, equipment, or personnel are one of a kind, do you acquire a duplicate now?
20. What do you do if you lose your utilities?
21. What do you do if you lose access to your premises?
BUSINESS IMPACT ANALYSIS

A Business Impact Analysis provides the framework for recovery prioritization and streamlining of operations. The two components, operational flow analysis and risk assessment, will point out inefficiencies and provide a road map for establishing needed redundancies.

The Operational Flow Analysis is completed to determine bottlenecks and single points of failure (such as single source supplier) in order to implement changes so disasters in these areas will not totally shutdown the organization. It is organized on a geographic or location basis as the same disaster may impact several areas of the operation.

- **Loss of a supplier:** How long to replace the supplier? Could other suppliers increase their shipments to you? Do you need to increase your inventory on hand to account for this delay?

- **Loss of the warehouse:** Can the materials be shipped somewhere else? Can you use “just in time” and ship directly to the production area? Could you erect temporary storage and obtain the proper permits?

- **Loss of a subcontractor:** How long to replace the subcontractor? Could the other suppliers increase their shipments to you? Do you need to increase your inventory to account for this delay?

- **Loss of production:** Do you have redundant facilities or can you subcontract to someone else? Where might you go to operate – rent and retrofit a facility yourselves or rent another producer’s facility to use at night? NOTE: At least quarterly, have a commercial realtor check the availability of space according to your specifications. That way, when disaster strikes, you will not waste precious time trying to locate a facility.

- **Loss of customer:** How long will it take to replace and how will you service the new customer?
- **Loss of transportation:** Are there alternate shippers, routes, or methods? For example, air freight instead of by truck. This would be a covered extra expense on most insurance policies.

- **Loss of communication:** Would you use fax, email, satellite phones, or establish an 800 number?

- **Contingent exposure:** What other companies do you rely on for your sales and what would you do if they suffer a catastrophic loss? This financial exposure should be calculated and properly financed.

- **Redundancy:** Are there duplicate facilities, equipment, operations, etc.? This could be the difference between survival and closure.

**THE RISK ASSESSMENT ANALYSIS** will determine the events with the highest probability and greatest impact on the organization (see Threat Matrix Template below). Once these exposures are identified, then develop plans to reduce these risks. For example, if you are worried about fire, install sprinklers.

**THREAT MATRIX TEMPLATE**

### NATURAL DISASTERS:

<table>
<thead>
<tr>
<th>Event</th>
<th>Probability</th>
<th>Impact</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire</td>
<td>Medium probability</td>
<td>High impact</td>
<td>(2)</td>
</tr>
<tr>
<td>Explosion</td>
<td>Low probability</td>
<td>High impact</td>
<td></td>
</tr>
<tr>
<td>Flood</td>
<td>Low probability</td>
<td>Low impact</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>High probability</td>
<td>High impact</td>
<td>(1)</td>
</tr>
<tr>
<td>Blizzard/ice</td>
<td>Low probability</td>
<td>Low impact</td>
<td></td>
</tr>
<tr>
<td>Loss of utilities</td>
<td>High probability</td>
<td>Low impact</td>
<td></td>
</tr>
</tbody>
</table>

### MAN-MADE DISASTERS:
<table>
<thead>
<tr>
<th>Threat</th>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace violence</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Denial of service attack</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Vandalism</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Strike</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Boycott</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

According to the above threat matrix, the three biggest exposures to your business are Wind (1), fire (2), and workplace violence (3). This is where you should first concentrate your efforts. Also be certain you have addressed these events with your insurance agent and have obtained the proper coverages.

**REDUCING THE IMPACT OF RISK**

**Eliminate the exposure:**
- Move to another area.
- Build your house out of brick, little pig.
- All visitors must be escorted.
- Make incoming shipments the responsibility of the shipper until they are received and make outgoing shipments the responsibility of the receiver once the goods leave the plant.
- Change to a “percentage of completion” billing so you get deposits on future sales.
- Have the customer buy the raw materials and ship them to you.
- Subcontract operations.

**Reduce the exposure:**
- For natural disasters, fire and wind are the two biggest exposures. What actions might you take to reduce the impact of either of these disasters? For example, you might install sprinklers, shutters, alarms, etc.
- For man-made disasters, workplace violence and/or sabotage is the biggest exposure. What actions can you take to reduce the impact, such as man traps, coded entry, security, visitor escorts, metal detectors, etc.

**Transfer the exposure:**
- Give the financial impact to someone else.

**Resources**
- [www.fema.gov](http://www.fema.gov)
- [www.cmiatl.com](http://www.cmiatl.com)
- [www.bcbt.com](http://www.bcbt.com)
- [www.drj.com](http://www.drj.com)
BUSINESS IMPACT ANALYSIS QUESTIONNAIRE

Each functional manager and unit head will complete a questionnaire. The contingency committee will compile and summarize all the questionnaires and schedule a follow-up interview with specific areas for clarification.

<table>
<thead>
<tr>
<th>Unit name:</th>
<th>Manager:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Functions performed:**

<table>
<thead>
<tr>
<th>Where does the work originate?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Where does the work go?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Records used:**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Resources needed:</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Technology required:</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Other departments relied on:</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Statutory requirements:</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Corporate Governance requirements:</td>
</tr>
<tr>
<td>------------------</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial impact if closed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(min, inter, max)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1-3 days</th>
<th>1 week</th>
<th>3 weeks</th>
<th>1 month</th>
<th>3 months</th>
<th>6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Employee skills:**
- first aid, carpentry, electrical, etc.

---

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a records management plan?</td>
<td></td>
</tr>
<tr>
<td>Has it been tested?</td>
<td></td>
</tr>
<tr>
<td>Is there a contingency plan</td>
<td></td>
</tr>
<tr>
<td>Has it been tested</td>
<td></td>
</tr>
<tr>
<td>How much money is needed to work around a disaster</td>
<td></td>
</tr>
<tr>
<td>What is the worst disaster that can happen to this unit</td>
<td></td>
</tr>
</tbody>
</table>

**Comments**
LIFE SAFETY

This is the protocol for protecting employees, vendors, and visitors when a disaster occurs. The intent of the life safety plan is to protect lives, reduce injuries, and quickly provide medical attention where necessary. There are two components of this plan, evacuation and containment. It is extremely important to regularly practice evacuation and lockdown in order for the plan to work efficiently. Also, remember to have the local Fire Captain (not the Fire Marshal) inspect the premises and review the evacuation and lockdown plans.

Evacuation: Prior to a disaster, identify staging areas at least one, if not two blocks away from the premises, and have the departments’ gathering places well marked. Appoint department/section fire marshals and make sure everyone knows where their staging area is located. If employees are in another department at the time of the disaster, they will go to that department’s staging area. This applies to visitors as well. Have a buddy system for anyone who needs assistance leaving the building and consider placing those people close to the exit. Each departmental staging area will have a supervisor with a radio for crowd control, first aid, and to make sure the incident command leader’s orders are followed. There will also be someone to take attendance and report that attendance to the incident command leader or their designate. For example, the receptionist may be responsible and would take the employee and visitor sign-in registers to the incident command leader’s area and consolidate all the attendance reports from the departments. This should be completed within ten minutes of the evacuation.

Lockdown: In case of workplace violence or a hazardous environment, all employees and visitors are directed to “safe” rooms where they may quickly gather and be protected from the event occurring in the building. This room should contain an emergency phone with an outside line, radios, some basic supplies, and first aid kit, etc. Is there a procedure for an “all clear” notification? Has the police and fire captain reviewed these rooms and procedures? This is just a start. Do your homework and develop comprehensive plans to protect your employees.

REMEMBER: YOU MUST PRACTICE! PRACTICE! PRACTICE!
CONTINGENCY TEAMS

Contingency teams are designated by the contingency planning committee and will be responsible for developing their portion of the overall contingency plan. Additionally, should a disaster occur, each team will be responsible for implementing their segment of the contingency plan. This makes the process efficient and effective.

Contingency Planning Committee is the steering committee for the plan. It is staffed with the senior officers of the company. They establish the strategy, set the budget, and approve the final plan. Internal Audit should be charged with overseeing the progress of the plan, its testing, and reporting to the steering committee.

Incident Command Committee will oversee the disaster and determine which aspects of the plan to implement. They declare the emergency, advise senior management as to the seriousness of the event, and coordinate the various team activities. The incident command leader is usually a senior officer with total authority to spend funds, sign contracts, and should be the secretary of the steering committee.

Facilities Team will investigate the event, evaluate the impact on the facilities, and report the estimated recovery timeframe to the incident leader. This team manages the emergency, oversees evacuation, interacts with the municipal emergency authorities, and supervises the facility evaluation, salvage, and restoration.

First Aid is a part of event management. They provide assistance to the injured, and are directed to needed areas by the incident leader. This team sends the emergency medical staff to the most critical areas and assists where feasible.

Media Relations will keep the media informed and segregated from the facilities. Pre-written scripts are used that are most advantageous to the organization. They give regular briefings with information useful to the media, and control what information is released to the public. This is the only contact person for the media.

Personnel will manage the personnel needs, ensure proper staffing for activities called by the incident leader and provide support in the form of travel, lodging, meals, etc. They also file Workers Compensation claims and monitor time sheets for overtime.

Information Technology (Computer Operations) will implement the level of the information technology contingency plan based upon the incident leaders instructions and disaster declaration. They travel to the back-up site and begin restoring computer operations.
**Warehouse** is responsible for the logistics of providing alternate facilities, equipment, and for receiving and distribution. They are also responsible for proper import/export documentation.

**Production** identifies the products or operations that will resume according to preset priorities by the steering committee. They determine the minimum necessary plant capacity, supplies, and where that facility is located. They obtain, install, and oversee critical equipment so they can begin production upon the incident commander’s orders.

**Administration** will record the proceedings (Claims Journal), ensure regulatory compliance (labor laws, Occupational Safety and Health Administration rules, Workers Compensation filings, American with Disabilities Act requirements, employers liability issues, tax filings, etc.), process financial requirements from banks, creditors, and the government, and handle legal logistics of leases and other agreements as well as defending or prosecuting the responsible parties. The record’s recovery program will be initiated if necessary.

**Engineering** ensures logistical support is effective.

**Bookkeeping** maintains a special ledger account of all expenditures for the insurance claim and post disaster debriefing, assures adequate cash flow, controls petty cash, and monitors accounts receivable for timely receipts.
BUSINESS INTERRUPTION SCENARIO

EXAMPLE: RETAIL STORE

**Strategic Planning**
Most stores choose their location carefully and therefore will rebuild on the same site. This is not easily accomplished if the store leases the premises. When the building is destroyed (by city ordinance, 51% damage is total destruction and requires demolition of the remaining building), the storeowner has to wait for the building owner to rebuild the store. This involves negotiations between the owner and their insurance company. While they are discussing the replacement cost of the building, the storeowner is losing sales and possibly future customers. Also, contingent exposures (operations we rely on for the conduct of business) are especially important for stores in large retail areas. There is a substantial amount of "walk in" business generated by the stores or entertainment centers around them.

- Discuss with the landlord what they are specifically going to do to get you back in operation within a defined period (two weeks). Do they have other locations close by? What are your lease obligations during the recovery time? Must you continue to pay rent during the time the business is closed?)
- What can you do to work around the problem: temporary facilities, reduced prices at other locations to entice customers, using another store’s space, tent sales, etc.
- Develop an advertising campaign. Be prepared to implement it to keep your brand recognition alive.
- Talk to your suppliers and any major customers and plan how they can help you recover/restock quickly.

**Property Replacement**

- Inventory should be at selling price if available; otherwise it is valued at replacement cost. Make sure you factor in the increase in prices when you replace your inventory (including shipping fees).
- Equipment should be at the actual cost to replace, taking into consideration any reliable used equipment available as well as transportation and installation costs.
- Calculate how much it would cost to replace all your counters, racks, shelves, desks, chairs, cabinets, computers, telephones, copiers, etc.
- Check with your insurance company to see if your policy will pay to have your own employees clean-up after a disaster. if not, use a third party.

**Event Management**

- Address life safety issues such as evacuation and first aid.
- Have a security team stand by to protect the perimeter.
- Issue all employees a photo ID.
- Establish a salvage team.
- Alert the media spokesperson.
Insurance

- READ YOUR POLICY, KNOW WHAT TO EXPECT, AND KNOW HOW TO PRESENT A CLAIM.
- Do you have a Business Owners Policy (BOP) or a Commercial Multi Peril policy (CMP)?
  - BOP: One size fits all; it has preset coverages with few choices. There may be a six or twelve month limit and/or a $50,000 or $100,000 limit on lost business income.
  - CMP: Provides a menu of coverages and a choice of limits providing broader protection than the BOP.

CLAIM CALCULATION EXAMPLE

Based upon total destruction of the store, it will take six months to rebuild and reach expected sales for lost income of $1 million. It will cost an additional $424,000 in extra expenses to recover within this time period.

ANNUAL NET SALES $4,000,000
COGS $2,000,000
GROSS PROFIT $2,000,000 (This is your annual exposure/risk.)
   \[ \times \frac{50\%}{\text{(Worst case loss is 6 months for this example.)}} \]
   $1,000,000 Business Income loss

Extra Expenses:

These are all the expenses you incur above you normal operating expenses due to the disaster. Note: Make sure your policy pays for extra expenses not expediting expenses (loss reduction expenses).

<table>
<thead>
<tr>
<th>Description</th>
<th>Timeframe</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Command Center</td>
<td>2 months</td>
<td>$50,000</td>
</tr>
<tr>
<td>(Including furniture and fixtures)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility deposits</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Temporary facilities</td>
<td>6-9 months</td>
<td>140,000</td>
</tr>
<tr>
<td>Increased employee expenses (travel, overtime, etc.)</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>Increased professional fees (legal, accounting, design, etc)</td>
<td></td>
<td>25,000</td>
</tr>
<tr>
<td>Increased advertising expenses</td>
<td></td>
<td>50,000</td>
</tr>
<tr>
<td>Increased labor for clean-up and salvage</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Increased shipping costs</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>Security personnel</td>
<td></td>
<td>24,000</td>
</tr>
<tr>
<td>Moving and hauling equipment into permanent facilities</td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>Sales discounts to recover customers</td>
<td></td>
<td>50,000</td>
</tr>
<tr>
<td>Miscellaneous expenses (car rental, bonuses, meals, etc.)</td>
<td></td>
<td>10,000</td>
</tr>
</tbody>
</table>

Total $424,000
CONTINGENCY PLAN TESTING

Review: Each department’s plan for accuracy and conformance to the organization’s priorities.

Table top test: Start with one department or section at a time and have a round table discussion of their contingency plan as it applies to various scenarios:
- Workplace violence
- Hazardous materials
- Loss of utilities
- Denial of access
- Temporary damage
- Total destruction

Next, practice combining several departments until the whole company has gone through these scenarios jointly and made sure their proposed plans and interactions are actually feasible.

Actual exercise: Shutdown one department or section at a time and provide the manager with a disaster scenario. Internal audit should monitor how well the contingency plan worked and report the results to the Contingency Planning Committee. Add additional sections until the whole company has practiced their contingency plan. Determine overall results and adjust the plan if necessary.

Debrief: Discuss what worked, what did not, and why. Do not criticize people, only the plan. Revise the contingency plan where appropriate and set another test date.

Repeat the test. Repeat the test. Repeat the test.