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Disaster
Recovery
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DISASTER RECOVERY PLANNING

INTRODUCTION

This is a comprehensive overview of all aspects to be considered in drafting a credit union disaster recovery plan. It reviews topics and areas of discussion that must be explored, and provides a structured plan with some possible solutions.

Webster defines a disaster as “any sudden event that causes great damage; a great misfortune or a calamity”. For disaster recovery planning, also called contingency planning, a disaster is defined as any event that jeopardizes the existence of the credit union. Hurricane Hugo is an example of such an event because of the devastation it caused several credit unions in South Carolina. The 1998 ice storm in Quebec and Ontario shut down many credit unions for several days due to widespread power failures. Earthquakes, tornadoes, floods, fires and detonated bombs are other obvious examples that could cause disasters for credit unions.

Credit unions have a moral and legal obligation to develop recovery plans. Regulators and, in some provinces, legislation require credit unions to have a comprehensive and regularly tested contingency plan. Further, if the

disaster planning is inadequate, directors and officers may be held personally responsible for negligence in their responsibilities in managing the affairs of the credit union.

Centrals, regulatory and governmental bodies continue to emphasize the need for contingency planning. Credit unions need to have regularly tested, comprehensive disaster recovery plans. Also, during supervisory examinations or audits, the disaster recovery plans and test results may be reviewed against strict rules and regulations.

Natural disasters such as hurricanes, tornadoes and earthquakes; technological failures such as power outages; and social threats such as riots, strikes and personal acts of violence top the list of disasters requiring attention.

This manual outlines procedures your credit union can follow in developing its own disaster recovery plan. Our goal is to help your credit union prepare for, deal with, and survive a disaster.

WHO IS RESPONSIBLE?

A. Approval and Review

Primary responsibility for creating a disaster recovery plan lies with the credit union’s board of directors. Working with management, the board should ensure that a comprehensive recovery plan is in place and that it is tested, reviewed, updated and approved at least annually, with each review and approval recorded in the board minutes.

Credit unions that use service bureaus (e.g. League Data, CU Data West, or Celero) should also evaluate the bureau’s recovery plans to ensure the adequacy and compatibility of the bureau’s plan with their credit union’s plans.

Such evaluations should be reported to the credit union board of directors and noted in the board minutes. Involving the board of directors in disaster recovery planning sets a tone from the top that planning is important. Reviews by the board help reinforce their support and ensure that the plans won’t be forgotten.

B. Plan Maintenance

Often, emergency plans become outdated and fail because “someone else was supposed to update the plan and keep a copy off-premise”. But that “someone else” frequently doesn’t exist or has “left town” when the disaster occurs.

To ensure that your credit union’s disaster recovery plans are in place, updated and readily available, put a responsible person in charge of reviewing the plan semi-annually. A detailed report of each plan review should be given to the board of directors for their information and approval.

Also, provide board members and designated management/staff members with an updated plan, and instruct them to store a copy of the plan off-premises where it will be readily available during a disaster. In addition, instruct board members and the person in charge of disaster planning to keep records showing who has copies of the plan, and where those copies are stored.

THE PLAN

A. Statement of Confidentiality

Since a disaster recovery plan contains confidential information, always place a “Statement of Confidentiality” in bold type at the beginning of each plan.

State that all questions, from the news media or others, regarding the plan or the disaster, should be directed only to authorized credit union representatives. Include a list of these authorized credit union representatives immediately after the confidentiality statement.

During a disaster situation, it is best to provide written responses which a designated credit union representative has approved for release.

B. Order of Succession

When a disaster results in the loss of an official or member of management, often the first question asked is “Who is in charge”?

To provide an answer and directions, place your credit union’s current organization chart at the beginning of the disaster recovery plan, and include an “order of succession” statement. So that vital services will not be interrupted, the statement should provide for the temporary transfer of authority. This authority should remain in effect until such time as the board of directors either meets in an emergency session or a general membership meeting is called and an election held.

C. Tailored and Flexible

Credit unions vary in size and services offered. They also constantly change to meet member needs. Therefore, disaster plans vary greatly. Tailor your plans to the specific needs of your credit union and be flexible enough to change.

To facilitate customization, while retaining flexibility, large credit unions might designate a plan developer for each department, each branch or each office. Plan developers would then report to one person in charge of consolidating all plans into an overall disaster recovery program. This approach helps facilitate the planning, testing and updating process.

D. Current and Usable Information

The recovery plan should provide current and usable information for reconstruction purposes. While semi-annual reviews help assure that a plan is in place, you may need daily, weekly or monthly information back-ups to a secure location in order to ensure that the recovery information is usable. The type of service dictates the backup frequency. In addition to updated information, credit unions relying on computer technology should consult their I.T. system specialists and maintain backup program software that is needed during recovery.



THE PLANNING PROCESS

A. Develop an “After the Disaster” Mentality

Develop your disaster recovery plans while you are in an “after the disaster” frame of mind. Visualize standing on what is left of the credit union’s foundation after the disaster and visualize concerned members coming to the credit union for information and service.

What should your plans include to prepare for this situation?

Put yourself in the situation: assume you are planning a recovery without the aid of anything like telephones, computers, files and other things that could have been destroyed.

It may not be realistic to try to provide every service, but it is realistic to plan for vital services and to be prepared to reassure members that their savings are secure; that the credit union will survive; and that full service will soon be resumed. Recovery planning simply involves identifying vital services, determining the needs to provide those services and ensuring that resources will be available after the disaster.

B. List Services

Begin your disaster planning by compiling a list of member services being offered at each office. Be specific. Make sure to include all services essential to the member, such as withdrawals, loan servicing and safe deposit box access. A sample list is shown in Appendix A. (page 12).

Once the list of services is complete, rank each service from the most to the least important. For example, making withdrawals will be more important to members during a disaster than buying travellers cheques; and, accessing safe deposit boxes may be more important than accessing ATM machines.

When ranking services, concentrate on immediate member needs and on restoring vital credit union services. You will use this list to perform a needs and resources analysis.

Also keep in mind that communication with members is an important service, particularly when normal operations are disrupted. Keeping members informed during a disaster situation can be a major challenge.

C. Determine Needs

The needs analysis identifies the facilities, equipment, personnel and vital information necessary to provide service. Distribute the list of services to all staff members and ask them to identify the minimum needs necessary to provide services in their area.

For example, tellers may report that basic teller services (withdrawals, deposits, loan payments, etc.) will require:

- a) a 200-square foot room;
- b) three authorized and trained tellers;
- c) currency or credit union cheques; and,
- d) account balance information.

Loan officers may report that loan services will require:

- a) one trained/authorized loan officer;
- b) loan balance information;
- c) loan payments schedules; and, d) collateral information.

Pay particular attention to the vital records and information needed to provide each service.

D. Identify Resources

In conjunction with the needs analysis, conduct a resource analysis. Ask staff members to suggest resources to meet each need. For example, tellers may be aware of off-site office space, share and loan trial balance information and compatible terminals. Loan officers might know of trained personnel, off-site collateral information and available office space.

Remind staff members to think from an “after the disaster” point of view and to be resourceful. Your completed resource analysis will identify available and duplicate resources. Any resources not available for reconstruction will have to be developed.

E. Analyze Weaknesses

Compare the list of needs to the list of resources. Recovery resources must be available when needed and located a safe distance from the credit union. If reconstruction resources are not at a reasonable distance (discussed later in this manual) from the credit union, take immediate corrective action. If a disaster were to occur tonight, the action you take today would benefit your credit union, while action taken tomorrow might be too late.

F. Developing a Recovery Plan

Use your list of services as a basis for the disaster recovery plan. For each department or group (teller, loan, collection, ATM, etc.), list each service offered and rank them from the most to the least important. Using this ranked list, record what is needed to provide each service and identify the recovery resources that are available. Expand the resource section to include off-premise storage site information, such as address, telephone numbers, list of contract and agreements.

G. Designate the Recovery Teams

Designate recovery teams that have the authority and adequate budgets to act during and after a disaster. The recovery budgets should reflect the size of the credit union, services offered and the estimated recovery costs in the area. Refer to team duties and responsibilities (see Section VI) when estimating recovery budgets and designating authority.

I. Disaster Recovery Team (DRT)

The Disaster Recovery Team (DRT) takes charge after a disaster. Select a DRT from the credit union's board of directors and top management. Many credit unions appoint all members of the board of directors in addition to top management personnel to serve on the team. This provides assurance that some DRT members will be available immediately after a disaster.

Compile a list of DRT members that includes: member's name, home address, home telephone number, business telephone number and the address/location where their copy of the disaster recovery plan is stored. E-mail addresses, cell phone and pager numbers should be included since regular phone service may be disrupted. Although regular phone systems can often function during a power outage, modern telephones often require electrical power in order to function.

Ensure that the credit union has a written order of succession so that it is clear who is "in charge" following a disaster. Following the list, insert a paragraph designating DRT authority and the order of succession in authority during a disaster. You should not assume that your entire DRT will be available after a disaster.

2. Damage Assessment Team (DAT)

Also assign members of the Disaster Recovery Team to be part of the Damage Assessment Team (DAT). The DAT members are the first to respond to the disaster site. They conduct an initial damage assessment, select a command post and prepare a report for the Disaster Recovery Team. The DAT should include top management from facilities planning, computer operations, human resources, public relations and the comptroller's department. Ask each member of the DAT to designate an alternate to act in his or her absence.

Prior experience shows it is best for DAT alternates to live in different areas of the community. Disasters, such as tornadoes, hurricanes and floods, often block routes leading to the credit union. Having DAT members coming from different parts of the disaster area helps ensure a quicker response. If a DAT member's home and/or family are involved in the disaster, that team member's priority will not be the credit union.

Following this list, specify DAT authority, listing the order of succession and including a well planned post-disaster agenda.

CAUTION: The most important consideration is the protection of life. When assessing damage and determining building safety, the DAT should obtain advice from qualified safety experts.

H. The Command Post

The "command post" (the place where the DRT meets and co-ordinates recovery efforts) should be safe, accessible and as close to the credit union office as possible. Select three locations and rank them, with the first choice being at the credit union in the event it could be safely used.

The second choice should be within a few blocks of the credit union and the third choice two kilometres or more away. The goal is to select a command post as near as possible to the credit union, yet one that is safe and accessible. Having three predetermined and ranked locations assists the DAT in quickly setting up a command post and starting the recovery process.



I. Selecting Recovery Facilities

Facilities include office space, office equipment and security devices. Selecting facilities involves knowing where to find them and being sure they will be accessible after the disaster strikes. Some credit unions have branch operations separated by a reasonable distance, fully equipped and available to fall back on after a disaster. Others do not.

Credit unions that must rely on non-owned facilities during the disaster recovery period should compile a list of alternatives they might use during recovery. Because departments within a credit union grow or change at different rates, each department should maintain its own list of needed facilities and available alternatives. At least twice a year, review and update these lists and make them part of the overall recovery plan. The lists should include the following:

- An inventory of all assets (computer equipment, office machines, files, and so on) along with vendor information;
- Office space available through sponsors, municipal governments, churches, clubs, schools and other credit unions;
- Realtors who handle office space in the area;
- Electronic Data Processing (EDP) representatives who handle computer equipment compatible to that used by the credit unions and that is available after the disaster;

- Physical and alarm security equipment vendors, including those presently used as well as acceptable alternatives;
- Armoured car services;
- Utilities (electric, gas, water, telephone, and so on) that service the credit union;
- Heating, electrical, maintenance and other service contractors;
- Suppliers of emergency equipment (portable generators, water pumps, heating/cooling equipment);
- Rental agencies (auto, truck, emergency equipment) with inventory that is located a safe distance from the credit union;
- Suppliers of blank forms, documents, cheques, and other administrative stationery.

Detail each list to include company names, addresses, telephone numbers, persons to contact and pre-established agreements. These agreements should be reviewed by the credit union's legal counsel before signing and by the board of directors during their annual plan reviews. When major equipment changes are made involving EDP equipment, contracts and agreement should be immediately reviewed.



J. Designating an Off-Site Storage Facility

To protect stored property against loss and unauthorized use, select secure off-site storage facilities. Storage facilities should have solid core perimeter doors equipped with dead bolt locks, containers that lock and, if possible, a burglar alarm system to help deter or detect unauthorized access. Fire extinguishers, smoke detectors and fire alarms should be encouraged to help prevent fire losses.

Off-site facilities should also be at a reasonable distance from the credit union to ensure its stored property will not be affected by a common disaster. The term “reasonable distance” implies a distance that is far enough from the credit union to avoid destruction from a common disaster and allow materials to be safely stored for reconstruction purposes. This distance varies depending on the type of disaster a credit union could conceivably face. For example, a few blocks might be reasonable for a major fire, but many kilometres are needed to ensure safety from tornadoes, hurricanes and earthquakes.

Avoid duplicating off-site storage facilities. Select a distance that is adequate for any “potential” disaster likely in your credit union’s area.

CAUTION!: Too far is as bad as too near. Computer hardware that is 800 kilometres away may be of little value for a speedy recovery from fire. In the U.S., victims of Hurricane Hugo and the San Francisco earthquake reported that power failures, caused by the disasters, indicate that a distance of 160 kilometres is not unreasonable.

Also, consider land faults and anticipated paths of destruction. Local authorities such as fire inspector, police, weather and local emergency planning departments can offer you guidance in determining what is a reasonable distance for an off-site storage facility.

Disaster recovery programs that require a large volume of information stored off-premise can cause a storage problem. To help reduce the problem, many credit unions use an information back-up system that rotates stored items between two locations.

This system reduces the concentration of information in one location making recovery information less vulnerable to a common disaster. It also increases the probability that the recovery information will be accessible during and after a disaster. Victims of Hurricane Hugo reported that blocked roads prevented access to some storage sites.

K. Using Hot/Cold Sites

Credit unions using mainframe or sophisticated network computers might consider maintaining a hot or cold site for reconstruction purposes. A hot site is fully equipped and ready to roll after a disaster. Visualize the network servers and all input/output devices duplicated off-site and waiting to be used. A cold site provides only the basics. Visualize a vacant room with a raised floor, electrical outlets, air conditioning equipment, chilled water and perimeter security.

Few organizations can afford to maintain their own hot/cold site. Therefore, major computer manufacturers and a growing number of service organizations now offer hot/cold site services on a shared, contractual basis. These contracted facilities usually require a subscription fee, usage fee and a disaster declaration fee.

Your credit union should proceed with caution when considering contracting these services. A single hot site serving many subscribers may be of little value after a major disaster. Before contracting for this type of service, evaluate the reputation of the service organization, the support/testing services offered, the hot/cold site itself, the number and nature of other subscribers anticipated and the disaster recovery plans for the hot/cold recovery site. Smaller credit unions may wish to consider arranging to share facilities with other credit unions outside their local area as an alternative to hot or cold sites.

Credit unions are unique in their philosophy and co-operative spirit. After disasters like Hurricane Hugo, the California earthquake and the Oklahoma bombing, credit unions from around the world offered assistance directly and through their chapters, centrals and other credit unions. In continuation of this cooperative spirit, some credit unions are considering a “brother/sister” relationship with credit unions using compatible data processing equipment. In addition to using each other’s credit union as a potential hot site, these credit unions are also considering pre- and post-disaster recovery assistance.

WRITING THE PLAN

The written disaster recovery plan should identify concerns, focus attention, delegate responsibilities and provide direction before, during and after a disaster. Choose a worst case scenario, develop an outline and write a recovery plan using the tools discussed in Section III.

A. The Worst Case Scenario

In developing your disaster recovery plan, reinforce the “after the disaster mentality”. Select a disaster and consider the worst case scenario. For example, credit unions in Vancouver or Montreal might select an earthquake, while those in coastal regions or areas close to major rivers might select a flood or tsunami. Credit unions in inland areas might select a tornado or a fire. A sample disaster assessment list can be found in Appendix B. (page).

The worst case scenario assumes a widespread power failure and the total loss of the credit union’s on-site property. It is best to assume that local infrastructure will be severely affected and that few basic services will be available over an area in excess of 100 miles from the credit union location. For example, after a hurricane, chain saws, power generators and air conditioners are usually in short supply. Anticipating a shortage, another credit union might be able to rent and transport such equipment to the disaster site.

B. Plan Outline

Prepare a plan outline to help ensure that your written plan is complete, clearly written and easily followed. Begin with a statement of confidentiality and follow with a succession of authority to act and the designation of DRT and DAT members.

Next, outline the immediate response procedures for the DRT and DAT. Follow this procedures with detailed recovery procedures for each department or

service group. The outline should also identify all off-site storage facilities, provide for plan testing procedures, and, where applicable, cover asset protection and trauma counseling. Use the outline when writing your disaster recovery plan, letting it become the table of contents for your written plan.

C. The Written Plan

The written plan simply follows the outline. The statement of confidentiality should be the first item on top of the first page (in bold type). Next, include the current organization chart and a statement of succession, followed by a list of persons in charge.

List all members of the DRT including addresses, telephone numbers and any other pertinent instruction to allow for quick contact during a disaster. Be sure to highlight persons on the DRT who are also on the DAT. Immediately following the DRT/DAT listings, provide specific instructions for the DAT and DRT to follow when a disaster strikes. Guidelines for these instructions are covered in this manual (see “DRT/DAT Response Procedures” on page 8). The balance of the disaster recovery plan should provide specific instructions for each department to follow during the recovery process. Subsequent sections in your plan might also detail asset protection, trauma counseling, risk reduction and loss prevention techniques.

Divide the outline/table of contents and the written plan into colour coded sections to speed reference during a disaster. It also will help to place your plan in a bright colour cover so it will stand out in any file. Remember, when using the plan, your credit union personnel will be under great stress, so clearly written, easy to follow and readily understood documents are imperative.

TESTING THE PLAN

In addition to the semi-annual review of your credit union’s disaster recovery plan, test the plan at least annually. The purpose of the test is to:

- familiarize all credit union personnel with the plan;
- permit the DRT and DAT to practice their role in recovery; check for plan weaknesses; and,
- document your credit union’s disaster recovery preparedness.

Select a worst case scenario and ask your credit union personnel to simulate what they would do to provide services after a disaster. Instruct your DRT/DAT members and other credit union staff (department managers, and supervisors) to take notes during the simulation. These notes will help identify weaknesses in your disaster recovery plan and highlight any plan co-ordination problems.

Maintain a record of all testing activity, noting any errors or weaknesses found during the simulation and the corrections or adjustments made to eliminate these problems from your disaster recovery plan. If your disaster recovery efforts should ever be challenged, these testing records will provide valuable support for your credit union.

The testing procedures will vary depending on the number of credit union services being offered. Some tests may simply involve the verification of off-premise records, while others may involve the co-ordination of many departments and recovery personnel.

Your goal is simply to confirm that your disaster recovery plan will work if and when a disaster strikes.

RESPONSE/RECOVERY PROCEDURES

After the disaster, the Damage Assessment Team (DAT) should respond to the scene and establish a command post. Instruct Damage Assessment Team members not to enter any building until the building is declared safe by a qualified safety official (fire inspector, police, structural engineer).

Other Disaster Recovery Team members should attempt to contact the command post for reporting instructions. If telephone service is interrupted and if it is safe to do so, DRT members should report in person. If telephone service is available, DRT members should attempt to call the command post for specific instructions.

DRT members unable to report to or make contact with the command post should leave instructions, at both their home and business, indicating how they can be contacted.

DAT Phase I Response Procedures

DAT members will be the first to respond and establish a command post that is safe and, if feasible, equipped with adequate telephone services. They will then carry out the following agenda:

a) *Immediately attempt to secure the premises:*

This may be limited to securing only the perimeter to control unauthorized entry to the building. If DAT members receive safety approval to enter the building, they should determine that money safes and current/safe deposit/records vaults are all closed and locked, and, if not adequately secured, arrange for appropriate security.

b) *Damage assessment:*

Under the direction of qualified personnel (engineers, fire inspector, police, etc.), the DAT will assess the physical damage to the credit union building and equipment. The purpose is to determine if services can be provided on-site or if other facilities will be needed. A sample assessment report form can be found in Appendix C. (page 13).

c) *Cost assessments:*

The DAT will assess the cost of providing service on-site and at alternate sites. In making these assessments, the team should consider relocation, rental and temporary reconstruction costs.

d) *Time-table assessments:*

DAT members should determine the length of time before on-site facilities will be back in operation; how long it will take to establish operations at alternate sites and how long before the credit union can expect full recovery.

e) *Record recovery report:*

This report evaluates the damage to records and vital information. The DAT should make recommendations to preserve damaged records and obtain back-up replacements.

f) *Official news releases:*

Following a disaster, members will be anxious for information. Official news releases should be prepared and channeled through authorized credit union representatives, with the reports stressing the safety of member assets, recovery progress and estimated time schedules for the return of vital service.

Assign duties for DAT members in line with their expertise to provide direction and give order to the recovery process. For example, engineers on the DAT might work with qualified persons to assess the physical damage to the buildings and computer room personnel might assist with the damage assessment of the EDP system.

DRT Phase II Response Procedures

The DRT should arrange to meet as soon as possible at the command post and act on DAT reports. The DRT agenda should include, but not be limited to, the following:

a) Approve DAT Phase I expenditures and confirm budgets to carry out DAT recommendations.

b) Plan, schedule and implement recovery programs recommended by the DAT and approved by the DRT.

c) Release official news reports to members. Member briefings are important. Based on the credit union's field of membership, consider regular official notices on bulletin boards, sponsor's newsletters, payroll envelopes, newspapers, and more. An informed membership will be more patient and understanding than an uninformed membership.

d) Notify the credit union's insurance companies about the disaster and loss potential.

REMEMBER: SAFETY AND THE PROTECTION OF LIFE IS THE MOST IMPORTANT CONSIDERATION.

LOSS REDUCTION TECHNIQUES

We offer the following recommendations to help your credit union reduce losses caused by disasters such as fire, hurricanes, tornadoes and floods:

- Life safety is the most important consideration. Develop written emergency response procedures for fire, severe weather, bomb threats and extortions. At least once each year, conduct training that is appropriate for each emergency. For example, during Fire Prevention Week, conduct fire prevention and control training that includes drills to evacuate the building. Prior to tornado or hurricane seasons, conduct training and evacuation drills that lead victims to appropriate shelters. Most local fire, police and civil defense authorities provide emergency-response procedural training.
- Co-ordinate these procedures with your credit union's procedures to help avoid problems or confusion during an emergency. For example, during a fire, evacuate all persons to safety outside of the burning building, but do not allow them to congregate where they will block or hamper the work of the fire fighters or where falling debris could cause injury.
- Store all vital paper records, computer disks, magnetic tape and cassette tapes in rated fire-resistant equipment that meets the latest ULC standards for Fire Resistance of Record Protection Equipment.
- Store currency, blank travellers cheques in your U.L.C. tested/rated burglary-resistant vault or safe.
- Equip buildings with heavy metal shutters or provide for emergency window covers (plywood, tape, etc.) during severe weather alerts.
- Design office layouts to keep computer equipment out of basements where water might accumulate during a flood or fire. Locate vital records away from furnace or storage areas that contain combustible materials.
- If time permits during severe weather alerts, move office equipment (typewriters, terminals, etc.) to the centre of the building and away from windows.
- Install electrical hook-ups for portable power generators so they can be plugged into vital circuits during a power failure. If your credit union is vulnerable to severe weather conditions, consider installing emergency power supplies that automatically engage when power is low.

PLANNING ASSISTANCE

Considering the potential for loss, credit unions might expect stricter rules and regulations to govern disaster recovery planning in the future. One way to help avoid more regulations is by taking the initiative now to establish a reasonable recovery plan for your credit union.

Credit union centrals, deposit insurers and your Insurer may offer assistance or pre-packaged programs to their member credit unions, while others are providing planning assistance. Disaster planning is often included as part of "operational risk" assessment within an enterprise risk management program. Consultants and risk management specialists may also provide useful advice and assistance.

INSURANCE

Disaster planning can help reduce your credit union's losses, but it cannot guarantee that a loss will not occur. Insurance is a vital part of any disaster recovery program.

Insurance coverage is useful following a natural or man-made disaster, but access to essential goods and services is often a more pressing issue than who will pay for those services. Often, local demand for these products and services will far exceed the available supply. Contact your Insurer following a disaster to see if any preferred access to suppliers is available. Often the Insurer will have pre-arranged priority services from contractors, appraisers and local insurance adjusters.

At least once each year, your credit union should review its complete package of insurance coverage. The review will help determine your credit union's exposure to loss and guide you in choosing the most appropriate insurance and coverage limits to ensure the fullest possible indemnification after a loss.

You are the best judge of the value of your property. We strongly recommend that insurance values be periodically reviewed and updated, keeping in mind that insurance coverage will most often apply to the "replacement cost" of the property rather than the book value. It is important to keep an up-to-date inventory of all credit union assets that reflects "replacement" costs. This "asset inventory" not only helps ensure that your credit union has adequate insurance limits in force, but also helps determine your credit union's losses in the event of a disaster.

For "extra expense" coverage, we recommend a full evaluation of the costs that would likely be associated with a move to another location lasting several months in duration. The assumptions made in the disaster recovery plan will have a large impact on the eventual costs associated with a loss. For example, most claims involve a relatively small geographical area and most often the credit union will simply move operations to another branch outside the affected area.

A much quoted lament after a disaster is, "I've never thought about all the extra expenses, the extra security needs, costs to relocate telephones, computer work stations and servers, renting space for storage and records reconstruction, or the cost of finding, renting, shipping and setting up portable generators, toilets and fresh water supplies at the disaster site." Keep in mind that many goods and services are scarce following a disaster and the cost will often be higher than usual.

The extra expense assumptions will be very different for a credit union with several branches than for a credit union with only one location. A sample extra expense worksheet can be found in Appendix C (page).

Your credit union may not be able to predict or avoid a disaster, but a carefully prepared and tested disaster recovery plan, along with adequate insurance, will make the recovery process easier and more effective.



INSURANCE COVERAGE

We reco

Insurance Product	Benefit
Property	Covers direct physical loss or damage to building, contents and leasehold improvements
Extra Expense	Covers all reasonable additional expenses associated with resuming normal operations
Data Processing Operations	Covers direct physical loss or damage to computer equipment, software and ATMs
Rental Value	Covers loss of rental income if a rented or leased building is damaged
Financial Records	Covers loss or damage to paper records
Flood	Optional coverage to protect against flood damage
Earthquake	Optional coverage to protect against earthquake losses, including landslide, tidal waves or tsunamis
Chattel Operations	Impairment & Repossessed Chattel covers direct physical loss or damage to security on your chattel loans
Real Estate Mortgage Operations	Impairment, Foreclosed & Non-foreclosed Property covers direct physical loss or damage to your mortgaged properties
Fidelity Bond	Covers loss or destruction of cash, negotiables and non-negotiables (as defined in the Bond policy)

It is important to note that insurance cannot protect against all types of disaster.

Some examples of risks that are considered uninsurable include:

- Nuclear risks
- War and terrorism
- Loss of electronic data
- Pollution
- Electronic date recognition problem (the “Y2K” bug and similar problems)

APPENDIX A - SAMPLE DISASTER RECOVERY ANALYSIS

This is an example of an essential services list (see Section III.B).

Branch Location: 123 Credit Union Road, Burlington, Ontario

Service	Needs	Resources	Weaknesses
Cash withdrawals	Currency, account information, one teller	Branch offices	Other branches also affected or do not exist
ATM access	Currency, functioning Interac network	Main office	ATM network may be affected by power interruption.
Travelers cheques or money orders	Blank cheques, account information, authorized signers, one teller	Branch offices	None
New loans	Loan officer, account and credit information, application forms	Branch or main office	Access to systems may be limited
Loan servicing	Loan officer, loan information	Branch or main office	None
Safety deposit box services	Records, vault access, keys, attendant	Main office	Access to physical location may be restricted. Boxes hard to relocate in an emergency.
Auto loans	Loans officer, account and credit information	Branch office	None

APPENDIX B - SAMPLE DISASTER ASSESSMENT

This is an example of a disaster assessment checklist. Your own assessment will depend on your particular circumstances (see Section IV.A).

Risk Type	Impact	Probability
Avalanche	Medium	Low
Biological contamination	High	Low
Earthquake	High	Low
Epidemic (such as SARS)	High	Low
Extreme heat or cold	Low	Medium
Flood	High	Low
Forest Fire	High	Low
Hail	Low	High
Hurricane	High	Low
Ice Storm	High	Medium
Landslide	Low	Low
Pollution or environmental risks	Low	Medium
Sewer back-up	Low	Low
Snow storm	Medium	Low
Tornado	Medium	Medium
Tsunami or tidal wave	High	None
Wind Storm	Medium	Low

APPENDIX C - EXTRA EXPENSE WORKSHEET

EXTRA EXPENSE WORKSHEET

1. Rent of temporary premises	\$ _____
2. Light, power and heat at temporary premises	\$ _____
3. Phone, fax and electronic equipment installation and operators at temporary premises	\$ _____
4. Extra telephone, fax and communication transmission charges	\$ _____
5. Cost of installing other facilities at temporary premises	\$ _____
6. Rent of temporary equipment	\$ _____
7. NET cost of equipment purchased*	\$ _____
8. Expense of moving equipment.	\$ _____
9. Special labour costs, overtime, data processing fees	\$ _____
10. Special advertising, printing, stationary, postage fees	\$ _____
11. Extra travel expense	\$ _____
12. Payments to others for data processing	\$ _____
13. Bonuses for quick service	\$ _____
14. Miscellaneous	\$ _____
Total extra expense	= \$ _____
Deduct expenses which discontinue at original location due to fire or other disaster	- \$ _____
NET EXTRA EXPENSES DUE TO FIRE OR OTHER DISASTER	= \$ _____

NOTE:

Above items are generalized. Consider total cost of all other expenses not listed.

*Item 7 applies to equipment bought for emergency use. To determine net cost, deduct salvage value of any such property sold or taken into permanent use by insured.

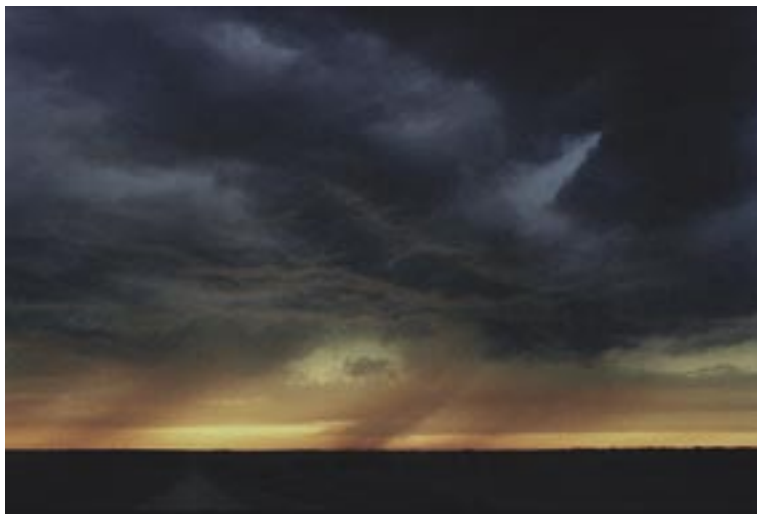
All expenses estimated above must be calculated based on the maximum length of time it may take to repair, rebuild or relocate the insured premises.

Consider the worst case scenario, such as a situation which affects not only your premises, but the community around you, thus impacting

B.C. Forest Fires or Quebec Ice Storm.)

APPENDIX D - SAMPLE DISASTER REPORT TEMPLATE

Name/Date/Time Report:
Name of Person Placing Initial Alert:
Estimated Time of Arrival at Disaster Site:
General Description of Disaster:
Command Centre Established (who/when/where)
Off-Site Supplies Ordered (y/n /who/when)
Senior Management Team Notified (who/when)
External Support Requirements:
- Fire
- Police
- Security Guards
- Personnel Agency



APPENDIX D - DISASTER ASSESSMENT REPORT

ITEM	EXTENT OF DAMAGE	ESTIMATED RECOVERY TIME
1. Property		
Parking		
Grounds		
2. Structure		
Access		
Doors		
Windows		
Fire Escapes		
Floors		
Drainage		
Water Lines		
Ceilings		
Walls		
Roof		
3. Utilities/Services		
Electrical		
Lighting		
Heating		
Cooling		
Telephones		
Communications		
Voice		
Data		
Plumbing		
Water Supply		
Fire Protection		
Security Systems		
Elevators		
4. Hardware		
Microcomputers		
Printers		
Telecommunications		
5. Personnel		
6. Departments Requiring Relocation		
7. Other		

CLAIMS

Assistance for any claim is always available. In case of disaster or other emergency claims situation, the Risk Solutions Group (RSG) claims department may be available to assist you. To reach RSG, please call:

1-877-564-2847, extension 6895.

If it is an after-hours emergency, your call will automatically be redirected to our emergency claims service through Cunningham Lindsey, a national independent adjusting firm. They can be reached 24 hours a day, seven days a week at:

1-866-222-6962.

In rare cases, interruption of phone service may prevent policyholders from reaching us. If you are unable to reach our claims department or Cunningham Lindsey, please note any reasonable expenses incurred to mitigate further damages and salvage or secure insured property will be reimbursed under the appropriate coverage, subject to policy deductible(s) and conditions.

RSG Claims Staff:

Rob Martin, Senior Claims Examiner, extension 4931

Cindy Unsworth, Claims Examiner, extension 4925

Bob Vukelich, Claims Manager, extension 4944

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