

The SOURCE

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Preparing for Unforeseen Disaster

An interview with Salt Associates owners, Don Russell and Jeff Verrill

It was after 8 o'clock, Saturday night on January 3, 2009. Salt Associates' founder and President Don Russell, called his business partner, EVP and Principal Jeff Verrill, to tell him their office was on fire. A friend drove by the office building, saw the commotion and called Don. Fifteen minutes later, they stood in the freezing cold and watched 100 firemen pour over a million gallons of water on the flames ripping 100 feet through the roof.

Happy New Year.

On a night when they would normally be celebrating another successful year and thinking about the prospects for the coming year, they were instead left wondering if they would have a business at all come Monday morning.

We recently talked with Don and Jeff about the fire experience and what insights they gained from it.

The Source (TS): What went through your minds when you first heard about a fire in the office building?

DR: I was thinking it must be a small insignificant event. I didn't have much information other than a friend calling to say I should go to the office because there was a fire. I was thinking someone was careless and somehow a wastebasket fire caused a central alarm call to the fire department. I called Jeff and we met at the office.

JV: Don called. We were having a dinner party. It was still the holiday season. I left the house within minutes but I wasn't in panic mode, yet.

TS: What did you do when you arrived at the office building?

JV: I didn't have to get close to know this was something horrible. The sky was orange and I could see smoke from a mile away. At that moment, honestly, I was a little scared.

DR: The streets were closed off so I had to park a quarter mile away and walk to get close. By then, the building was completely engulfed in flames. We watched firemen pour water through our office windows. It wasn't long before the roof collapsed on our office space. We watched until early morning.

TS: This was on a Saturday, right? What had to be done and what did you do?

DR: We improvised and did what needed to be done.

- *Using our cell phones, we called customers to let them know what had happened and gave out my cell number as the one point of contact.*
- *We contacted our insurance company.*
- *We answered many questions, filled out numerous state and local fire department forms and issued statements to fire and police departments.*
- *Contacted our outsourced IT solutions vendor.*

continued on page 2 ...

Our biggest concern was our data. It's our company's life blood. Customer information, projects, and applications we built - most of it was housed on our server. Luckily, some of our data was stored offsite and most of the remaining data was stored on tapes which we took offsite on a weekly basis. As it turned out, we lost very little electronic data. Some of our valuable items lost were manuals and reference materials we had accumulated over the years which are irreplaceable. And we lost some personal belongings, memorabilia, that sort of stuff.

At that moment, we wondered how we would live without some of that stuff when, in reality, we haven't really missed much of it – out of sight, out of mind, I guess.

By Monday morning (within 48 hours), we had email restored on our Blackberrys and by Wednesday, we were fully functional with our laptops at home or the local wi-fi coffee shop. Some of our customers hadn't even realized what had happened because we really didn't skip a beat. Little do they know how much we were sweating it though.

We found some new office space, got an advance claim payment from the insurance company, bought office furniture and computer equipment and began rebuilding our technology infrastructure.

TS: What was your biggest challenge?

JV: Recreating our environment with upgraded hardware, software, functionality and redundancies. We got a lot of advice from experts on how to go about rebuilding our systems and consistently we received input that setting up small business-type systems can be as difficult as establishing larger environments. The experts were right. It took 6 months before we had our systems running smoothly. (Even a small change like going from Microsoft 2004 to the 2007 version was an adjustment – from system setup and user perspectives). It was very time consuming and expensive. All our data is now 100% backed up offsite and we've contracted with an IT group to provide troubleshooting and monthly updates.

TS: What about insurance? Did you have a special policy for your business?

DR: There was nothing extra special about our coverage – it was a fairly standard business owner's policy with standard extensions of coverage. However,

there were some nuances. The insurance claim was well over \$50,000, mostly due to recreating our technology environment. Over half that amount was spent on restoring our environment. Jeff had a previous career in the property and casualty business which was a big help in making a strong case for our interpretation of the coverage we had as it pertained to the loss we had suffered.

TS: If you have five things to advise our readers based on this experience, what would they be?

JV:

- 1. Make a risk assessment of your business to understand your weaknesses and vulnerabilities*
- 2. Make a risk assessment of your technology with your IT resources to understand what it might take to restore a total loss.*
- 3. Review your business and your insurance policies with your agent/broker*
- 4. No matter how basic your method for backing up your information and data, be disciplined about it*
- 5. Have an idea of what it would take to get back in business ... and plan accordingly*

Epilogue:

The fire was ruled an arson. A man was found guilty and is serving 11 years in prison. Twenty-six businesses were displaced; a few never re-opened. Total damage was \$2 to \$4 million.

Don Russell, founder and President, and Jeff Verrill, EVP and Principal, are the two owners of Salt Associates. Today, Salt Associates is a thriving national consulting and claim auditing firm specializing in disability and absence management. Salt's customers include disability carriers, third party administrators, disability reinsurance companies, life companies and large employers. For more information on Salt Associates, please visit www.saltassociates.biz.