

Is Your Financial Institution Disaster Ready?

PREPARING FOR A DISASTER

Planning

Disaster readiness begins with preemptive planning. As part of the critical infrastructure of a community, this is even more so true of financial institutions. Financial institutions should review and prepare their disaster response plan annually, which should outline processes and procedures such as:

- Collection of and regular updates to emergency contact information for employees in the event of a natural disaster
- Roles and responsibilities of employees during and immediately following a disaster
- Protocols for communication to employees in advance of, during and after a natural disaster to ensure employee safety throughout the disaster
- Back up and secure storage of any critical data in the cloud and/or in a location outside of the disaster-prone area
- Plans for securing physical assets, such as critical equipment, ATMs, generators, securing windows and doors, etc.
- Communication protocols for customers notifying them how to prepare for disaster emergencies, expected closures or service limitations, associated timelines for reopening, and any resources available to them
- Contingency plans to ensure essential services can continue even if physical facilities are unavailable, such as online or telephone banking, ATMs, and additional call support services

Pre-Positioned Contracts

One of the best preemptive planning measures that a financial institution can take is entering into pre-disaster agreements with critical suppliers.

Often, once a natural disaster has occurred, resources can become constrained rapidly, leaving your organization high and dry. By procuring pre-positioned contracts, your institution can ensure that critical resources are ready and available when you need them most. Immediate emergency protection and response measures and supporting your team through staff augmentation are two (2) important factors to ensure continuity of operations.

Key areas to consider for pre-positioned contracts:

- Debris removal
- Roof tarping
- Water damage remediation

- Generators
- Emergency fuel
- Staff augmentation

Credentials for Re-Entry

Louisiana uses a statewide credentialing program to allow re-entry or access to restricted areas to certain credentialed individuals following a disaster. Banking Organizations are identified as part of the Tier 2 re-entry access group, and therefore, critical employees of banking organizations may be eligible to apply for credentials for re-entry in the event of a disaster.

Your organization should include in their disaster planning objectives the identification of and applications for critical employees that require such credentials.

In most parishes, applications for re-entry credentials are required annually, even if the individual was credentialed in the previous year. Please refer to the [Louisiana Bankers Association's 2022 Emergency Preparedness Re-entry Credentialing Requirements by Parish](#) for more information and resources on credentialing preparation.

DISASTER RESPONSE AND RECOVERY

Reopening

In the wake of a disaster, financial institutions play an important role in the response, recovery, and rebuild of their communities. As a component of a community's critical infrastructure, financial institutions are often called upon to reopen as quickly as safely possible.

A standard plan for reopening should be developed during the institution's annual planning; however, the impacts of disasters can be difficult, if not impossible, to predict, and therefore, plans should be designed to be adaptable based on the situation at hand. Some initial steps to consider during the reopening process are:

- Assess and document any property losses or damages sustained during the disaster.
- Begin coordination of necessary resources (i.e., debris removal, water remediation services, generators, emergency fuel, etc.)
- Survey critical employees to understand who is available and able to contribute to reopening efforts.
- Assess the needs of your customers and consider implementing disaster response policies and procedures in support of recovery efforts. The OCC and FDIC have previously encouraged the following measures in response to long-term disruption of critical services as a result of disasters:
 - waiving or reducing ATM fees;
 - temporarily waiving late payment fees or penalties for early withdrawal of savings for affected customers;
 - restructuring borrowers' debt obligation, when appropriate, by altering or adjusting payment terms;
 - expediting lending decisions, when possible, consistent with safety and soundness principles;
 - reassessing the current credit needs of the community and helping meet those needs to rebuild damaged property; and,

- contacting state and federal agencies, as well as other financial institutions, to help mitigate the effects of the event.

Your Role in Recovery

It's no secret that financial institutions play a major role in a community's disaster recovery through a steady stream of readily available capital to impacted businesses and households. In addition, financial institutions can have a tremendous impact on supporting the recovery and rebuild of governments and political subdivisions, such as school boards and water districts.

While many governmental entities have access to federal disaster resources through FEMA, the requirements and timelines of such funding can create issues for resource-constrained organizations.

FEMA Public Assistance (PA) projects require upfront payment of project costs by the governmental entity prior to FEMA's cost share reimbursement, and, even then, payments may take months or years to be obligated and disbursed by FEMA.

As such, many governments and political subdivisions find themselves in a tough situation, unable to fund the costs of the repair or replacement of disaster damage or loss while continuing to support the general operations of the entity.

Therein arises the need for loans for operational expenses to free up capital for FEMA project costs which provides an opportunity for financial institutions to serve as a catalyst for the rebuild and recovery of their underlying communities.

QUESTIONS?

If you have any questions or what like to discuss further, please reach out to Jennifer Butler, P&N's Director of Disaster Recovery and Management, via email at jbutler@pncpa.com.