



Management Advisory

Emergency Planning, Response and Recovery

While you cannot prevent most emergencies or disasters from occurring, you can help minimize the impact of a disaster on your practice by being prepared. A disaster can shut down your business, disrupt operations, cause physical or environmental damage, threaten your firm's financial standing or image, or cause deaths or significant injuries to employees, clients or the public.

Emergency management is the process of preparing for, responding to and recovering from an emergency situation or disaster. It is a dynamic process; not every emergency situation is a disaster. Every firm does not need to react in the same way. What could be an inconvenience to a large national firm may destroy the operations of a smaller firm. What could lead to a forced "vacation" for a sole practitioner could obliterate the records—and the reputation—of a corporate practice.

Planning for a Firm's Future

Planning for the contingencies of an emergency situation is both logical and necessary. Developing procedures helps firms fulfill their moral responsibility to protect employees, serve the community and safeguard the environment. A rational contingency plan effectively enhances a firm's ability to recover from financial losses, loss of market share, damages to records and equipment, or business interruption. Being prepared enhances a company's image and credibility with employees, customers, colleagues and the community. In addition, it may reduce property and business insurance premiums.

There are some questions that clearly underscore the importance of a firm's disaster recovery and continuity planning. For your firm, ask the following:

- ✓ Can all or part of your work site cease to exist for one day or permanently without jeopardizing your firm's viability?
- ✓ Would you survive the financial disaster created by loss of work in progress, equipment, records or your most important assets—your employees?
- ✓ How would you respond immediately and continually to recreate your business and fulfill the needs of clients?

Developing a Contingency Plan

A commitment to make emergency management part of your firm's culture must be followed by a vulnerability analysis, the development of a plan and its integration into the operations of the firm. By creating and maintaining a comprehensive emergency management program, a firm will be able to return more quickly to normal operations.

Establish a Planning Team. There must be an individual or group in charge of developing the emergency management plan. Firms that have experienced significant interruptions in their normal operations will confirm that the planning for an emergency needs to be a high-level activity that involves the top management.

Analyze Capabilities and Hazards. Risk management requires the analysis of the probability of an unfavorable outcome and the creation of a response to avoid or manage the risk. Information about current capabilities and possible hazards should be analyzed. Then, a vulnerability analysis should be conducted to determine the firm's capabilities for handling emergencies. This effort assesses the vulnerability of your facility by exploring the probability and potential impact of each emergency. This analysis, which entails assigning probabilities, estimating impact and assessing resources, guides the planning process.



Firms must look both internally and externally when planning for emergencies. Most emergency situations are within your facility; others involve an entire community. Meeting with government agencies, community organizations and utility companies to ask about potential emergencies and their plans and available resources for a response can assist a firm's analysis.

Consider what could happen as a result of prohibited access to the facility, the loss of electric power or the failure of communication systems. Analyze the potential human impact of each emergency—the possibility of death or injury. Consider the potential property losses and damages and assess the potential business impact, such as the disruption of current projects and the potential loss of clients.

A checklist of issues that should be considered during an impact assessment includes the following:

- ✓ interruption of day-to-day business activities,
- ✓ inability of employees to report to work,
- ✓ inadequacy of communication with clients,
- ✓ violation of contractual agreements,
- ✓ imposition of fines and penalties or legal costs, and
- ✓ interruption of interprofessional collaboration.

Assume the Worst. If the physical facility housing your practice is permanently destroyed, what would be important to your firm immediately and what must be recreated in order to continue?

Develop the Plan. The emergency management plan needs to focus on details. In preparation, a firm must base its plan on determinations from the adequacy of firm and disaster insurance, and the particular skills and characteristics of the firm and its employees. The planning effort should include the following basic components:

- ✓ complete emergency evacuation plan,
- ✓ plan for an alternative work site during the emergency,
- ✓ procedure that specifies under what circumstances a facility will close, who makes the decision, how the decision is communicated and whether the employees are compensated,
- ✓ recognition of plans for alternative electricity, water and other routine public services,
- ✓ preparation of a public relations spokesperson with responsibilities and authority carefully and thoroughly defined,
- ✓ requirement that individuals with key responsibilities keep copies of the emergency plan at their homes in the event of an emergency,
- ✓ procedure to update the plan at least annually, and
- ✓ determination if there are any local industry-specific groups that offer support, such as professional societies, trade associations or business alliance groups.

Administration and Logistics

It is important for a firm to maintain at all times complete and accurate records and current plans to ensure a more efficient emergency response and recovery. Certain records may also be required by regulation or your insurance carriers, and may prove to be invaluable in the case of legal action after an incident.

Administrative actions that should be performed *prior* to an emergency include:

- ✓ establishing and updating a written emergency management plan,
- ✓ maintaining training records,
- ✓ maintaining all written internal and external communication about the response procedures,
- ✓ documenting drills and exercises and their critiques, and
- ✓ involving community emergency response organizations in planning activities.



Administrative actions that will need to be performed *during* and *after* an emergency include:

- ✓ maintaining telephone logs,
- ✓ keeping a detailed record of events,
- ✓ maintaining a record of injuries and follow-up actions,
- ✓ accounting for personnel,
- ✓ coordinating notification of family members,
- ✓ issuing press releases,
- ✓ managing finances,
- ✓ coordinating personnel services, and
- ✓ documenting incident investigations and recovery operations.

Direction and Control

Someone must be in charge in an emergency. The system for managing resources, analyzing information and making decisions is called direction and control. Procedures must be established to have a designated person or group assume command and assess the situation. The control may need to extend to decisions ranging from activating emergency resources to ordering an evacuation. Part of the direction and control effort is notification. A firm should establish procedures for employees to report an internal emergency so that immediate action can be taken. A leader must be present to oversee all incident response activities and declare that the incident is “over.”

Life Safety

Protecting the health and safety of everyone in the firm is the first priority during an emergency. Evacuation planning is essential.

For direction and control purposes, a firm should establish a clear chain of command. Identify personnel with the authority to order an evacuation and designate personnel to assist others during an evacuation. Evacuation procedures should be specifically established and include a system for accounting for personnel. Evacuation situations could result from a highly localized problem to a community-wide evacuation. Consider the following for an evacuation:

- ✓ What are the employees’ transportation needs during an evacuation?
- ✓ How would access to important personal information about employees (i.e., home phone, next-of-kin, medical) occur in an emergency?
- ✓ How can a firm obtain an accurate account of personnel after an evacuation?

Confusion can lead to unnecessary and dangerous search and rescue operations. A method for accounting for non-employees, such as suppliers and clients, should also be established. In some instances, evacuations can be temporary, but a firm must establish procedures for prolonged evacuation in case the incident expands. This may consist of sending employees home by normal means or providing them with transportation to an off-site location.

Some facilities develop emergency escape procedures and routes, procedures for employees responsible for critical operations during an evacuation and medical duties for assigned employees.

Communication Systems

A firm’s emergency plan needs to address both temporary and systemic communication deficiencies. To survive during an emergency and to keep in contact with clients and staff, communication systems must be identified that can work during an emergency and provide the bridge to the restoration of firm activities.

Resuming operations immediately after an emergency requires resources and capabilities to seamlessly replace a damaged communication system. Identifying critical services and operations, and determining the need for backup systems, operations and equipment are vital to the continued functioning of the firm.



Property and Records Protection

Protecting facilities, equipment and vital records is essential to restoring operations once an emergency has occurred. While the value of preserving on-site operations is evident, few firms understand the importance of establishing an alternative work site—a “hot” site—where backup equipment, software, communication systems and records are ready for use.

Even the smallest firm should have a system to use an alternative site. Temporary relocation or reciprocity agreements with other firms can provide a temporary refuge for a firm’s staff and operations. Mutual aid agreements, perhaps coordinated through professional societies or trade associations, are one way to allow a firm displaced by a localized emergency to carry on its practice.

With any firm, the most critical items are business records. Earnest efforts should be made to prevent the loss of business records. Firms need to study alternatives that could be pursued before a disaster to avoid a total loss, such as keeping duplicate records at a different site. Storing copies of critical information such as accounts receivable, client information or outstanding billings in a safe and secure place is essential. Keeping daily backups of records and work in progress—and keeping backup equipment necessary to continue basic operations—at a location other than the work site is essential to the quick restoration of operations.

Recovery and Restoration

Business resumption goes right to a firm’s bottom line. Keeping people employed and the firm running is essential to meeting contractual commitments and keeping clients satisfied. Professional service firms are basically fragile business entities—the interruption of services, the loss of facilities, or the absence of professional and technical staff can challenge the viability of a firm.

Planning considerations include making contractual arrangements with vendors for such post-emergency services as records preservation, equipment repair or replacement, and immediate communication systems restoration. Determine critical operations and make plans for bringing those systems back on-line.

In some recovery situations, there may be an issue of continuity of management. It is prudent to assume that not every key person will be readily available or physically at the facility or replacement site after an emergency. Procedures should be established that allow recovery decisions to be made without undue delay. Firms that practice in a corporate form will need to consult legal counsel regarding laws and corporate bylaws governing continuity of management.

Employee support is essential during a recovery period. Since employees are your most valuable assets and will rely on you for support after an emergency, consider the range of services that the firm could provide, or arrange to allow employees to regain productivity while preserving family relations.

Finally, during a recovery period it is essential to meet with a firm’s insurance carriers to discuss property and business resumption policies.

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Victor O. Schinnerer & Company, Inc.
Two Wisconsin Circle
Chevy Chase, Maryland 20815
301/961-9800



Management Advisory

Preparing for a Power Outage

All professional service firms should take steps to protect their vital functions should they encounter power constraints caused by shortages or emergencies.

A crucial element in continuity planning is creating a strategy that spells out the steps for a firm to respond quickly to an emergency, manage the related crisis and maintain client services and market share. Tailoring an existing disaster plan to address possible power outages might take some effort. Those firms lacking a comprehensive plan may need several months to develop one. Taking the time to develop an effective business continuity plan, however, can dramatically reduce the impact of a business interruption loss.

In planning for power outages, consider the following:

- ✓ Assess how loss of power, surges and voltage fluctuation might affect critical equipment and electronic records.
- ✓ Develop shut-down procedures for internal technology and other critical operations.
- ✓ Assess emergency power resources, including on-site emergency generators and back-up energy storage systems.
- ✓ Address facility issues, including site security, evacuation and safety procedures, and hazards such as employees being stranded.
- ✓ Identify mission-critical functions that can be transferred to other companies or external facilities outside your area, and explore sharing arrangements with non-competing professional service firms.
- ✓ Determine how an unplanned interruption of your operations might affect your contractual obligations to meet schedules and whether contract adjustment provisions are in place.
- ✓ Create a system to communicate with staff and clients if power is interrupted.
- ✓ Coordinate planned activities with local law enforcement and other emergency services.
- ✓ Test the strategies you develop.

The focus should be on your critical business requirements. By developing effective recovery strategies and alternatives, your firm will be able to shorten the disruption time and minimize the impact of a power outage on your operations. It makes good sense for firms to prepare now for any energy issues they might face in the future.

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301/961-9800



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Managing the Risks of Pandemics on Professional Service Firms

Emergency management is the process of preparing for, responding to, and recovering from an emergency situation and the subsequent business disruption. Recent concerns over a possible flu pandemic should remind professional service firms to update their plans to address possible interruptions related to mass illnesses. All professional service firms should reassess their abilities to meet contractual obligations and business continuity requirements. A massive disruption in the operations of a firm caused by a pandemic—or a government response to a pandemic—combined with the already constrained abilities of many firms to meet cash flow needs during a recession could result in performance or business failures. (Even in more robust business cycles, preparation enhances a company’s image and credibility with employees, clients, colleagues, and the community. In addition, it may reduce property and business insurance premiums.)

The Risks

Any small firm can experience temporary difficulties completing projects if one or several key personnel are sickened at the same time by the seasonal flu or another “bug.” Pandemics, however, present a more serious situation due to the number of people infected and the likely government response. A pandemic could last for months, and perhaps as much as 75 percent of the workforce could be absent from work due to illness, prevented from working at their normal place of employment by government restrictions or quarantines, or rendered essentially unproductive because of childcare obligations, communication deficiencies, or transportation difficulties.

Professional service firms need to prepare for the interruption of day-to-day business activities that could result from the inability of employees to report to work. Firms should take special precautions to protect employees, but they must also keep in mind that work may be interrupted even if none of its own staff gets sick. An interruption caused by mass illness or governmental action to control the spread of illness could cause a loss of productivity and critical delays on projects due to diminished staffing. These delays may result in the violation of the firm’s contractual obligations to its clients.

Many situations in which delays in the performance of professional design services lead to harm can be attributed to negligence, and therefore are subject to professional liability insurance coverage. However, a poor firm management decision such as the failure to plan for employee absence or to mitigate the impact of illness is not one of those circumstances.

Contractual Strategies

Examine current contracts to determine milestones, time constraints, and any events that could lengthen performance time. While the inability of a firm’s staff to carry out duties in a timely manner because of illness is not usually considered a “force majeure,” it could be so defined by contract. Working with legal counsel will provide firms with a plan for addressing delays on existing projects, and to craft provisions specific to new projects.

Government intervention—in the form of transportation restrictions or quarantines—would probably be considered a valid purpose for modifying the contractual performance obligations. However, such interference might be seen as an effect that could have been anticipated. Clients might recognize that professional services could be performed by employees working at home or in remote offices, or assisted by subcontracted firms in other, non-restricted locations. Firms might want to specifically include an “Act of Government” provision in contracts to prevent such disputes.



Even if government restrictions are not effectuated, a government pronouncement of a pandemic could delay the performance of services. Contracts should state that firms are not responsible for strict deadlines when a declared pandemic creates an impossibility of performance. It might be possible that a declaration of a pandemic could be recognized as a deadline-delaying event under a “force majeure” provision.

Firms also need to review and understand subcontracts. Prime design professionals and any other firms relying on and taking responsibility for others need to recognize the potential impact of mass illness on their supply chain. It does little good for a prime design professional to structure methods to achieve timely performance of its responsibilities if it remains vicariously liable for the inability of consultants to perform in an adequate manner.

Business Management Strategies

Basic to any emergency planning is a procedure that specifies under what circumstances a facility will close, who will make the decision, how the decision is communicated, and whether employees are compensated. Updating the plan includes reviewing company policies on preventative efforts, including how off-site productivity can be achieved. This distancing of employees is vital during epidemics. Firms also need to determine what imperative processes must be maintained at a central location and how those processes can be carried out.

The illness of employees is only one cause of reduced productivity. Employees might have to be absent as a consequence of the illness of family or simply because of the closure of schools or childcare facilities. It is unlikely that these disruptions would be seen as unanticipated or uncontrollable. Clients and courts might examine whether contingency plans were possible and management actions reasonable.

While developing business continuity and crisis management plans, it is essential that insurance coverage is obtained. In assessing coverages, explore business interruption insurance, extra expense coverage for temporary relocation, and extended indemnity to allow extra time to get a firm back up to pre-emergency levels.

Recognize the Consequences of Disruptions in Construction

Clients should be made aware that a disruption in the construction workforce could severely affect the timing and quality of projects and could have a significant impact on the ability of design firms to provide construction-phase services. While a pandemic might be recognized as a natural phenomenon, those responsible for construction (as with design service providers) probably would not succeed with the argument that the pandemic’s effects could not have been anticipated or avoided by the exercise of due care or foresight. Thus, contractors could miss meeting contractual obligations and hinder construction, delaying the services involved in office or field construction-phase services. This possibility of workflow disruptions and increased costs needs to be addressed by design firms in practice management procedures and professional services contracts.

Conclusion

A pandemic may challenge the business health of professional service firms. Design professionals need to monitor developing situations and assess whether they can survive a significant disruption in operations. Keeping employees and the firm running is essential to meeting contractual commitments and keeping clients satisfied.

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Two Wisconsin Circle
Chevy Chase, Maryland 20815
301/961-9800





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Communication Backup and Restoration Planning

Immediate and reliable communication is essential to any business operation. A communication system failure can be a disaster in itself, cutting off vital business activities. In an emergency situation, communication is not only needed to continue firm functions, but often to preserve the well-being of a firm's most vital assets—its employees.

In a firm's contingency plan, accommodations should be made for all possible circumstances, from a temporary or short-term disruption to a total communication systems failure. An emergency communication plan providing alternative systems not only allows a firm to keep in contact with clients and colleagues, but is needed to report emergencies, warn personnel of the danger, keep families and off-duty employees informed about events and coordinate response actions.

In establishing a plan for emergency communication, a firm must assess functions that might have to be performed during an emergency as well as those functions necessary for the continuation of the professional practice. The emergency plan must accommodate the communication systems needed for support.

- ✓ Consider the everyday functions performed by your office and the communication support systems for both voice and data.
- ✓ Consider the business impact if your communication systems were inoperable.
- ✓ Prioritize all facility communication systems.
- ✓ Determine what should be restored first in an emergency.
- ✓ Establish procedures for restoring communication systems, such as asking your communication vendors about their emergency response capabilities.
- ✓ Determine needs for backup systems for each business function.

Do not ignore the necessity of family communication. In an emergency affecting a community, personnel will need to contact their families. When the situation is one of a crisis affecting the office, your firm's plans should include an accountability and assessment communication procedure with employees' families. Encourage employees to consider how they would communicate with their families in case they are separated from one another or injured during an emergency. Employers should arrange for an out-of-town contact for all family members to call in an emergency. Also, a place should be designated for employees to meet family members in case they cannot get home during an emergency.

Basic to the survival of a firm is establishing a continuity plan for an alternate work site during an emergency. In addition to housing staff and an accessible set of records, the alternative work site needs to have sufficient communication systems and equipment to allow you to continue to operate your practice.

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Assessing Insurance Coverage for Disaster Recovery

In developing your contingency plan, your firm will identify and evaluate those factors likely to have an impact on the viability of your practice following an emergency. In some firms, planning for contingencies may not, however, include determining the adequacy of fire and disaster insurance coverages. Many companies discover that they are not properly insured only after they have suffered a loss. Lack of appropriate insurance can be financially devastating. The key to staying afloat in the aftermath of a disaster is advance preparation. One aspect of this is to create a continuity plan centered around a carefully structured insurance program.

Whether or not your firm has an in-house risk manager, your firm uses a professional insurance broker. Discuss the following topics with your insurance advisor to determine your individual needs.

- ✓ How will my property be valued?
- ✓ What perils or causes of loss does my policy cover?
- ✓ What are my deductibles?
- ✓ What does my policy require me to do in the event of a loss?
- ✓ What types of records and documentation will my insurance company want?
- ✓ Are records in a safe place where they can be obtained after an emergency?
- ✓ To what extent am I covered for loss due to interruption of power?
- ✓ Is coverage provided for both on and off-premises power interruption?
- ✓ Am I covered for lost income in the event of business interruption?
- ✓ Do I have enough coverage?
- ✓ For how long is coverage provided?
- ✓ How long is my coverage for lost income if my practice is closed by order of a civil authority?
- ✓ To what extent am I covered for reduced income due to clients not immediately coming back once my practice resumes?
- ✓ How will my emergency management program affect my rates?

In assessing your coverages, explore business interruption insurance, extra expense coverage for the temporary relocation and extended indemnity to allow extra time to get revenue back up to pre-disaster levels.

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Two Wisconsin Circle
Chevy Chase, Maryland 20815
301/961-9800



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Sole Practitioners Should Anticipate Medical Contingencies

Professional service firms are increasingly separated into large firms employing many licensed design professionals and small firms that are often sole practitioners or single professional operations.

Large firms rarely face difficulty when an individual licensed design professional is physically unable to complete a project. Most large firms operate with interchangeable staffs where the person signing and sealing required documents often has had only a minor role in the project design and many others are capable of performing the initial calculations or designs. But small firms—especially those that are sole practitioners—could experience catastrophic damage because of any form of incapacitation.

Every sole practitioner's worst nightmare is injury, illness, or some form of incapacitation to the point of inability to provide professional services. While some clients may not fear the delay of a project because of a sudden personal misfortune, others may be hesitant to hire a sole practitioner unless a contingency plan is in place for completing the project. Consequently, it is prudent to structure a backup system and inform the client of its existence.

Prepare a Practice Support System

No sole practitioner wants to abandon a client or project or see a carefully built practice destroyed by an unplanned absence of several weeks or more. But few have prepared their clients, contracts, or operations for such an interruption in service. The simplest form of preparation for continuity on a project is a prearranged support system. Forming a relationship with another sole practitioner or small firm with a similar practice can provide the continuity of client service and of viability of a professional practice.

Rely on Digital Practice

With contemporary communications and project software, a colleague in another location can step in quickly to continue or complete a project. The backup practitioner can access communications and files through email or a project website. The backup professional will be able check client correspondence and emails and access documents without physically disrupting his or her existing practice. By choosing to form a cooperative, reciprocal relationship with another small firm, transition is less disruptive to the client and staff.

Address Laws, Rules and Insurance

There are many concerns in taking over a project, including, registration laws, the client's ability to void a personal services agreement, the legality of software use, confidentiality, and trade secrets.

Of course, there is the issue of professional liability insurance coverage to consider. Part of the arrangement for reciprocal backup would include exchanging insurance information, including carriers, limits, and deductibles. Unfortunately, many sole practitioners and small firms still do not carry appropriate insurance coverages. It is wise to exchange insurance information to confirm that both parties have the ability to defend their professional operations.

Put it in Writing

Once a backup has been identified and contact and insurance information exchanged, the reciprocal arrangement should be memorialized in writing. The agreement should provide the procedures to be followed if the backup practitioner is needed along with compensation decisions and any limitations on the authority of the backup. A



provision that clearly indicates that the client reverts to the primary professional upon return to practice is prudent. The agreement should also provide for confidentiality and nonsolicitation, not only of active clients but entire client lists, since the backup will have access to that information as well. The arrangement, of course, should be mutual.

Develop the Relationship

When the decisions have been made and put into an agreement form, the relationship can be nurtured. Tours of the offices should be arranged to familiarize each party with the location of files and the filing system and a demonstration of computer use and organization. Firms should share passwords and keys and candidly discuss office procedures. The reciprocal arrangement should also address the potential necessity to expand the power of the backup professional depending on the circumstance of an absence. Such information should be shared with legal counsel, a business advisor, or anyone else in the position of being the first to learn of an unanticipated absence from practice.

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