

AVERTING CUSTOMER DISASTER RISK

by [Steve Brown](#)

A survey by accounting software vendor Sage North America finds 62% of small businesses don't have a formal business continuity, emergency or disaster preparedness plan (BCP) in place. The good news is that 94% of small businesses back up their financial data (84% do so weekly), but the bad news is that 79% say they store this data on site. Perhaps that is one reason why the Insurance Information Institute finds up to 40% of businesses affected by a natural or human-caused disaster never reopen. There are all sorts of things your small business customers can do to better protect themselves and in turn, help protect your community bank from spillover effects. We know what you are thinking - making money and dealing with competition and regulatory burden is more than enough right now. Who has time to worry about disasters? In an effort to assist you, we pulled together some helpful tips. You can share these tips with your clients to help them protect their businesses, or as an ice-breaker to start conversation when visiting them in 2013. So many jobs in this country come from small businesses that even the government has provided advice to help business owners begin the process (www.ready.gov). Some of the information on this helpful site includes such facts as: customers still expect on time service, so delays due to a disaster can drive business into the arms of competitors; insurance doesn't cover all losses and it will not replace customers, so business owners need to have a plan; and it is typical that disasters can overwhelm the resources of public agencies, so small businesses may be on their own for some time. This is all useful to business owners and drives home the saying that an ounce of prevention is worth a pound of cure. There are also great sections on how to have a proper BCP program; plan for a disaster; mitigate risk; implement the plan; test it and improve the process over time. As with conducting fire drills at your office every so often, practicing a disaster means not having to worry when an actual one arises, because your small business clients know what to do and where to go. You can even augment their efforts by offering the use of offices in your branches, conference rooms or other methods, as a way to support customers should a problem ever arise. As a bank, it is highly likely that you have much better redundancy than your customers, so this can provide piece of mind for small business owners and further cement relationships if marketed perhaps. Teach your small business customers that having a good BCP plan is critical. It will help protect your customers and in turn, your bank. Suggest (or even help customers) do an analysis of the areas of their business that a disaster might impact. Then teach them to identify and document things they will need to have and areas where they might need to improve. Next, coach them to develop a true plan, so they can see where things might not work as expected and learn what to do. The last thing a small business needs when a crisis hits is uncertainty, so this part is very important. Finally, make sure customers test and maintain their plan. You can offer to have your customer facing people assist perhaps, hand out tip sheets and even go through a mock disaster with a significant customer to see what would happen (and how you can help). The more confident you are in customer capabilities, the more confident you can be they will repay your loan and remain a customer for decades. No one knows when a disaster may occur, but helping your customers prepare is one way to limit their risk and yours. The government suggests people have enough food, water and other supplies to last for at least 72 hours; but as we have seen from Hurricane Sandy and other disasters, a few weeks is probably better. Help your customers understand the risks and perhaps even offer to print up the forms and keep any

completed ones locked at the bank for them. You can use www.ready.gov forms; coordinate testing days with local first responders, etc.

Luckily, since today is reportedly the end of the world, you can wait until tomorrow to get started because no disaster planning can get you ready for something like that. Talk to you Monday.

BANK NEWS

M&A

Central Valley Community Bancorp (\$887mm, CA) will buy Visalia Community Bank (\$200mm, CA) for about \$22mm in cash and stock. Central Valley is the parent of Central Valley Community Bank.

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S.Y. Bancorp (\$2.1B, KY) will buy The Bancorp (\$136mm, KY) for \$19.9mm in cash. S.Y. is the parent of Stock Yards Bank & Trust Co. and The Bancorp is the parent of The Bank - Oldham County.

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Investors Bancorp (\$11.4B, NJ) will buy Roma Financial (\$1.7B, NJ) for an undisclosed sum. Investors is the parent of Investors Bank and Roma is the parent of Roma Bank.

Money Fund Risk

People that think money market mutual funds are as safe as a bank account should be interested to know a new report from the SEC indicates more than 160 money market funds have asked permission to infuse cash from their parent company to help shore them up since 1989. They are definitely not as safe as bank accounts.

Mutual Funds

Money market mutual funds are only paying 0.01% on average right now, yet they hold \$2.6T. It is truly odd that this much money hasn't moved to banks that carry full insurance plus a better rate.

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