

Business Continuity Planning for Life Science Companies

Life science companies are often at the forefront of discoveries that can have a far reaching impact on our lives – and the potential for significant returns. As such, it is imperative that there are no disruptions in your operations. Consider the consequences to your business if your manufacturing or research processes are interrupted for one day, one week, or one month. Could your company survive?

Business disruptions can occur at any time, often with little or no warning. Having a business continuity plan in place can help minimize disruptions from happening – or lessen their impact if they do occur – by providing a flexible and focused framework for addressing risks across your business. An effective business continuity plan can even enhance your risk management efforts by ensuring good manufacturing, laboratory, and clinical practices.

Fundamentals First

Events such as tornadoes, floods, terrorist attacks, and workplace violence get everyone's attention. In reality, the majority of companies never experience these types of disasters. While your business continuity plan should consider all possibilities, you need to address your routine exposures first.

Consider the impact if the refrigeration unit in one of your labs malfunctions, causing the temperature of critical cell cultures to rise dangerously close to a level at which they would need to be destroyed, jeopardizing months of research. Would you have a backup? What if your power supply is out for ten minutes, an hour, or even a day, and the backup generator failed? It's not a pretty picture. However, taking a few simple precautions can help protect your business from unnecessary disruptions.

Plan Ahead

Business continuity planning allows you to ensure there are procedures in place to retrieve critical information,

secure back-up facilities and equipment, and deal with power outages. The process of developing a comprehensive plan gives you the opportunity to collect important information including the dependency on suppliers, equipment, data, and facilities, as well as educate employees and enlist senior management support without the pressure of actually dealing with a crisis.

Plans often answer some of these key operational questions:

- If necessary, do we move permanently or temporarily?
- How much time and money would we need to replace critical equipment?
- How much time and money would we need to replace specimens/animals?
- How much time and money would we need to replace scientific data?
- How long would FDA recertification take? How much income would we lose during that process?

Consider these additional tips to help prevent something routine from becoming catastrophic:

- **Process review:** Identify single points of failure that could stop your entire system from working, including components, applications or people. A successful business continuity plan often has consistent duplication procedures for all critical documents such as cultures and electronic data.
- **Data storage:** Locate all of your company's crucial data files, including any confidential files that may be stored on personal computers or external drives. Make sure these are backed up, tested and verified on a regular basis.
- **Backup storage:** Store all backup files off site. Make sure your off site storage facility has security measures in place for their backups to guard against tampering, theft or disaster.
- **Equipment:** Keep critical pieces of technology, such as servers, hubs, routers and phone systems in locked

areas of your office. Limit access to only a few people, and require them to use pass codes.

- **Power supply:** Use an uninterruptible power supply and have back-up generators installed.
- **Network connectivity:** Implement an active server monitoring program that notifies you anytime your connectivity is down.
- **Network security:** Install anti-virus software, balancing technology and firewall protection on all company computers to guard against cyber crime. Also require the use of passwords to prevent unauthorized access and tampering.
- **Intellectual property:** Operations engaged in the development of a unique product should be aware of the potential for theft of proprietary research information. Review your current hiring and employment practices, such as conducting background checks and limiting access to critical information and sensitive areas to protect your intangible assets.
- **Serial numbers:** Make sure the serial numbers for all hardware, software, equipment, and instruments are recorded and stored in a safe place, preferably off site. This way if your equipment is stolen and later recovered, it can be easily identified as your property.
- **Minimal inventory:** Keep only what you need on hand. Store extra materials and equipment in a secure facility offsite, and do regular – and surprise – counts of what’s in storage.
- **Multiple suppliers:** Identify ways to span an interruption of supply – especially for rare materials and hardware, software, or scientific instruments. You may negotiate contractual agreements with suppliers or mutual use arrangements with nearby companies that require the same equipment. Also consider stipulating that the vendor will continue to provide supplies at an agreed upon level in case of a business interruption at their premise.
- **FDA certification:** Determine how long it will take and how much income may be lost for required FDA recertification. This exposure will vary for each company but is critical in determining business income risk.

There Can Be Other Business Impacts As Well

One misconception among Life Science companies is that property insurance with business interruption will cover all losses associated with a disruption of business. That is not the case. Sometimes a business interruption is not the result of a covered cause of loss, therefore uninsured consequences may also occur:

- Loss of market share and customers
- Loss of business relationships with vendors

- Increased insurance costs
- Increased costs following resumption of operations
- Severance pay and unemployment insurance costs
- Loss of employees (resignation, disability or death)
- Cost of equipment and facilities used during recovery
- Delayed accounts payable and receivable, and associated costs
- Impaired communications with customers, employees, vendors, etc.
- Loss of goodwill and support from community

In today’s business climate, having a comprehensive business continuity plan in place and ready to be activated is more important than ever.

Companies that have adequately assessed their vulnerabilities, and have clearly articulated and tested how they would get back to normal business operations in the event of a major interruption are more likely to minimize downtime and quickly recover from a crisis.

For More Information

For more information on how to manage risks for your business, contact your local Hartford agent, or visit www.thehartford.com/info/technology.

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