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10 Steps to an Effective Catastrophe Response

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Property Casualty 360

Business continuity is not just about protecting the supply chain. When a disaster strikes, how a company responds, and how the public perceives that response, can have a significant and lasting impact on its business. A poorly handled response can seriously damage a company's reputation, lead to lost customers and sales and even spur new regulations. An effective response will help mitigate those very real threats to revenue and reputation. Planning makes all the difference.

A company that develops and tests a robust catastrophe management plan ahead of time can focus on executing the plan, helping the public and its customers through the crisis, while managing the media and government scrutiny. A disaster poses a serious challenge for any business while it is taking place, but an effective response can enhance the company's reputation for the long term.

Two trends make disaster planning more crucial and more complex than ever: the growth of foreign investment and the explosion of social media. More U.S. companies now have operations abroad and more are considering investing in overseas facilities. Over the last 25 years, the value of U.S. overseas investments has risen more than fifteen-fold to \$4.1 trillion in 2011, according to a Congressional Research Service report. Although those operations may be distant in geographical terms, in the virtual world, they are right next door.

When a catastrophe occurs, the global reach of the Internet and social media means that news and pictures can spread around the world in seconds. A dramatic photo sent from a local resident's phone in Africa can be on television and websites around the world in minutes. A company that is not ready for the media onslaught may find itself unable to repair the damage done by rumors and misleading information spread over social media.

Protecting reputations

For instance, a food company whose products are found to contain misidentified or contaminated ingredients will need to respond quickly to avoid lasting damage to its brands or even the entire industry. An ineffective response will bring a drumbeat of negative media stories until the issue finally fades from public view. By that time, the damage may be irreparable.

A response that engages the public and highlights efforts to resolve the situation and help the victims can turn a negative story into a positive one. When a group of miners was trapped in a Chilean mine, video footage from inside the mine showed that the men were safe and helped to focus attention on the highly innovative, and ultimately successful, plan to rescue them.

Managing costs

Because the expenses of responding effectively to a catastrophe are likely to be far higher than anticipated, companies should make sure that their insurance coverage responds to those extra costs. The expenses are likely to include a crisis public relations firm to manage the reputational risks; travel for executives to manage the crisis; emergency third-party costs such as psychological counseling for victims and their families; temporary living quarters for families if the victims are hospitalized; and emergency medical evacuation and repatriation if adequate medical care is not available locally. For food-borne illnesses, the company may want to hire an independent laboratory. For instance, if a high profile group stays at a hotel and contracts a food-related illness, the company will want to determine right away whether it will be faulted for the incident and take the appropriate actions.

Build an effective response

Although companies cannot predict when or where a catastrophe will happen, they can prepare ahead of time. Then, when disaster strikes, the company can deploy a robust catastrophe and reputation management plan to handle the incident and manage the media coverage. Effective pre-planning includes monitoring trends while thinking outside of the box, implementing internal and external response protocols and practice, practice, practice.

Here are 10 steps that can help a company weather a catastrophe with its reputation intact.

1. Watch for “neon swans”

Companies need to continually monitor loss trends to predict catastrophes. But they also need to leave their comfort zones of predictability. So-called “black swan” events may be difficult to predict, but risk managers need to take them into account. Risk managers also need to consider events that common wisdom says shouldn’t happen but still do, what **Jason Zweig of the *Wall Street Journal* called “neon swans,”** and which, in retrospect, seem highly obvious.

2. Get everyone on the same page

When disaster strikes, executives, managers and employees in every location need to follow the same playbook. Companies should prepare and post, to the corporate intranet, crisis response plans that are consistent for the entire organization. Whether the incident involves a food-borne illness, a stadium collapse or an oil rig fire, everyone across the organization should know what to say and what to do to conform to the disaster management plan. A well thought-out plan will have a much higher likelihood of success than one made up on the spot.

3. Build a response team

While managers at the site will have to deal with the disaster when it happens, they will quickly need expert reinforcements. That includes the people to manage the catastrophe response and the media. In overseas locations, companies should make the best use of their local and international staff. Employees with local language skills should be trained to work with local residents, government and media. Because a crisis may last for weeks, it is crucial to designate back-up teams and develop transition plans so that the hand-off goes smoothly.

4. Line up the experts

In a catastrophe, a company will likely need the help of experts. It is too late to wait until a disaster happens to find those experts: they may be unavailable or may charge far more than they otherwise would. It is crucial to line up the appropriate vendors ahead of time and to make sure their contracts are up to date. Outside experts should be included in the planning process to develop the most effective response. During a crisis, companies should be prepared to monitor vendor billing and to track invoices and financial records for insured expenses, even if it means filing receipts in a shoebox in a pinch.

5. Designate facilities

A crucial part of planning is finding and securing facilities, such as a command or media center or housing for victims and their families. In cases involving large numbers of claims, the company will want to make sure they have the facilities, personnel and equipment available, and that their insurer can handle the high volume of claims. The speed and efficiency of the claims handling will have a significant impact on the public perception.

6. Practice drills

It’s not enough to prepare, it’s also important to practice. The company should run regular global preparedness drills, as well as lockdown drills, where appropriate. Because a facility may be more vulnerable during a crisis, the company should consider frequent drills to test the plan.

7. Develop a public relations plan

A crisis communications plan should be developed with the help of specialized public relations professionals. To avoid untimely delays when minutes really matter, the legal team should review the communications plan ahead of time. Press kits in local languages that provide a clear and consistent message should be prepared for every region in which the company operates.

8. Provide media training

Best communication practices include media training for executives. Even seasoned executives may stumble in front of the press if they are not aware of the impact their words may have or do not recognize the risks of off-the-cuff remarks to reporters. Media training should include mock press conferences to prepare executives to handle flurries of questions under the spotlight. Because regional and site managers may also be called upon to speak to the press or local officials, they should also receive training. Communication best practices should include developing and conveying consistent messages, cooperating with the media and local officials, providing regular, fact-based updates and avoiding simply saying, “No comment.”

9. Engage social media

Because rumors and misinformation about a disaster are likely to spread over social media along with the news, the company should be prepared to communicate its messages in real time. Those messages should be developed and approved by the legal team in advance, so that the company can respond quickly when information about a crisis starts spreading on social media. The company should monitor social media to gauge public opinion as well as to correct misinformation or rumors.

10. Debrief

After the disaster, it is crucial to hold a frank and honest discussion about the root causes of the catastrophe and how all aspects of the response were handled. The aim should be to avoid a future catastrophe, but should one occur, to handle it better. The company and its staff will have learned valuable lessons that can be used to enhance the overall disaster response and crisis communications plans. The company may be in an industry where those types of lessons will be shared to improve the accuracy and effectiveness of responses.

Catastrophe response in a hyperlinked world

In today's global economy, it is more important than ever for organizations to know how they will respond to a catastrophe wherever it happens and what steps they will take to protect their reputations. Even remote operations can be thrust into the spotlight in a world where social media makes everyone a virtual neighbor. Companies that fail to effectively handle a catastrophe, or fall short in managing the public and media response, put their reputations and the future of their business in jeopardy. A poorly handled response can be just as damaging to a business as broken links in a supply chain - and the damage may last far longer. A company that has assessed the new and emerging risks and developed a proactive plan that includes the appropriate insurance and expert professional assistance will be in a far better position should disaster strike. By meeting the needs of everyone involved in a catastrophe, from victims to customers, government officials and the wider public, a company can actually enhance its reputation and strengthen its business for the long term.

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