Risk Matters

A SEMI-ANNUAL PUBLICATION | SUMMER 2020

Beyond the Numbers
COVID-19 Financial Impact

"If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business."

RC ANSWERS:
What are Some Best Practices for a Strong Post-Pandemic Recovery?

Featured Risk Leader:
Walter Pizzano

Risk Cooperative

Readiness

What would you do in a world without risk?

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Risk Cooperative is a specialized strategy, risk and insurance advisory firm licensed to originate, place and service innovative risk-transfer and insurance solutions in all 50 states, D.C. and Puerto Rico.

www.riskcooperative.com

Contents

"Victory comes from finding opportunities in problems."

Risk Matters

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Risk Matters is published semi-annually by Risk Cooperative to move risk from being a cost to becoming a catalyst for change, new initiatives and greater resilience around the world. With this and our latest curated content, we aim to advance the standards of practice of the risk and insurance profession.

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Foreword

This pandemic reminds us all of the value of **resiliency and risk agility** as it continues to take its toll on populations across the globe.

In the first half of 2020, the coronavirus, societal and racial inequalities, and increased extreme weather events are having a profound impact on global society. This confluence of events makes it clear that we must change both how we view risks and how we do business. The outdated models of yesteryear are no longer applicable and organizations must have risk agility to navigate this complex risk environment while meeting the societal needs and demands of consumers.

Recent studies carried out by Suisse Re highlight how world economies have become less resilient and the protection gap has increased to its highest level Sever. The ongoing disruption brought by COVID-19 has spared no one. As businesses began to adapt their operating models, new risks became apparent. Increased teleworking intensified cyber risks while higher education institutions saw their campuses shuttered as roughly 1.5 billion students around the globe ceased to attend classes. And businesses that depend on physical patronage of customers, like retail stores and restaurants, found themselves struggling to meet new social distancing requirements. In our industry, the virus has highlighted several gaps in risk management programs and insurance policies, and these vulnerabilities have been further compounded by other emerging risks like climate change events, and increased societal tensions, as this new era of social corporate responsibility requires companies to make their views on racial equality transparent or suffer consumer judgement at the checkout lines.

This issue of *Risk Matters* calls for us to shift our thinking to meet the operating reality of this new landscape. Not only must organizations take a broad look at the potential risks they face, they must also work towards achieving risk agility—the quality that allows firms to pivot as needed to become more resilient in the face of complex risk issues such as this. This mantra is not new to Risk Cooperative; from its first day of operations, our firm has focused on helping firms think through these challenging issues with the aim of building operational resiliency. Our company's tag line of **Risk, Readiness and Resiliency** encapsulates this very goal.

Andres Franzetti is the Co-founder and Chief Executive Officer of Risk Cooperative

Featured Risk Leader

Since arriving at Harvard University nearly ten years ago, Walter Pizzano has led the Risk Strategy & Insurance department. Over the past decade, he has skillfully guided the department through a transformation from being singularly focused on insurance procurement into a new concentration on customer service and experience for the University clients the department serves.

WALTER PIZZANO,
DIRECTOR OF RISK STRATEGY &
INSURANCE, HARVARD UNIVERSITY

To this end, Walter realigned the group's operational focus into three primary business segments: *Risk Financing,* to address the question of how to align Harvard's willingness to take risks with its ability to do so; *Risk Consulting,* to assist University personnel with loss exposures and risk mitigation efforts, and *Business Resiliency*, to properly prepare the organization for efficient restoration of normal business operations in the wake of a disruptive event.

"There are plenty of products out there but whether they are good is for the buyer to figure out. I see insurance purchased based on what was sold rather than what was needed. It does no good to have a $10 million policy while you're sitting on a $50 million problem."

An early initiative that proved instrumental in this transformation was a clarification of the role, capabilities, and budgeting aspects of the Master Insurance Program, by which the Harvard community is protected from the financial consequences of loss caused by natural disasters, lawsuits and other contractual liabilities through master insurance policies. Additionally, Walter has worked tirelessly to deepen the University's overall understanding of governance and the important linkage between opportunity and risk.

More recently, Walter has been working to expand the department's utilization of information technology, particularly online collaboration tools and incorporating social media into communication channels.

Immediately prior to Harvard, Walter was Assistant Treasurer at Columbia University in the City of New York where he also moved to better integrate contemporary risk financing approaches with other treasury functions, particularly debt funding and cash management.

Walter holds a Bachelor's and Master's degree in engineering and has a certificate in Financial Planning from of Boston University's Center for Professional Education. He's also completed Harvard Law School's Program on Negotiations.

With more than 30 years experience at all levels of risk management, and having acquired specialized knowledge and techniques while serving key roles in financial services, life insurance, and the energy industry it is our honor, to name Walter Pizzano as our Risk Matters Featured Risk Leader.

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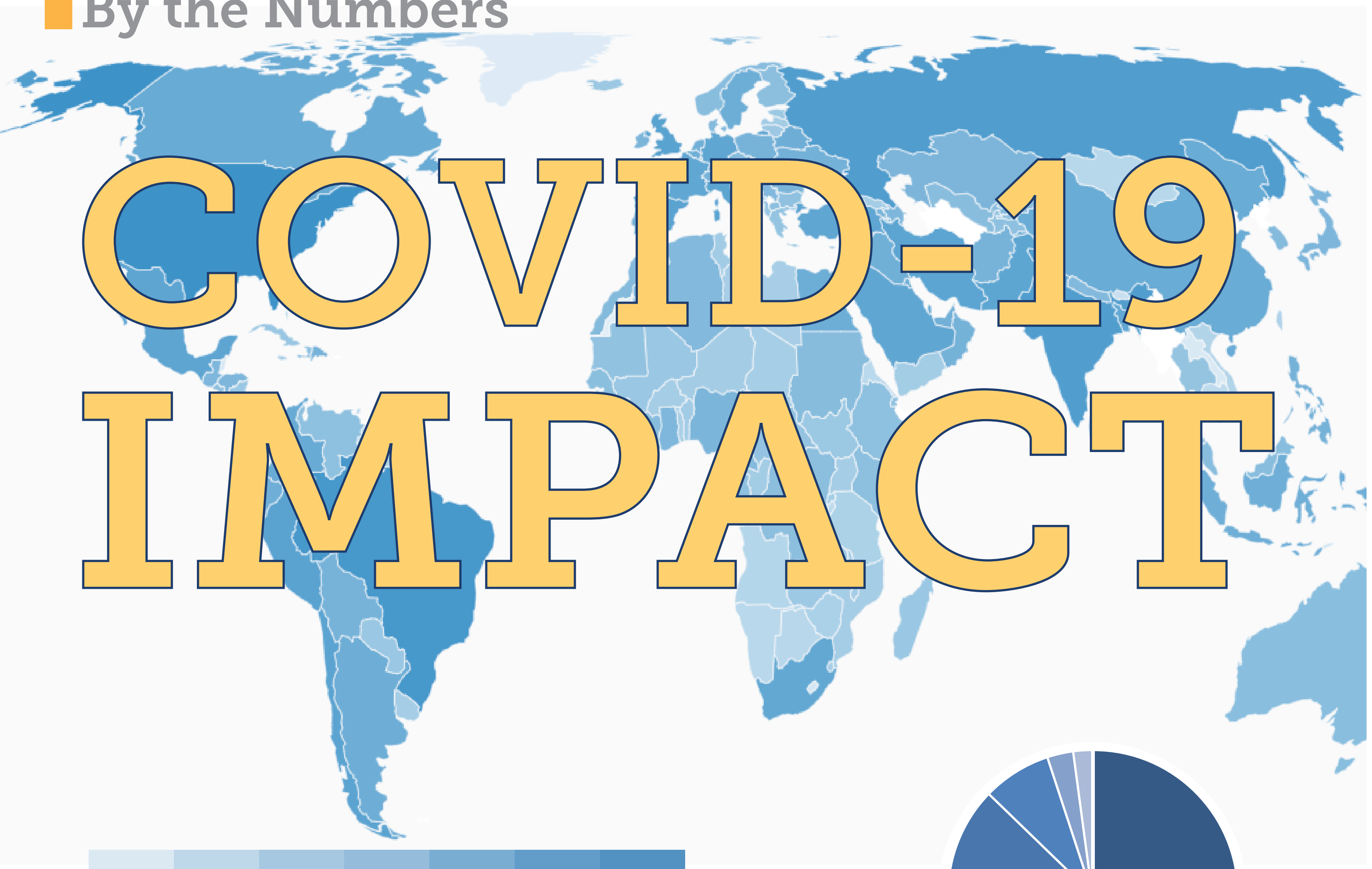
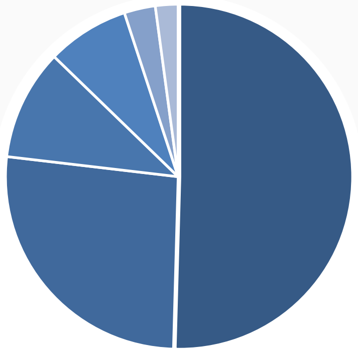
By the Numbers

COVID-19 IMPACT



GLOBAL HEALTH



10,185,374
CONFIRMED CORONAVIRUS CASES WORLDWIDE[1]

$50.7 billion
MONTHLY HOSPITAL AND HEALTHCARE SYSTEM ESTIMATED LOSSES RELATED TO THE PANDEMIC[3]

>50%
5,136,705 CONFIRMED CORONAVIRUS CASES ARE IN THE AMERICAS[1]

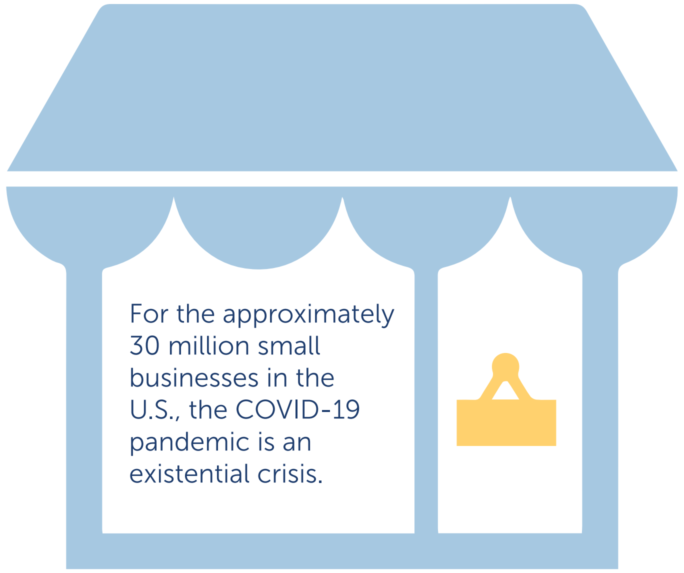
[1] As of June 30, 2020 at 4:03pm CEST https://covid19.who.int/
[2] https://www.computerweekly.com/news/252481684/Coronavirus-Cyber-attacks-on-banks-seen-spiking-says-Carbon-Black
[3] https://www.aha.org/guidesreports/2020-05-05-hospitals-and-health-systems-face-unprecedented-financial-pressures-due
[4] https://thehill.com/changing-america/well-being/longevity/497519-more-than-100000-small-businesses-have-permanently
[5] https://www.shrm.org/about-shrm/press-room/press-releases/pages/survey-covid-19-could-shutter-most-small-businesses.aspx
[6] https://fortune.com/2020/06/09/us-unemployment-rate-jobs-report-how-many-americans-jobless-unemployed-bls-labor-market-faq/
[7] https://www.iii.org/article/the-true-cost-of-rewriting-business-income-interruption-policies
[8] https://www.cnn.com/2020/06/04/politics/coronavirus-stimulus-relief-money/index.html

CYBERSECURITY

Cyber criminals are known to take advantage of adverse events, and threat data analysts have observed a marked increase in attacks that are directly tied to key dates of the global pandemic response.

Attacks on Financial Services

+48%	U.S. ANNOUNCES 1ST COVID-19 CASE [2]
+64%	SEVERAL U.S. STATES MAKE EMERGENCY DECLARATIONS [2]
+28%	ITALY DECLARES NATIONAL LOCKDOWN [2]
+22%	WHO DECLARES COVID-19 PANDEMIC [2]



For the approximately 30 million small businesses in the U.S., the COVID-19 pandemic is an existential crisis.

100,000
OR ABOUT 2% HAVE PERMANENTLY CLOSED.[4]

52%
OF SMALL BUSINESS OWNERS DON'T EXPECT TO LAST UNTIL NOVEMBER.[5]

13%
REPORT A TOTAL LOSS OF REVENUE.[5]

MARKET IMPACT

While the S&P500 bottomed out in April (concurrent with peak unemployment numbers[6]) at 34% down from it's late February high point, most losses were regained in June. Nonetheless, experts disagree about the financial path to recovery.

16% OR 26 million
UNEMPLOYED AMERICANS IN MAY[6]

$77 billion
DROP IN INSURANCE POLICYHOLDERS' SURPLUS (THE FUNDS AVAILABLE TO PAY CLAIMS) IN THE FIRST QUARTER OF 2020[7]

$3.6 trillion
CONGRESSIONALLY APPROVED COVID-19 ECONOMIC AID FOR INDIVIDUALS AND BUSINESSES. ANOTHER $3 TRILLION PACKAGE HAS ALREADY PASSED IN THE HOUSE OF REPRESENTATIVES.[8]

Summaries

INSURANCE POLICIES EVERY BUSINESS SHOULD HAVE | PUBLISHED 02.28.2020

Written by Les Williams
Originally published on RiskCooperative.com

At minimum, all businesses should have these four insurance policies. Global events can be unpredictable and have trickle-down effects on businesses of all shapes and sizes, so review your coverage to ensure you are prepared for any risks on the horizon.

Read the full article:
https://riskcooperative.com/news-and-analysis/insurance-policies-every-business-should-have/

CRISIS MANAGEMENT SERIES
| PUBLISHED 05.2020

Written by Jenny Decker
Originally published on RiskCooperative.com

All attention has turned to the current global pandemic. But that is certainly not the only challenge businesses are facing. Cyber threats, natural disasters, and political risk and further health challenges continue. In our three part series, we break down how to respond, recover, and prepare for the next incident.

Read the full articles:
Crisis Response https://riskcooperative.com/news-and-analysis/crisis-response-checklist/

Crisis Recovery https://riskcooperative.com/news-and-analysis/crisis-recovery-checklist/

Crisis Preparedness https://riskcooperative.com/news-and-analysis/crisis-preparedness-checklist/

WHAT IS CYBERSECURITY MATURITY MODEL CERTIFICATION? | PUBLISHED 01.21.2020

Written by Andres Franzetti
Originally published on RiskCooperative.com

The cybersecurity maturity model certification or CMMC is a new initiative to more effectively secure the Defense Industrial Base (DIB) against cyber risks.

Read the full article:
https://riskcooperative.com/news-and-analysis/cybersecurity-maturity-model-certification/

FRUSTRATED BY HEALTHCARE RED TAPE? A HEALTH ADVOCATE SERVICE CAN HELP.
| PUBLISHED 01.15.2020

Written by Derrick Wong & Asmeret Teklehaimanot
Originally published on RiskCooperative.com

In a landscape where up to 92% of blockchain projects fail, where are the successes? Cataloguing and Catalyzing Blockchain for Impact is one way to get a sense of the social impact the technology is having around the world.

Read the full article:
https://riskcooperative.com/news-and-analysis/health-advocate-employee-benefit/

Links to all RC published articles, interviews, and engagements are located under Insights on riskcooperative.com.

RISK MATTERS | SUMMER 2020

Featured Analysis

STARBUCKS, I TAKE MY COFFEE BLACK
| PUBLISHED 04.23.2018

Written by Dante Disparte
Originally published by Forbes.como

For Starbucks, a company that has had its mix of praise and criticism for its proactive stance on addressing race relations in the U.S. with its Race Together campaign, it is ironic that it now finds itself embroiled in a racially motivated backlash that has gripped the company, including calls for boycotts. Following the unfortunate, filmed and wrongful arrest of two black patrons, Rashon Nelson and Donte Robinson, in an all-too-familiar scene at a Starbucks store in Philadelphia, the company has perhaps disproportionately decided to shut 8,000 of its U.S. establishments on May 29 for racial bias training. What this case demonstrates in the reactionary era we are living in, etched by deep social and political fissures bordering on tribalism, is that intangible threats affect business continuity tarnishing the veneer of corporate reputation and pushing back the lines of social responsibility efforts.

Starbucks, particularly under the leadership of Howard Schultz, now the company's executive chairman, is among a growing number of firms that can be characterized as corporate activists. They join the ranks of firms like Apple, Salesforce, and Chick-fil-A, among others, that have staked their claim on an often controversial social or political position, such as race relations, gender relations, campaign finance, religion and national security, among other issues. This rise of corporate activism flies in the face of traditional norms that the only role of a corporation and its executives is to enhance shareholder value in a socially agnostic manner. Trickledown economics, or so the theory goes, will take care of the rest for the betterment of society. Scandal after corporate scandal conspire with a marked erosion in institutional trust to challenge these norms. In short, people expect more from their public and private institutions (and occasionally their baristas) and Starbucks is only the latest firm to confront these challenges.

Whether they like it or not, boardrooms and the C-suite are facing growing pressure to demonstrate to their stakeholders and society writ large that their value systems are not meaningless words on a wall or annual report, but rather important pillars they will stand on when challenged. In short, values matter most when it is least convenient. Far too many firms and their shareholders are learning costly lessons about reputation risk management and the corporate trust deficit. Indeed, many a shareholder can watch the erosion of value in real time as executives are beamed around the world in split screen newscasts – on one side showing the defendant corporate leader facing an inquisition. On the other, their firm's share price movements. Increasingly, this pantomime theater is taking place in largely ineffectual hearings on Capitol Hill, where Mark Zuckerberg was the latest CEO to defend his crestfallen organization, where many lawmakers proved they do not know the basics of governing in the technological age, let alone regulating it. If trust and alignment with market expectations are the new currencies of business, how will corporate governance and leadership evolve when we appear to be so thin-skinned as a society and so skittish as institutions? Everyone armed with their iPhones waiting for a scandal to unravel and a person to misstep is an Orwellian form of social policing.

Starbucks' potential overreaction is not the first of its kind. Chipotle followed a similar course in 2016 following an outbreak of foodborne illnesses in some of its stores, when it decided to close 1,600

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Featured Analysis

locations across the U.S. Since, Chipotle has struggled to recover despite many measures, including free meals and loyalty programs to lure back lost customers. Indeed, echoes of the E. coli outbreak still linger until today and the company's stock price reflects this market apprehension. Starbucks and its response to this challenge now creates a pattern in which the market begins to expect similar decisions following any type of corporate scandal or pressure. Taking this example further, should United Airlines have grounded all flights following the tragic case of Dr. David Dao? The airline ferries more than 143 million people around the world in general safety, notwithstanding the discomforts of modern air travel. Totally avoiding one of the world's systemic airlines to not face the highly unlikely fate of Dr. Dao may be impossible, unless you never travel by plane again. Waiting in a coffee shop without being arrested, like walking in a retail store without being followed, are sadly difficult if you are black in America. This is not Starbucks' problem to fix, but rather the society's.

Just because many of these events are now being filmed and immediately broadcast around the world, does not mean they are endemic and occurring in every Starbucks location. Not every Starbucks nor every Starbucks employee has the misjudgment exhibited at the Philadelphia store. No more than every security guard working for United or other airlines, has the inability to temper themselves. In short, people are fallible and large enterprises, notwithstanding their lofty mission and value statements, can be brought to their knees by this fallibility. Especially if reactions to crises are not immediate, sincere and proportionate.

In Facebook's case, following an uncomfortable period of silence, rather than turning to his own platform and Facebook Live to issue a personal apology to his more than 2.2 billion monthly active users, Mr. Zuckerberg followed a reflexive pattern of corporate crisis communications. Shielding himself and his firm behind the often-anodyne messaging of public relations firms, which was to wait to allow perceptions to linger before beginning an apology tour. What these cases demonstrate is that businesses, institutions and people are fallible, yet customers, investors and lawmakers expect better. The optics of shutting down every store is that what is and should be treated as an exception, may very well be a rule in every Starbucks in the U.S., which is clearly not the case. Just as foodborne bacteria contaminating every Chipotle is implausible, the overreaction sent an irreversible market signal making trust difficult, if not impossible to regain.

Perhaps Starbucks and other firms should take the lessons learned from Le Pain Quotidien, which had a field mouse incident where a customer found a dead pest in her salad. Rather than shut down every store in the country, or get embroiled in costly law suits or overreactions, the CEO, Vincent Herbert, came out apologetically asserting that one of the business risks in providing pesticide-free, farm-to-table food is the occasional pest will creep into the supply chain. This incident has been long forgotten and Le Pain Quotidien continues to thrive. Clearly, equivocating complex issues like race, customer and food safety is impossible. Where they are all related is in their effect on corporate reputation and trust. While admirable, for Starbucks to carry the weight of mending race relations in a deeply divided America is a burden too heavy to carry.

https://riskcooperative.com/news-and-analysis/starbucks-i-take-my-coffee-black/

ONE CALIFORNIA UTILITY'S BLACKOUT STRATEGY IS A WAKE-UP CALL FOR BUSINESS RESILIENCY PLANNING | PUBLISHED 10.21.2019

Written by Les Williams
Originally published by Risk & Insurance

Dante Disparte, founder and chairman of Risk Cooperative, recently co-authored a book entitled *Global Risk Agility And Decision Making.* The early chapters of the book discuss an issue that many risk managers strive to achieve: Addressing one risk while not creating a new one.

The book takes a lesson from the tragic Germanwings disaster: "Ironically, in protecting against a known risk, we can be exposed to entirely new forms of risk ... fortified cockpit doors certainly made flying in commercial airplanes safer — or at least created the placebo effect of safety. However, in so doing, what seemed like an incredibly remote risk — being exposed to a suicidal airline pilot — manifested itself with great ease ..."

Pacific Gas & Electric's (PG&E) recent decision to cut power to 800,000 homes and businesses was a very difficult one for the utility. The actions taken stem from the record-setting 2018 Camp Fire caused by their malfunctioning equipment in the field. The Camp Fire plunged PG& E into bankruptcy, and the utility's mass outage seems to be taken out of an abundance of caution based on this past tragedy.

While nursing homes were evacuated; schools were left dark; and food, water and generators quickly disappeared from store shelves; the risk of a repeat Camp Fire was too great in the eyes of the utility. Other utilities in California, such as Southern California Edison and San Diego Gas & Electric, have considered pursuing this option as well, but PG&E is the only company in the nation conducting this operation on such a large scale.

On one hand, if PG&E did not conduct this exercise and their equipment accidentally sparked another wildfire, there would be a deafening outcry from the public. On the other, as is currently the case, PG&E cuts power on a large scale and hundreds of thousands are plunged into darkness. This is a classic Catch-22 scenario.

Part of the issue at hand is technical in nature. According to the San Francisco Chronicle there are tools available to prevent such a large blackout — one such method involves the use of devices allowing localized blackouts to avoid disruption on a massive scale. PG&E does have this technology available in some parts of their grid, but it will take many months to deploy across its entire infrastructure. The situation is reminiscent to the Great Blackout of 2003, in which a tree branch in Northeast Ohio touching high voltage lines started a chain of unbroken events that resulted in the largest blackout in U.S. history, affecting approximately 50 million people. One single point of failure in the power grid in Ohio that day is eerily similar to what Californians are facing; PG&E's interconnected power grid needs more redundancy to prevent having to shutter operations on such a large scale.

Homes and businesses in California, and across the nation, can use this unprecedented planned blackout to revisit their own resiliency plans. Are all backup generators functioning properly, and do homes and businesses have backup generators in the first place? Are flashlights fully charged and easily accessible? Are automobile gas tanks kept full on a consistent basis?

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Featured Analysis

Businesses must revisit their own continuity plans, including analyzing insurance policies with their risk manager, especially because rolling blackouts are likely to occur in the future regardless of size and scope. Business continuity plans go above and beyond simply preparing for planned blackouts. With climate change causing more calamities like severe storms and droughts, we must be prepared for all types of interruptions in our daily lives.

Better preparation will help keep Americans out of the dark.

https://riskcooperative.com/news-and-analysis/californias-blackout-strategy/

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5 OF THE MOST DEMANDING RISKS TO PREPARE FOR IN 2020 | PUBLISHED 01.06.2020

Written by Les Williams
Originally published on Risk & Insurance

According to the World Economic Forum's (WEF) top 10 business risks of highest concerns globally released this past October, the top 10 global risks are:

- Fiscal crises
- Cyber attacks
- Unemployment or underemployment
- Energy price shock
- Failure of national governance
- Profound social instability
- Data fraud or theft
- Interstate conflict
- Failure of critical infrastructure
- Asset bubble

The survey was conducted by interviewing global executives in the following regions: East Asia and the Pacific, Eurasia, Europe, Latin America and the Caribbean, Middle East and North Africa, North America, South Asia, and Sub-Saharan Africa. While each of these risks are equally important to organizations going into 2020, five of these risks are united by one common theme: Their impact on international business operations.

Fiscal crises, failure of governance, social instability, interstate conflict, and cyber attacks represent risks that entities should be most careful of when conducting business abroad. These risks are interconnected, with each having an impact on the severity and likelihood of the others.

1) Fiscal Crises

According to the International Monetary Fund, global growth remains sluggish at 3.2% in 2019, projected to rise slightly to 3.5% in 2020. Lower growth, combined with a record increase in debt levels of the world's seven largest economies, has increased the likelihood of fiscal crises resulting in this risk being ranked #1 in the WEF's report.

That this risk overcame climate change or the threat of pandemic risks as the #1 perceived risk among survey respondents suggests there are some severe perils hiding in organizational blind spots — or that a certain "disaster fatigue" may have set in along with the sense that little can be done to alter the course of these types of events.

2) Social Instability

In response to lower growth and rising debt, governments typically respond with higher taxes and spending cuts to shore up weakened balance sheets. These measures tend to impact members of society clinging to the lowest rungs of the socio-economic ladder. This population is more sensitive to cuts in public services and, many times, are especially dependent on certain industries impacted by a weakening labor market.

Examples of social instability do not live solely in emerging market economies; we need look no further than the recent anti-government protests in France led by the gilets jaunes or "yellow vests." Rising fuel taxes and stagnant wages in a high cost-of-living environment are some of the grievances expressed by the protesters. Many of these protesters are middle-class citizens, making the situation even more caustic.

3) Failure of National Governance

The growing threat of financial crises puts an increasing strain on a government's ability to provide services for its citizens, creating social instability, which in turn causes citizens to lose faith in their respective governments. Lack of transparency among public officials (corruption), lackluster delivery of social services, income inequality and rampant crime are all factors contributing to this "no-confidence vote" amongst the populace in certain regions around the world. Primavera Latinoamericana, or Latin American Spring, has given rise to riots by citizens of Colombia, Chile, Ecuador and Bolivia, among others. This trend is expected to continue well into 2020.

4) Interstate Conflict

Interstate conflict is possibly the most insidious risk facing entities and their international operations. We need look no further than the recent developments between Iran and the U.S. Shortly after the New Year, U.S. President Donald J. Trump ordered a lethal missile strike on a convoy of vehicles carrying General Qassem Soleimani, an influential Iranian military leader, in Iraq's capital. While international reaction has varied, this incident may mark the beginning of not only a military campaign between the two nations, but also an advanced cyber warfare campaign given the history of past skirmishes. Evidence of this has already begun, with a group of hackers claiming to be from Iran breaching the website of the U.S. Federal Deposit Library Program.

5) Cyber Warfare

A new risk that must be accounted for involving cyber is the act of war exclusion found on many property and other insurance policies. Merck Pharmaceuticals and food giant Mondelez were a few of the hundreds of global companies directly

Featured Analysis

affected by the 2017 Russian-born NotPetya cyber attack. According to The Insurance Journal, Merck's direct and indirect losses totaled $1.3 billion, and over 30 insurers and reinsurers denied coverage due to Merck's property policies specifically excluding acts of war (even though Merck was not a willing combatant in the attack, rather an innocent bystander).

While Merck took many of these insurers to court, such as AIG and Allianz, the fallout from the breach continued as the pharmaceutical giant struggled to reopen several production facilities that were shuttered. This will not be the first time businesses and universities will be exposed to this opaque exclusion, and we can expect this conundrum to arise again as Iran and other actors are expected to launch more cyber attacks on the U.S. and other targets, which may hone in on "easier prey" or soft targets.

Managing the Risks by Managing Policies

While the aforementioned risks are enough to make any entity think twice before planning travel or conducting business globally during 2020, it is wise to review certain insurance and enterprise risk management policies.

Event cancellation coverage is very comprehensive, covering perils such as the death of a foreign leader, threat of communicable disease, threat of natural disaster, act of war, act of civil war, political intimidation, strikes and civil commotion, riots, terrorism and more. The ability to pivot or cancel an international trip due to these unforeseen perils is something event cancellation coverage provides.

Political risk insurance is especially important in 2020 given the current geopolitical environment. This insurance covers perils like government confiscation of property, civil commotion, currency inconvertibility, terrorism, war and import/export embargos, among others.

The actual exercise of reviewing a current **cyber policy** or procuring new coverage allows an organization to remain current with the most recent threats in this fast-moving risk landscape. There are several key coverages every comprehensive cyber policy must contain, such as security breach response, extortion, business income interruption and reputational harm.

The **act of war exclusion** must also be specifically addressed in policies, or organizations must be made aware that their potential economic costs due to a war risks exclusion will go unhedged by insurance.

Equally as troubling is the situation known as **"silent cyber,"** the unknown exposure in an insurance portfolio created by a cyber risk that has neither been excluded nor included, therefore creating a scenario where insureds are tacitly at risk.

Organizations must consult their risk managers/insurance brokers to ensure that their policies specifically address acts of war relating to cyber and are not silent regarding cyber threats.

Event cancellation, political risk and cyber insurance are coverage classes that simply place a fixed price on the uncertainty following an unfortunate event. These coverages, in concert with proper planning, will help make organizations more resilient on the global stage in an uncertain 2020.

https://riskcooperative.com/news-and-analysis/5-risks-for-2020/

CORONAVIRUS AND TELECOMMUTING: HOW ONE RISK IS GIVING WAY TO AN EVEN BIGGER CYBER THREAT | PUBLISHED 03.13.2020

Written by Les Williams
Originally published on Risk & Insurance and SHRM

First identified in Wuhan, Hubei Province, China in December 2019, the virus, officially known as "SARS-CoV-2," has created a ripple effect throughout the global economy. Most commonly referred to as "coronavirus disease 2019," or COVID-19 according to The Centers for Disease Control and Prevention (CDC), the pandemic has decimated the market value of countless firms with no signs of easing.

At the time this article was published, The Center for Systems Science and Engineering at Johns Hopkins University reported 118,252 global cases of COVID-19 with 4,262 deaths and 64,391 total recoveries. The U.S. has seen 959 confirmed cases with 28 deaths and 8 total recoveries, with the most cases in Washington State, California and New York.

Global reaction has been swift and decisive; Italy's government has ordered its citizens to stay home, The U.S. has temporarily closed its borders to non-U.S. citizens traveling from all European countries except the UK, some countries have cancelled school for several weeks, and many sporting events have either been cancelled or will continue without fan attendance. What was once known as a human resources perk at U.S. firms has now become a critical link in the business continuity and resiliency chain; the ability to telecommute.

Office Exodus

The Wall Street Journal reported that several U.S. firms are encouraging telecommuting in order to prevent the spread of COVID-19. Microsoft instructed workers in northern California and Seattle to work from home, Apple gave similar instructions to its global workforce, and Stripe is now interviewing candidates via videoconferencing in lieu of in-person interviews. Many firms are replacing face-to-face meetings with conference calls or videoconferencing, cancelling travel plans much to the chagrin of airlines and hotels. A growing number of higher education institutions have even decided to conduct the remainder of the semester via online classes in hopes of preventing the rapid spread of the virus.

The "flight to telecommuting" on such a massive and sudden scale has raised many questions at firms of all sizes, with a special emphasis on firms not possessing the technical expertise and scale of Fortune 1000 entities. Do employees have the technical resources at home to successfully complete tasks remotely? Will employers contribute to employees' internet and phone bills should their personal telecommunications footprint increase drastically due to the excessive data loads required for corporate work? Will internal/external tech resources become overloaded from the many "telecommuting newbies" needing extra handholding?

According to the U.S. Department of Labor there are no federal legal requirements for paid sick leave, so how do employers not offering this benefit prepare for the rise in sick employees working from home who may possibly contract the virus? Perhaps the most insidious side effect resulting from this new telecommuting workforce is the potential rise in cyber attacks targeting softer targets.

Creating a New Risk While Solving for a Current One

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While telecommuters may be less-exposed to COVID-19 while working remotely, a new risk is evolving. This mobile workforce may not practice the same proper cyber hygiene at home as they would in an office environment. Forgetting to utilize a virtual private network at home, for example, could encourage evil actors looking for a path of least resistance to gain access to sensitive data. To make matters worse, many telecommuters may opt to work from their local coffee shop utilizing unsecured WiFi networks. Confidential phone conversations that once occurred in the private confines of an office building may now be conducted in more public settings, further jeopardizing the confidentiality of sensitive information.

Telecommuter Cyber Playbook

At a time when personal hygiene is extremely critical, cyber hygiene must also remain a top priority for telecommuters. With the virus spreading exponentially, telecommuting will become the new normal in the coming months necessitating the need for companies to develop a "telecommuter cyber playbook." This framework should address how employees can implement proper at-home cyber hygiene and should include contact names and phone numbers of information technology staff on call. As part of their ongoing business resiliency planning, firms must devise a strategy for either hiring more internal IT staff or contracting with external IT firms. With demand for cyber security professionals far outpacing supply globally, planning for IT staffing is critical given the next pandemic could be just around the corner.

https://riskcooperative.com/news-and-analysis/coronavirus-and-telecommuting/

DURING COVID-19, RISK MANAGERS MUST ACT NOW TO BE THE HEROES BUSINESSES NEED | PUBLISHED 03.31.2020

Written by Les Williams
Originally published on Risk & Insurance

When the Dean of Harvard Business School, Nithin Nohria, gave his inaugural interview with the school'snewspaper The Harbus in September 2010, he discussed the important role business plays in society.

"My father was CEO of Crompton Greaves in India. I saw the impact business could have in transforming communities through better infrastructure and creating employment opportunities," he said.

Dean Nohria's views are more important than ever, and the current COVID-19 pandemic has put business to the ultimate test. As the U.S. prepares for what will be many weeks of social distancing, teleworking and drastically changing daily operations, it is critical that business plays a leading role in navigating these turbulent waters both during and after the threat.

Grande Americano, Leave Extra Room for Employee Well-Being

Given the rise of mental health awareness among U.S. companies, it is important for employers to find accessible solutions to support their employees both during this crises as well as when a sense of normalcy returns. We need look no further than a ubiquitous coffee company to find the perfect blend.

Starbucks adopted a novel approach to addressing employee mental wellness, according to Fast Company. Starbucks employees, and their family members, have access to 20 free annual therapy sessions through mental health provider Lyra Health. Launching on April 6th, the timing of this employee benefit could not be better given the impact of the pandemic on society. Starbucks employees can schedule appointments with mental health professionals conveniently and quickly via a smartphone app. Employees even have the option to conduct sessions online, further diversifying the delivery method of this important benefit.

Fresh Food, How Sweet It Is

Sweetgreen is expanding its Outpost concept to health care workers. The fast-casual chain is connecting hospitals to its fresh food free of charge in the various cities it serves. World-renowned chef Jose Andres has once again mobilized his World Central Kitchen to not only feed emergency responders but also feed students no longer able to eat at shuttered schools as well as the elderly unable to leave their homes.

Many restaurants across the country have successfully shifted from dine-in concepts to curbside pick-up operations. One such restaurant in Washington, D.C., i ricchi, has created a food club allowing residents to not only schedule pick-ups each day of the week but also to prepay food for others in need (the recently unemployed, emergency responders, frontline workers, etc).

Providing a Much-Needed Assist

Bauer, a manufacturer of hockey equipment for professional and amateur athletes, has pivoted from making helmet visors for players to face shields for medical professionals. According to The Washington Post, the company has received over 1 million orders for these shields. While Bauer is operating its production facilities at maximum capacity, the firm cannot meet the current backlog, so it has provided design/manufacturing instructions to other companies in an effort to encourage increased production capacity.

The Washington Post also reported that Fanatics, a maker of sports apparel, has also redesigned its assembly line to produce more protective face shields.

There Is Such a Thing as a Free Ride

Hertz is making transportation more accessible to those on the front lines. According to its website, the car rental behemoth is offering health care workers in New York City a free, month-long rental throughout the month of April.

Lessons Learned Upon a Return to Normalcy

Similar to the way U.S. citizens banded together in the aftermath of 9/11, so too shall this nation become stronger post-pandemic. This resiliency is especially important given that future communicable diseases/pandemics are likely to come. If history is any guide, SARS, MERS, Avian Flu, H1N1 and COVID-19 are the forefathers of maladies on the horizon. Risk managers are the "center of excellence" within an enterprise risk management framework, and it is incumbent upon them to remain proactive and prepared.

While industrial giants such as Ford, GE, 3M, Tesla, Airbus and Dyson have redesigned their assembly lines to produce much-needed ventilators for hospitals combating the pandemic, risk managers at these organizations must determine how they can continue their important work in future years.

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One idea is for these firms to strategically stockpile ventilators for free in their plants around the globe, ready to absorb surge capacity at a moment's notice. Similar to how the Climate & Clean Air Coalition has formed a partnership of businesses, civic groups and governments committed to improving the global climate, companies producing ventilators can form a similar partnership under the oversight of a governing body like The World Health Organization. This resilient supply chain can save lives and lessen the impact of future pandemics. The same thought process can be used for distilleries across the nation that have converted some of their operations from making alcohol to making hand sanitizer for hospitals in the region.

Bauer has created the perfect blueprint for how companies, including rivals, can work together and share information to meet surge capacity during the next pandemic. Now that the U.S. is witnessing the impact of mental health on frontline workers, risk managers should consult with HR to understand how they can better address their employees' mental health needs.

Starbucks is on the right track, by taking care of their employees now. They are creating a more resilient organization and building goodwill, which may lead to a reduction in employee turnover, improved well-being/mental health and increased productivity. By observing Dean Nohria's views on business, risk managers can position themselves at the leading edge of organizations that create resilient communities outlasting any future crises.

https://riskcooperative.com/news-and-analysis/covid19-heroes/

HAVE YOU CONSIDERED COVID-19'S WORKERS' COMP IMPLICATIONS FOR FRONTLINE WORKERS? | PUBLISHED 04.13.2020

Written by Derrick Wong
Originally published on Risk & Insurance

The United States has a long history of workplace conflicts, including personality differences, cultural expectations and malicious harassment.
The continual accumulation of COVID-19 cases in the United States has created another source of workplace tension as many employees in essential business industries continue onsite work despite the severe risks. The pressure for essential workplaces to keep up with production demands has led to increasing concerns for the safety of frontline workers.

Employees Take a Stand — By Walking Out

Workers at an Amazon warehouse in Staten Island, N.Y. recently staged a walkout over concerns about safety at the job site. Amazon's Whole Food Market employees followed suit by organizing a sickout the next day. Increasing fears of contamination risk and lack of compensation also led thousands of workers to execute a nationwide strike against the grocery delivery service Instacart.

In an interview for USA Today, an Amazon worker at the Staten Island facility described her concerns with the warehouse as "not having enough personal protective equipment (PPE) and inadequate safety precautions."

These problematic work environments echo those faced by frontline workers in hospitals and health care facilities during this pandemic.

Construction Can Boost the Economy — But at What Cost?

Construction offers a potential boost to a U.S. economy that has been exposed and crippled by the pandemic. According to federal government figures, the industry employs more than 7.6 million Americans, and 2019's construction spending exceeded $1.3 trillion.

Although the sports world has been brought to a standstill by the pandemic, the construction of sports facilities continues, placing the spotlight on the tension between economic pressures and safety concerns. The companies overseeing new stadium construction for the National Football League's Las Vegas Raiders and Major League Baseball's Texas Rangers each disclosed in March that a worker at their respective sites had tested positive for COVID-19. Despite these positive diagnoses, work continues at the sites. How many more workers had been infected? We may never know until weeks later, and at that time, those infected may have unknowingly given the virus to others.

Food for Thought: Bonuses for Frontline Workers

Several companies are taking a closer look at protecting their workforce.

Tyson Foods, Inc. recently announced it will pay approximately $60 million in bonuses to the company's frontline workers and truckers during the pandemic. Eligible employees will receive a $500 bonus that is payable during the first week of July. The Wall Street Journal detailed how Tyson has adapted its operations with several precautionary measures. High-traffic areas at its facilities are subject to extra sanitizing efforts, and employees are subject to daily temperature checks. The company also updated its attendance policy, so employees with COVID-19 symptoms can stay home, and the five consecutive day waiting period for short term disability benefits has been waived so workers can receive pay while sick with COVID-19 or the flu.

Similarly, The Society for Human Resources stated that PepsiCo, Inc. will provide additional compensation and enhanced benefits to all U.S.-based employees amidst the pandemic. The additional compensation covers more than 90,000 frontline employees and consists of a minimum increase of $100 per week for full-time employees. Kirk Tanner, CEO of PepsiCo Beverages of North America, explained in a press release that "this is our way to recognize the critical role our frontline plays in our organization."

Banks across the country have announced initiatives to help workers handle financial distress caused by the pandemic. Leading the way is Truist Bank, which recently announced employees making under $100,000 per year will be given a $1,200 pre-tax bonus. Additionally, the bank will be giving employees 10 extra days of paid leave to help deal with school closings, child care reimbursement and increased emergency child and elder care benefits.

Tyson Foods, PepsiCo, and Truist Bank are examples of companies doing the right thing for employees, but the public sector is also acting in the best interest of workers. Effective April 1st, the U.S. Department of Labor enacted the Families First Coronavirus Response Act (FFCRA) that requires certain employers to provide employees with paid sick leave and expanded family leave for specific reasons related to COVID-19.

Although these regulations expand paid sick leave to workers who otherwise would not have access to

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it, the FFCRA is limited to employers with fewer than 500 employees, and eligible employers can elect to exclude health care workers and emergency responders. Given the drastic rise in COVID-19 cases, all companies, regardless of size and industry, should revisit paid sick leave for the wellness of their workers.

Communicable Disease: The New Concern for Workers' Compensation

The question remains whether COVID-19 is compensable under workers' compensation laws. While workers' compensation laws provide reparation for "occupational diseases" that develop out of and in the course of employment, many state statutes exclude "ordinary diseases of life" such as the common cold or flu.

Occupational groups such as health care workers have a higher probability of exposure. However, there is an uncertainty as to whether the disease is compensable. As compensability issues continue on a case-by-case basis, two states have insurers that will guarantee workers' compensation benefits for health care workers and first responders.

The governor of Kentucky announced in March that Kentucky Employers' Mutual Insurance will provide wage replacement benefits to first responders and medical personnel employed by its policyholders who are quarantined for COVID-19 as a result of their increased exposure during the course of employment.

The Washington State Department of Labor and Industries announced on March 5th that the state will provide workers' compensation benefits to health care workers and first responders during the time they are quarantined after being exposed to COVID-19 on the job. The coverage will pay for medical testing, treatment expenses, and indemnity payments for those who cannot work while sick or quarantined.

The National Council of Compensation Insurance states that it remains to be seen whether other states will follow Washington state's lead. However, several states have issued health insurance mandates that include COVID-19 testing and visits to emergency rooms or urgent care facilities without deductibles or copays.

These state measures could limit the workers' compensation claim activity where only testing and quarantine are necessary, but will it be enough to minimize the increasing tension between employers and frontline workers?

In an interview with USA Today, Mary-Hunter McDowell from The Wharton School of the University of Pennsylvania said, "Employees in essential industries see they have some leverage and are currently putting themselves at additional risk. Additional leverage provided during this ongoing crisis potentially gives workers the power to break what is a critical confidence in their employers right now."

The majority of health insurance carriers have modified their short-term disability policies to cover employees who are diagnosed with COVID-19 and unable to perform the major occupational duties. It is time for state government to follow in the footsteps of these carriers. State governments are in a constant battle with one another to attract the best companies. Tax credits, grants, and employee training are some of the incentives offered by state economic development councils. Perhaps it is time for these councils to work with their respective state workers' compensation boards to view workers' comp as a useful incentive for attracting companies. Modifying workers' comp provisions on communicable diseases to protect frontline workers who fear for their safety will reduce the likelihood of a workforce strike, thus making a particular state more attractive to companies.

Happier workers lead to increased productivity, less recidivism, and ultimately, higher profits. Now that's something every employee can live with.

https://riskcooperative.com/news-and-analysis/covid19-workers-comp/

RC Answers

After closing non-essential businesses for COVID-19, my local area is operating a phased reopening. How can I prepare to bring my employees back into the office safely?

Just as different locales initially responded to the coronavirus threat in different ways, there are also a variety of approaches to reopening non-essential businesses as constituents bristle at continued shelter-in-place orders.

In some places, reopening is proceeding slowly and purposefully, while others rapidly advance through phases, and some have even been forced to backtrack as new cases spike. How well you lead your team through these challenging times will have an impact your organization's overall resiliency. After all, you'll need the full support of your team to continue serving clients at pre-pandemic expectations.

Even though the Families First Coronavirus Response Act (FFCRA) legislates additional leave to help workers manage the competing priorities of health, safety, and dependent care, we recommend that businesses consider offering employees extra support during the transition back to the office.

Perhaps, you might revisit your Paid Time Off (PTO) policies to allow hours to carry over into next year so that employees don't rush to use-or-use accumulated leave before the end of 2020. Or you might offer wellness incentives through a partner like SoHookd or an Employee Aassistance Program (EAP) in order to support the physical and mental health of your workers.

Additionally, it is important to address the safety of the physical office environment. Before scheduling employees to return to the building, work with the building manager or landlord to ensure that all systems are turned on and working properly after the long hiatus. You also want to become familiar with any additional cleaning or social distancing protocols, particularly as they may relate to shared spaces like elevators and restrooms. Preparing a Hygiene Handbook that addresses the shift in cultural norms related to post-pandemic hygiene (e.g. handshakes, mask wearing, and social distancing) will help employees prepare for working together face-to-face.

Lastly, some workers may still not feel comfortable returning to the office if they or their dependents are particularly vulnerable to the coronavirus. Maintaining a flexible teleworking policy will ensure that all employees are able to contribute to your success..

HAVE A QUESTION FOR OUR EXPERTS?

Send your inquiries to info@riskcooperative.com and your question and answer may be published in a future edition of Risk Matters.

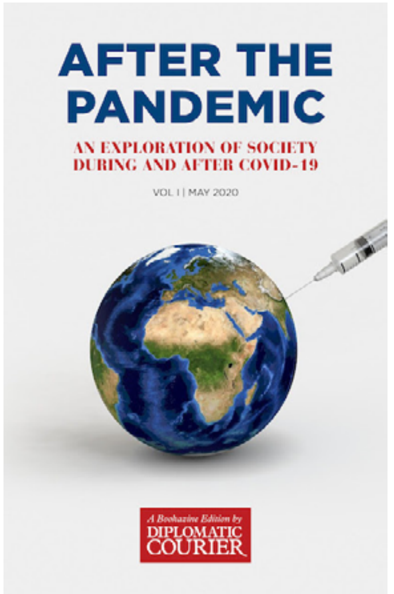
Announcements

RISK COOPERATIVE HOSTS VIRTUAL TOWN HALLS

In April, Risk Cooperative partnered with BlueVoyant to host The Telework Playbook to help organizations confront the business continuity pressures brought on by COVID-19. In June, we hosted Universities at Risk to address the challenges facing academic institutions as various revenue streams continue to be impacted. Look out for additional programming on How to Choose Your Broker later in July.

DIPLOMATIC COURIER: LIFE AFTER PANDEMIC

Life After Pandemic a special series published by The Diplomatic Courier, chronicles society's response to the challenges exposed by COVID-19 so that we don't just go "back to normal" but back to better. Risk Cooperative Chairman, Dante Disparte has contributed a piece to the project.



RISK COOPERATIVE CO-FOUNDER, LES WILLIAMS, NAMED 2020 RISK & INSURANCE POWER BROKER

Les Williams is recognized in the Specialty category for the 2020 Risk & Insurance Power Broker award. This honor reinforces the value of Risk Cooperative's innovative belief - that putting a price on uncertainty allows risk management and insurance to be a catalyst for growth. Les garnered praise from clients for exceptional problem solving, customer service and industry knowledge.

Read the full profile on Risk & Insurance:
https://riskandinsurance.com/award-profile/risk-cooperative-broker-les-williams-recognized-as-a-2020-specialty-power-broker/

ACTAI PRESENTS FIRESIDE CHATS

ACTAI Global is an accomplished network of experts in a variety of disciplines, who bring their passion and resources to tackle obstacles to success. Risk Cooperative Chairman, Dante Disparte is the featured speaker on an episode about risk.

View the video:
https://www.youtube.com/watch?v=X6DTv0sI-DE&t=26s

Risk Cooperative

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