



MANAGING CATASTROPHIC EVENTS IN THE FOOD & BEVERAGE INDUSTRY

OCTOBER 25, 2017



Managing Catastrophic Events In the Food & Beverage Industry

Agenda

- **Welcome and Introductions**
Greg Benefield, Marsh Food & Beverage Practice
- **Current landscape & Trends**
Greg Benefield, Marsh Food & Beverage Practice
- **Nature, Scope & Limitations of A Disaster Preparedness Plan**
Renata Elias, Vice President, Marsh Strategic Risk Consulting
- **Lessons Learned From Recent Events**
George Magula, Senior Vice President, Marsh Forensic Accounting & Claims Services (FACS)
- **Real Life Example From a Beverage Company**
Jeff Wilson, Director, Risk Management, E&J Gallo Winery
- **Questions & Answers**
Greg Benefield, Marsh Food & Beverage Practice

Introduction

Today's Speakers



GREG BENEFIELD
Food & Beverage Segment Leader
Marsh
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- Currently leads Marsh's Food & Beverage Practice.
- Extensive executive experience in the food, beverage and retail sectors.
- Over 30 years experience providing and coordinating risk management services for large national foodservice clients.
- Unique strategic and analytical approach to implementation of risk management programs.



JEFFREY WILSON
Director of Risk Management
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- Director of Risk Management for E. & J Gallo Winery since 2006.
- Previous risk management leader at Great Lakes Chemical Corp. and Cummins Inc.
- University of Wisconsin-Madison, Risk Management and Insurance Major.
- Listed in Insurance Business America's 2017 list of America's Leading Risk Managers.

Introduction

Today's Speakers



RENATA ELIAS
Vice President, Strategic Risk
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- 5+ years with Marsh.
- 20+ years industry experience in both private and public sectors, including government and law enforcement.
- BS in Emergency Management.
- Emergency Management Certificate.
- Associate Business Continuity Professional.
- Teaches course in aviation emergency response.
- Conducts webinars and public speaking engagements.



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- BS in Emergency Management.; Emergency Management Certificate.
- Associate Business Continuity Professional.
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Current Landscape & Trends

Greg Benefield, Marsh Food & Beverage Segment Leader

Polling Question #1

How Many Hours Of Sleep Did You Get
Last Night?

- a) Less than 4 hours
- b) 5-6 hours
- c) 6-8 hours
- d) More than 8 hours

Why Prepare? In the Headlines

“Thousands flee as wildfires ravage California; at least 41 killed”

“58 dead, 515 injured in Las Vegas shooting.”

“33% of businesses hit by DDoS attack in 2017, double that of 2016”

“Mayor Landrieu to Houston on storm recovery: 'As hard as it is, it's going to be OK”

“Anna Maria City Pier to close for year after 'extensive damage' from Hurricane Irma”

“Fired Dishwasher Shot by Police After Killing Chef, Taking Hostage at Restaurant.”

Some “Food For Thought”

- How does your company define a catastrophic event?
- It's not just how to manage, rather how does risk management lead in being ahead of catastrophic events?
- How does risk management secure a seat at the table?
- Resiliency, what does that look like at your firm?

Nature, Scope & Limitations of a Disaster Preparedness Plan

*Renata Elias, Vice President, Strategic Risk Consulting,
Marsh Risk Consulting*

Polling Question #2

Does your organization have plans and processes in place for any of the following?

- Emergency Response
- Crisis Management
- Crisis Communications
- Business Continuity
- Information Technology and Disaster Recovery
- Recall and Contamination

Answer Choices:

- a) Two or less of the above events
- b) At least three of the above events, but not all
- c) Plans in place for all of the above events
- d) Not sure

Be Ready – A Crisis Event May Come From Anywhere



- In almost every significant crisis, the perceived effectiveness of the response is equally or more important than the event.
- Damage to the business and reputation resulting from a crisis event — and/or a poorly managed response — can last years and sometimes may be unrecoverable.



Lessons Learned From Past Crisis Events

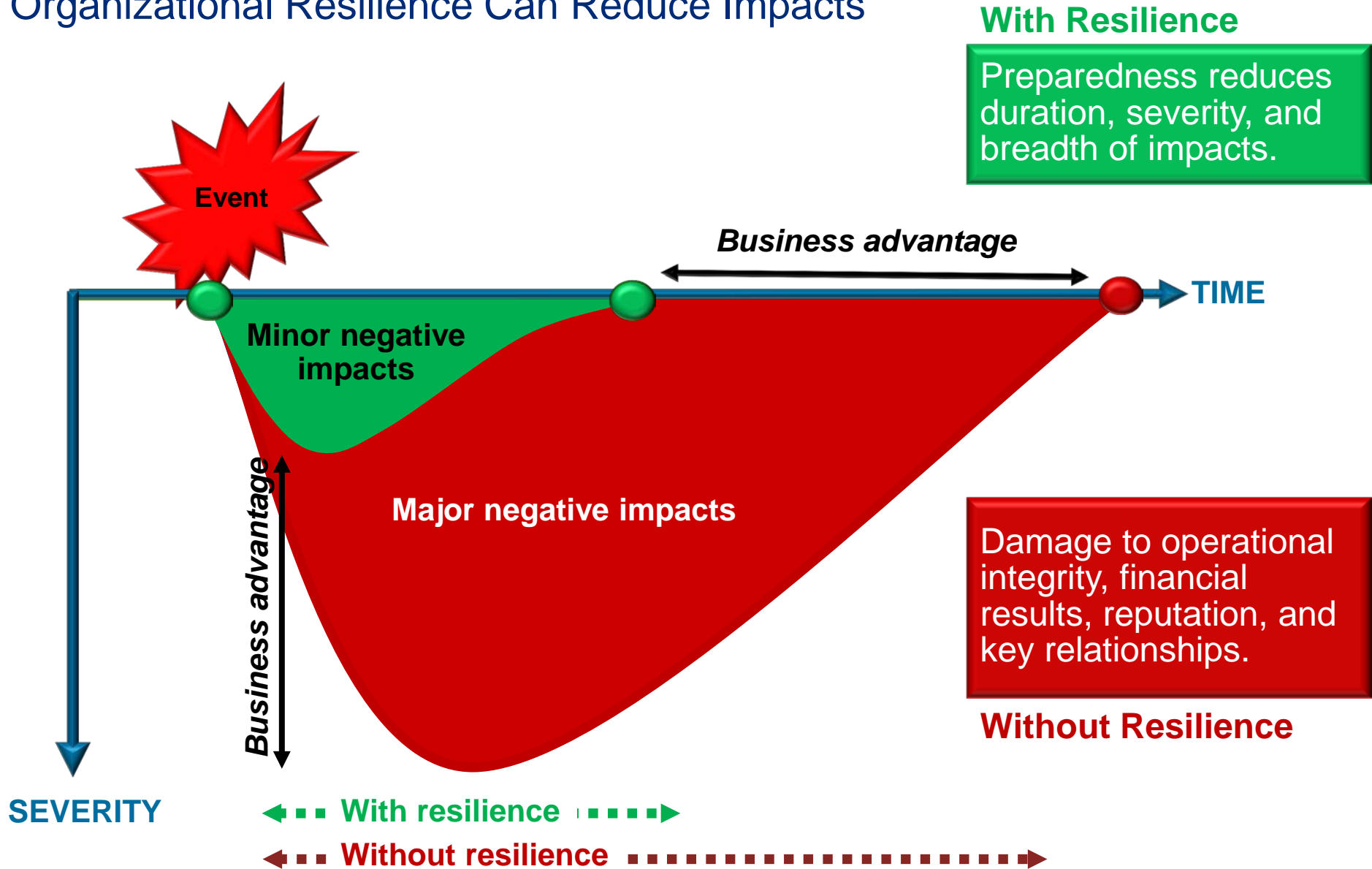
Types of Potential Crisis Events

- Hurricane.
 - Food contamination.
 - Active shooter incident.
 - Flooding.
 - Terrorist attack.
 - Civil unrest.
 - Cyber hack/data breach.
 - Product recall.
 - Regulatory investigations.
- 

Lessons Learned

- Fill the capabilities gap.
- Be proactive — not reactive.
- Have clearly defined team roles and responsibilities.
- Have well-planned processes and plans.
- Maintain well-practiced and trained capabilities.
- Forecast, anticipate potential impacts; be decisive and swift in response.
- Protect your people, foundation, reputation, and brand.

Organizational Resilience Can Reduce Impacts



Drivers for Organizational Resilience



Headlines reiterate the importance of thinking about crises ahead of time.



Trends point to higher profile events coupled with poorly-handled responses.



Senior executives understand the need to be able to manage a full range of crises and risks to protect people, reputation, brand, and future.



Pressure from boards and shareholders to increase focus on resiliency.

Organizational Resilience Components



Hallmarks of Organizational Resilience

- Executive buy-in and commitment.
- Overall governance and response structure/framework.
- Integration and alignment of all components.
- Clear and consistent terminology across the organization.
- Defined roles and responsibilities (among response levels – site, region, HQ).
- Clear lines of communication, information, and issues reporting – including escalation criteria from site to region to HQ.
- Continuous training and exercises across all response levels.
- Employee awareness.

It is about the overall capability, not just plans!



Emergency Response Defined

Tactical response process designed to respond to physical incidents from natural hazards or disasters to human-caused/technological accidents.

It is often required and governed, in part, by a series of regulations.

- Immediate priority and emphasis is on **life safety**.
- Then mitigating property and environmental damage.

Deploys teams of individual responders with specialized skills and responsibilities (e.g., fire warden, security, emergency response team).



Crisis Management Defined

Strategic framework that guides an organization and your senior leaders to prepare for, manage, and recover from issues and events threatening your people, operations, assets, reputation, and future.

- Focuses on range of issues, risks, and vulnerabilities.
- Establishes strategic framework for response/recovery including a process for executive leadership to manage the crisis.
- Provides 360-degree view of crisis and roadmap to manage it.
- Guides decision-making at all levels of the organization.
- Instills confidence among all and protects the brand/reputation for the future.



October 26, 2017

Crisis Communications Defined

- The process and guidelines for:
 - Communicating proactively.
 - Incorporating internal and external audiences and stakeholders.
 - Obtaining approvals, message agreement, etc.
 - Streamlining normal communications processes.
- Supports overall response strategies (including protecting reputation).

“In an emergency, you must treat information as a commodity as important as the more traditional and tangible commodities like food, water, and shelter.”

— Jane Holl Lute, Deputy Secretary, Homeland Security



Business Continuity Defined

Management and logistical process/plan for how an organization will **continue or resume, restore, and recover partially or completely** interrupted critical processes/functions within a pre-determined time after a disaster or extended disruption.

- Focuses on the continuation of critical processes/functions.
- Ensures critical processes/functions are supported.
- Aligns business continuity and recovery strategies with business processes/functions priorities and criticality.



Roadmap to Organizational Resilience Program

Sample Phased Approach

Phase 1 Assemble & Formalize

- Project plan and timeline.
- Project team.
- Overall response/governance structure and policy guidance documents.

Phase 2 Review/ Update/ Develop

- Current plans to include and align with overall response and governance structure.
- Outstanding plans.
- Plan update schedule.

Phase 3 Training & Exercise

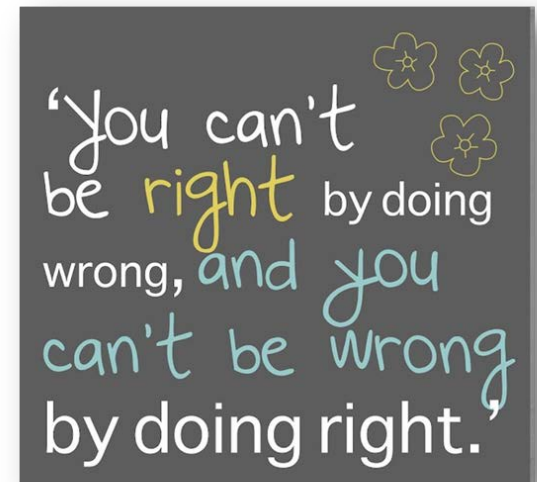
- Training/exercise program.
- Team training each component.
- Employee awareness sessions.
- Team exercises for all levels and components.

Phase 4 Integration

- Joint exercises.
- Potential planning and coordination gaps, areas of improvement identification.
- Action plan and process to implement solutions.

Why Should Your Organization Develop a Resilience Program

- Minimize event impacts to:
 - People.
 - Assets and infrastructure.
 - Business strategy.
 - Finance.
 - Legal.
 - Reputation and brand.
- Minimize environmental, community, or other stakeholder impacts.
- Protect operations and company objectives, mission statement, and values.
- Address increasing focus on standards and from regulatory bodies.



Final Thoughts

- How your organization handles a crisis will determine the severity and duration of the impacts.
- Remember to think proactively rather than reactively to all emerging issue or crisis.
- The ultimate goal is to protect your brand and reputation.

80 weeks:

Average time for the company stock price to recover after a sudden price drop*

** A “stock price drop” is defined as a drop in the company stock price that is greater than 20% within a 10-day period relative to changes in the industry average. Stock price drops from reputational damage emerged as the largest category in the study. Source: Wharton, Corporate Strategies for Managing Catastrophic Risks in the S&P 500 (preliminary study), 2013 Copyright*

For More Information



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Lessons Learned From Recent Events

*George Magula, Senior Vice President,
Marsh Forensic Accounting & Claims Consulting Services
(FACS)*

Polling Question #3

What do you consider to be the biggest impact on your business related to a catastrophe?

- a) The size of our deductible.
- b) The length of time involved in the impact.
- c) The cash flow of the business.
- d) The impact on our employees.

Lesson One – What is the Peril Trigger?

- **Named storm / Hurricane / Wind / Flood**
- **Ingress / Egress**
- **Civil Authority**
- **Theft / Vandalism**
- **Service Interruption**
- **Contingent or Leader Properties**
- **Product Recall**
- **Cyber Breach / System Interruption**

Lesson Two – What is the Period of Restoration?

- **Insured period for time element**
- **Extended period coverage**
- **Lack of resources / materials**
- **Reduced labor force**
- **Area conditions**
- **Limited site access**
- **Loss of customer confidence / patronage**

Lesson Three – What are the Deductibles?

- **Percent of Values**
- **Waiting period**
- **Aggregate limits**
- **Per unit of insurance**
- **Per location**

Deductible Illustration

- **Assume 5% of Values deductible for Business Interruption**
- **Use a 365 day Year**
- **5% = 18 Days Downtime**
- **No Loss for 18 Days**
- **Add on a Waiting Period?**

Lesson Four – What about my employees?

- Can I pay my employees even though we are closed?
- Are employee relocation costs covered?
- What if we transfer guests or events to other properties?
- We are open but the community is still impacted – how long are we covered?
- What if employees are used for property repairs?

Lesson Five – Can Cash Flow be Managed?

- How is the deductible applied?
- How do I book loss amounts?
- How can I manage my cash flow?
- Will insurance provide partial payments / advances?
- What will our auditors require to establish an insurance receivable?
- How will stockholders/owners/managers/other stakeholders respond?

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Real Life Example From a Beverage Company

*Jeff Wilson, Director of Risk Management
E&J Gallo Winery*

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Polling Question #4

How often does your organization perform
a BCP exercise?

- a) Never
- b) Rarely
- c) Annually
- d) Every 5 years

E&J. Gallo Winery

Business Continuity Planning (BCP)



Origins of BCP at Gallo

- **Gallo has always responded effectively to disasters in the past due to the collective efforts of a large group of employees all pulling together to enact a “business continuity plan” after the event has already occurred.**
 - Fortunately, Gallo has a long history of employees being very engaged in the business and leadership has been available during previous events.
- **7 years ago Risk Management launched our first Enterprise Risk Management (ERM) analysis which identified business continuity planning as a weakness due to a lack of any formalized planning, preparation or training.**
 - Although BCP was not identified as a top ten risk during the initial ERM project the board members began to question company leadership on whether any BCP’s existed.
 - These Board questions led to a new interest in establishing formal BCP’s and Risk Management began working with Internal Audit to draft, finalize and exercise BCP’s for various areas of the company.
 - We also formed a Steering Committee including our CFO, CIO, General Counsel, Treasurer and Operations VP’s.
 - Partnered with Marsh Risk Consulting to educate Gallo on BCP, facilitate a full business impact analysis and develop our first BCP.
 - The first BCP completed and exercised was for our Data Center.

Gallo Data Center BCP Results

Establishing a formal Data Center BCP has helped to formally establish the following benefits;

- Documentation of disaster recovery expectations and guidelines based on tribal knowledge and business expectations. **Not just in someone's head anymore.**
- Inventory of, and current contact information for, key employees, applications, equipment and external partners.
- Clear guidelines that assist incident commanders with decisions on:
 - roles and responsibilities,
 - when to escalate the incident response,
 - communication expectations, and
 - event response and recovery guidelines.
- Standardized forms to be used to document incident management activities and decisions.
- BCP training, exercising and maintenance requirements to be implemented by plan owners and the corporate BCP team.

Gallo Data Center BCP Exercise

Walked through a tabletop exercise with IT leadership where we addressed our BCP with respect to an extended loss of power at our primary data center.

What we learned:

- Simply making the BCP available to participants ahead of time and asking them to read it was not enough. Out of a group of 22 only 3 or 4 actually read the BCP.
- Communication expectations did not always go as smoothly as assumed because our business partners and vendors were not aware of our BCP process and expectations.
- Equipment and infrastructure not previously considered critical proved itself to be more important than expected.
- Just about all participants left the exercise with instructions to better document various bits of information or educate their department on our BCP expectations.

Actual Event

April 21, 2017 4:30 pm

- Waste water pipe corroded and failed directly above servers in the primary Gallo Data Center.
- Secondary data center switchover equipment directly impacted.
- Typical team of Gallo “Heroes” arrived on scene and began bumping into each other to fix the issue. A lack of formal communication created confusion and various side lines of communication that only had half of the facts.



Actual Event

VP-IT quickly broke out the Data Center BCP.

- First established employee safety.
- Designated necessary team members (all others asked to leave).
- Established a single line of communication with executive and operations leadership.
- Identified critical equipment, applications and vendors involved.
- Worked first to bring critical tier 1 applications back on line to support operations and shipping.
- Evaluated existing inventory of hardware throughout the company and placed rush orders with vendors for hardware not in inventory.

Operations up and running within 12 hours.

- Vendors enacted their emergency response programs to assist Gallo.
- IT team prepped the Data Center for new equipment and prepared for full business resumption.
- Operations and HR coordinated the employees reporting for second shift and established manual work arounds to keep production moving at a reduced pace and prepare for full business resumption once the Enterprise Resource Planning system was back on line.
- Communication assured executive leaders that the situation was receiving the right level of attention.
- Communication also served well to prepare operations for a fast resumption of operations.

“Without the Data Center BCP and recent exercise our recovery efforts would have easily taken twice as long” – Vice President, IT

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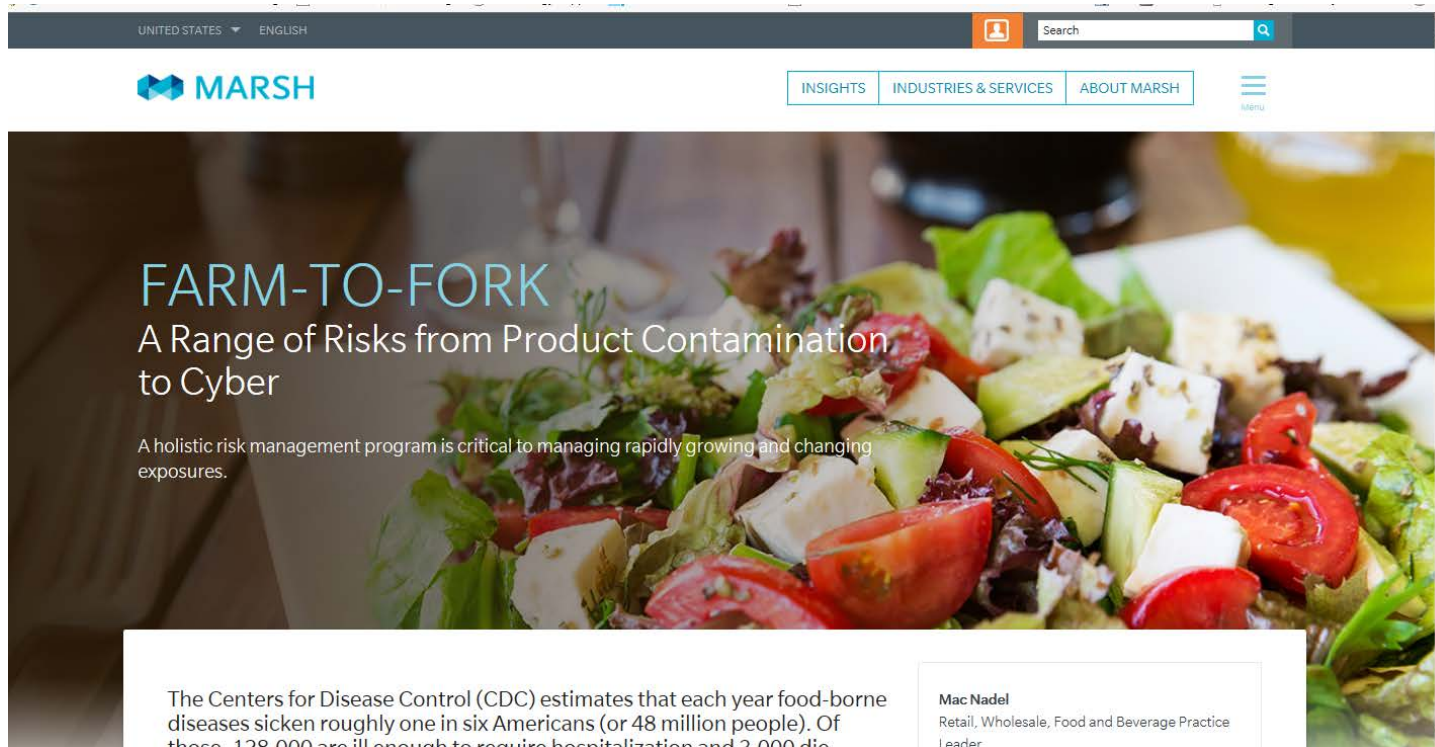
NEW AMSTERDAM GIN



ALAMOS.
THE WINGS OF CATERA

Q&A

Learn more about these and other risks facing the food & beverage industry by visiting [Marsh's Farm to Fork Page](#).



The screenshot shows the Marsh website's 'Farm-to-Fork' page. At the top, there is a navigation bar with 'UNITED STATES' and 'ENGLISH' on the left, a search bar in the center, and a user profile icon on the right. Below the navigation bar is the Marsh logo and three menu items: 'INSIGHTS', 'INDUSTRIES & SERVICES', and 'ABOUT MARSH'. The main content area features a large image of a fresh salad with tomatoes, cucumbers, and cheese. Overlaid on the image is the text: 'FARM-TO-FORK' in large letters, followed by 'A Range of Risks from Product Contamination to Cyber'. Below this is a sub-headline: 'A holistic risk management program is critical to managing rapidly growing and changing exposures.' At the bottom of the page, there are two text boxes. The left one contains a quote from the CDC: 'The Centers for Disease Control (CDC) estimates that each year food-borne diseases sicken roughly one in six Americans (or 48 million people). Of those, 128,000 are ill enough to require hospitalization and 3,000 die.' The right one identifies 'Mac Nadel' as the 'Retail, Wholesale, Food and Beverage Practice Leader'.

UNITED STATES ▾ ENGLISH

Search

MARSH

INSIGHTS INDUSTRIES & SERVICES ABOUT MARSH

Menu

FARM-TO-FORK

A Range of Risks from Product Contamination to Cyber

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Mac Nadel
Retail, Wholesale, Food and Beverage Practice Leader

Thank You



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