

VIRTUAL RETAIL/WHOLESALE ROUNDTABLE

March 18, 2020

**Hosted by Marsh Retail/Wholesale, Food &
Beverage Industry Practice**

Today's Program – *(all times are in Pacific Zone)*

9 a.m. PST – Welcome & Overview

Mac Nadel, National Retail/Wholesale Practice Leader, Marsh

9:05-9:35 a.m. – “Weather We Like it or Not” – The “New Normal” of Severe Weather (And What It Means to Retail Risk Management)

Josh Darr, MS, CCRA, SVP & Meteorologist - Guy Carpenter & Company LLC

9:35-10:15 a.m. – “Peer-to-Peer” Roundtable Discussion

Facilitated by: Mac Nadel, National Retail/Wholesale Practice Leader

10:15-10:30 a.m. – BREAK

10:30-11:00 a.m. – “Peer-to-Peer” Roundtable Discussion Continues

11:00-11:40 a.m. – “Take a Spin on the Legal Roulette Wheel – Current Issues in Retail Risk Management” – Cannabis, CCPA, Coronavirus, Costs of Social Inflation and More!

Michael Droke, Partner, Dorsey & Whitney LLP

11:40 – 11:45 a.m. - Closing Remarks

Mac Nadel, National Retail/Wholesale Practice Leader, Marsh

Meet the Speakers

Josh Darr, Managing Director,
Head of Americas Peril Advisory, Meteorologist
Guy Carpenter Analytics and Advisory



Michael Droke
Partner, Dorsey & Whitney, LLP



Mac Nadel, Managing Director,
Retail/Wholesale, Food & Beverage Industry
Leader, Marsh




“Weather We Like it or Not” – The “New Normal” of Severe Weather (And What it Means to Retail Risk Management)

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Weather We Like it or Not; The New Normal of Severe Weather

Implications for Retail Risk Management



Josh Darr, MS CCRA
Head of Americas Peril Advisory, Meteorologist
Chicago, IL

Volatility or Change in the Air?

Agenda



What are the latest scientific views on changing weather patterns?



How do changing weather patterns impact the frequency and severity of North American catastrophe events?

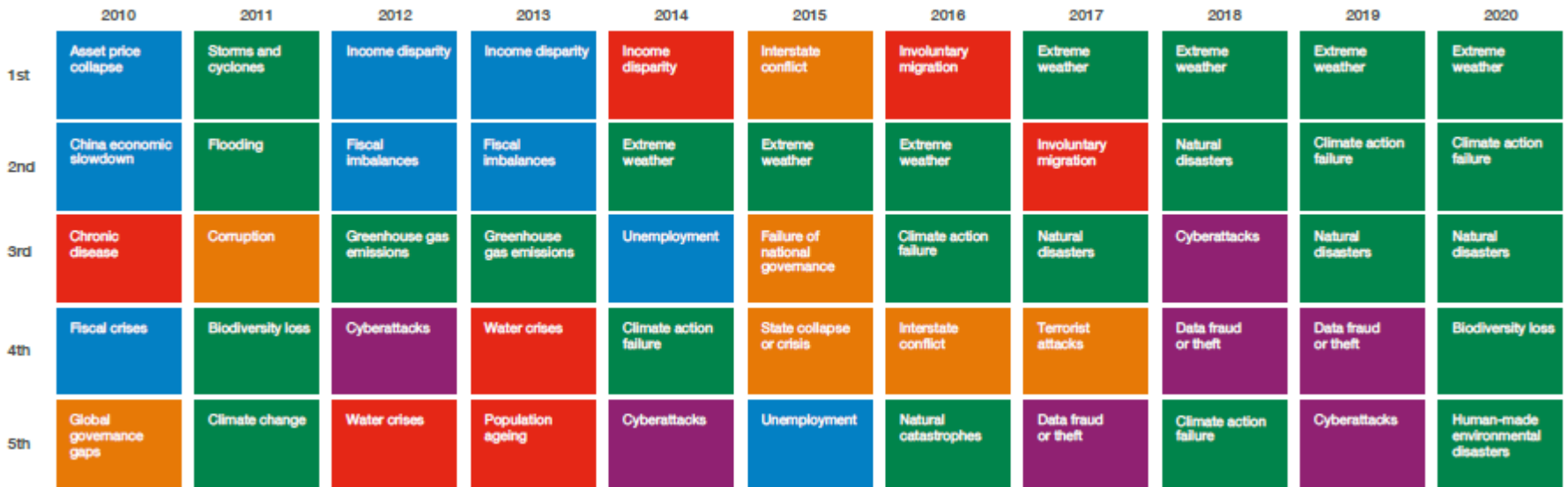


What comes next? Lessons learned?
What can we do about the future?

Weather Volatility

Why is it Important to Stay in Tune with the Latest Science?

Top 5 Global Risks in Terms of Likelihood

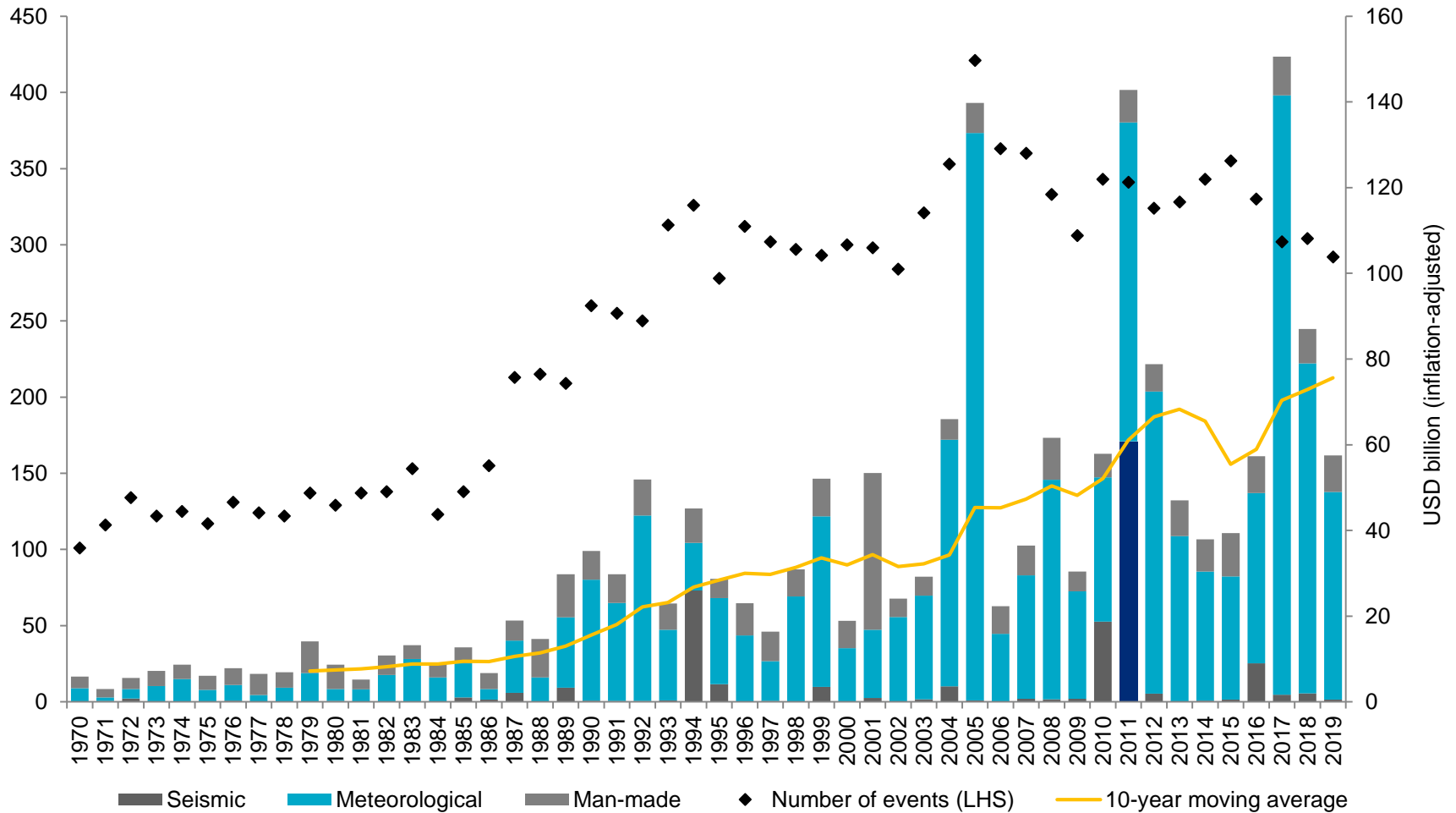


■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Source: 2019 World Economic Forum Global Risks Report

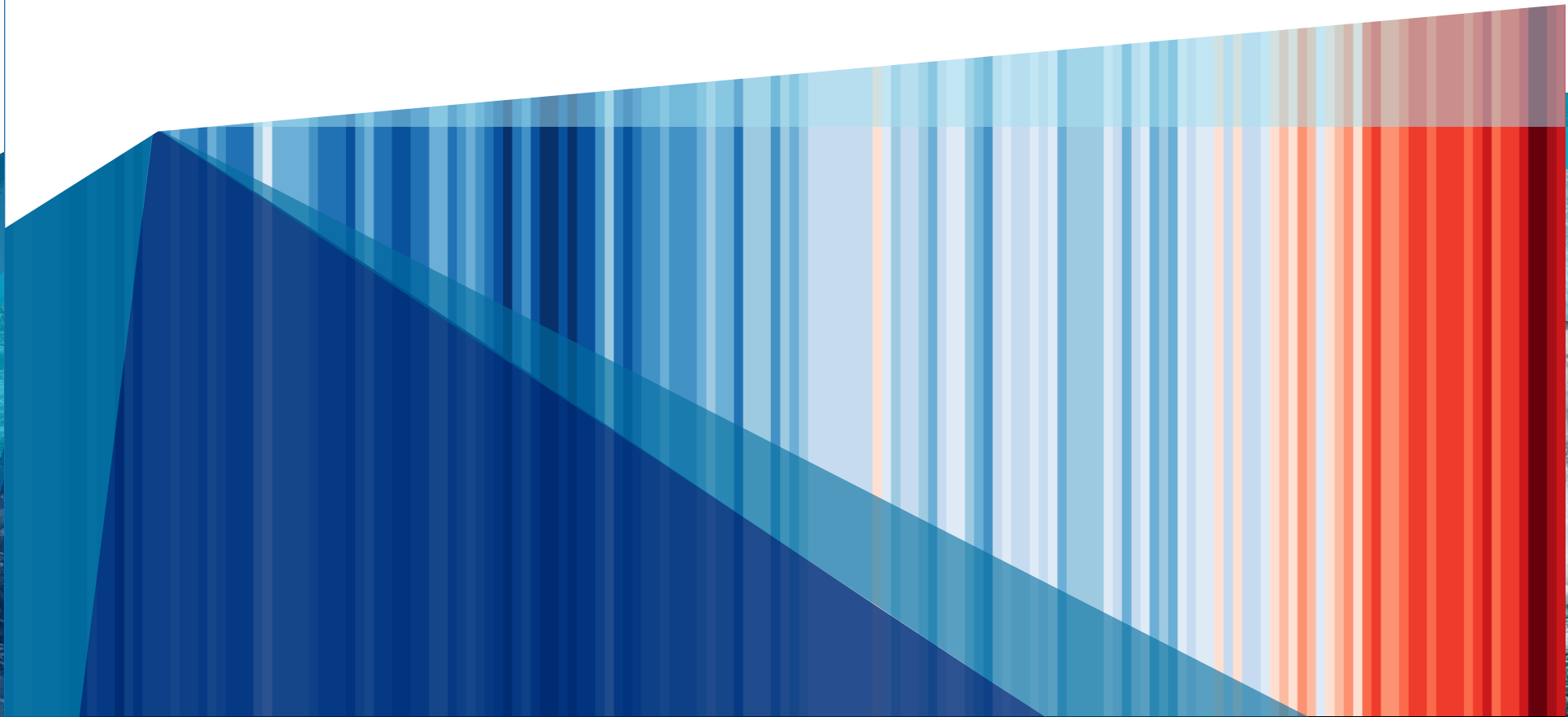
Increasing acknowledgement by many policy groups that we are witnessing an increase in cat events and extreme weather globally

Global Insured Catastrophe Losses 1970 - 2019

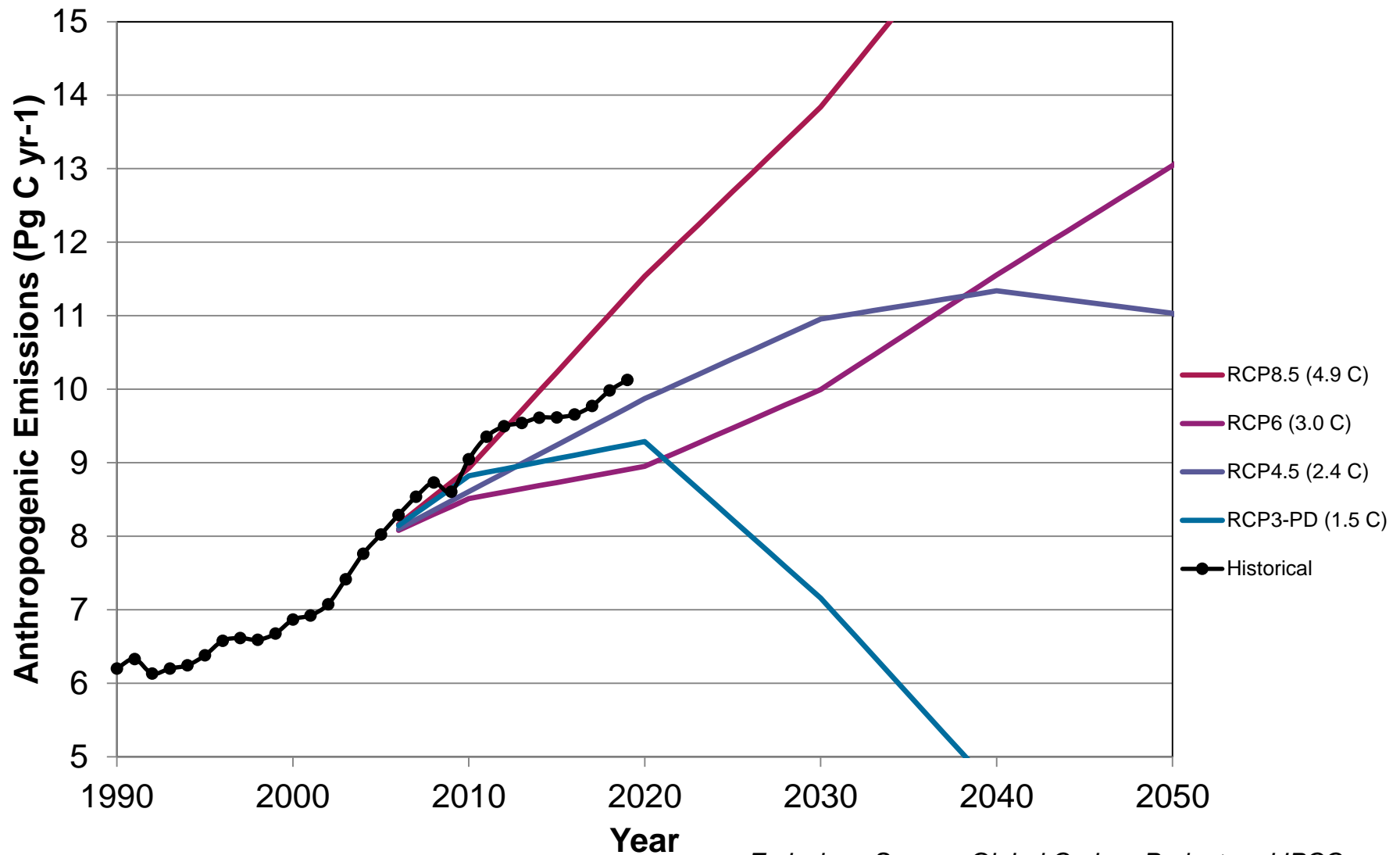


Source: Guy Carpenter, Swiss Re, includes NFIP insured losses

Measuring Climate Change

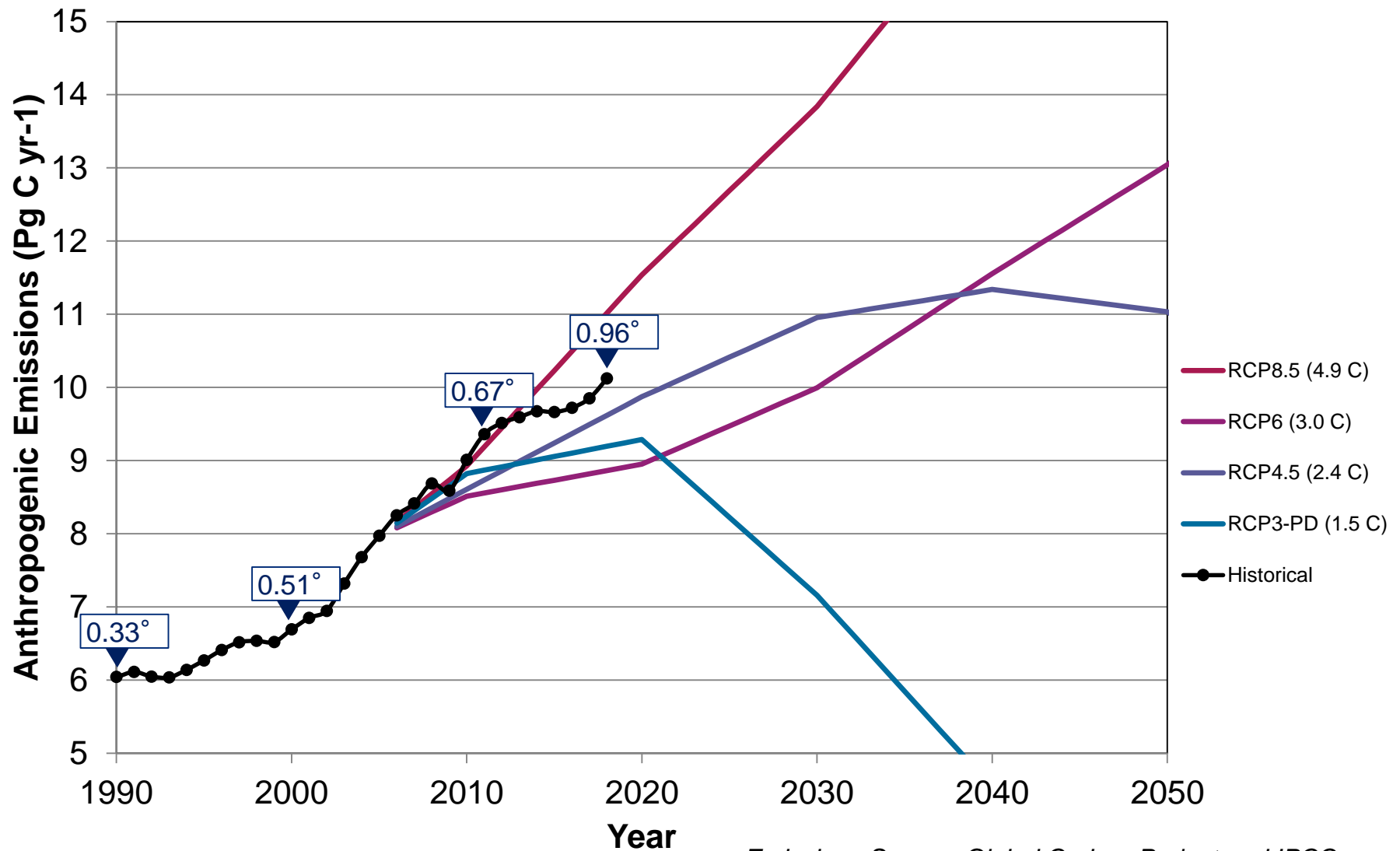


Real Carbon Emissions and the Various Climate Model Projections



Emissions Source: Global Carbon Project and IPCC
Global Temperature Anomalies Source: NOAA GISS
Weather & Climate: Volatility of Change in the Air?

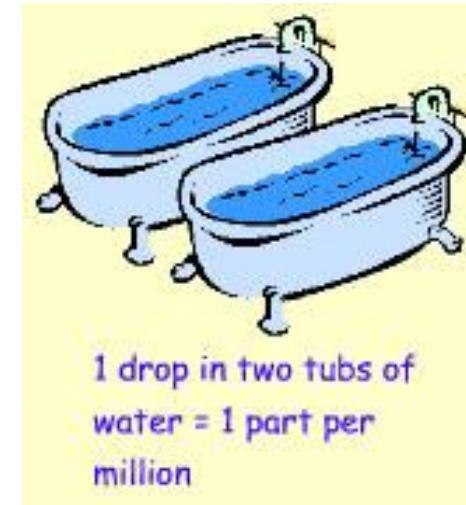
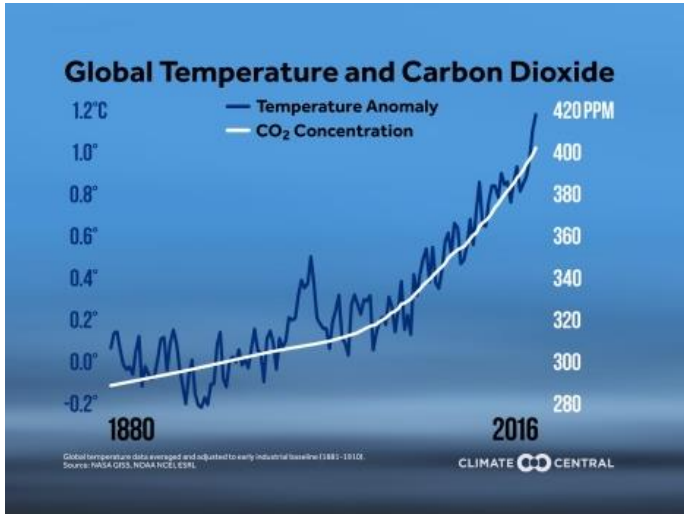
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Emissions Source: Global Carbon Project and IPCC
Global Temperature Anomalies Source: NOAA GISS

Climate Change by the Numbers

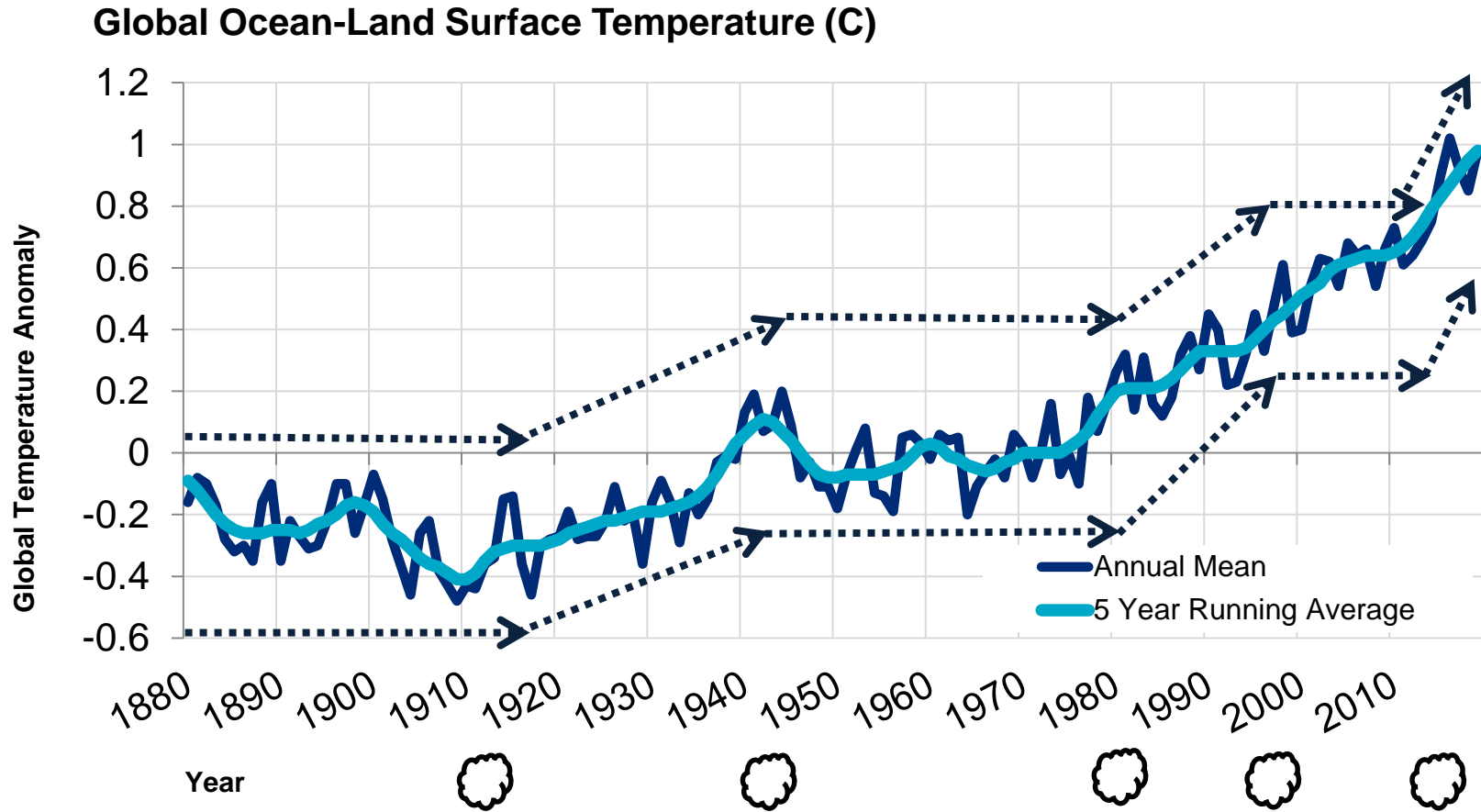
- **1.2°** degrees C warmer than pre-industrial levels (~1850)
- **1.1 trillion tons** of carbon dioxide (CO₂) emitted into atmosphere since 1850.



- **300 parts per million (ppm)**, CO₂ concentrations exceeded in 1950, for the first time in over three million years, with **410 ppm** recorded in 2020.
- **55%** of cumulative emissions of CO₂ since 1850 that scientists predict will lead to significant climate stress.
- If warming is to be contained below 2° C, atmospheric concentrations cannot exceed **450 ppm**, expected to occur between **2035-2045** at current emission rates.

Global Temperatures Since 1980

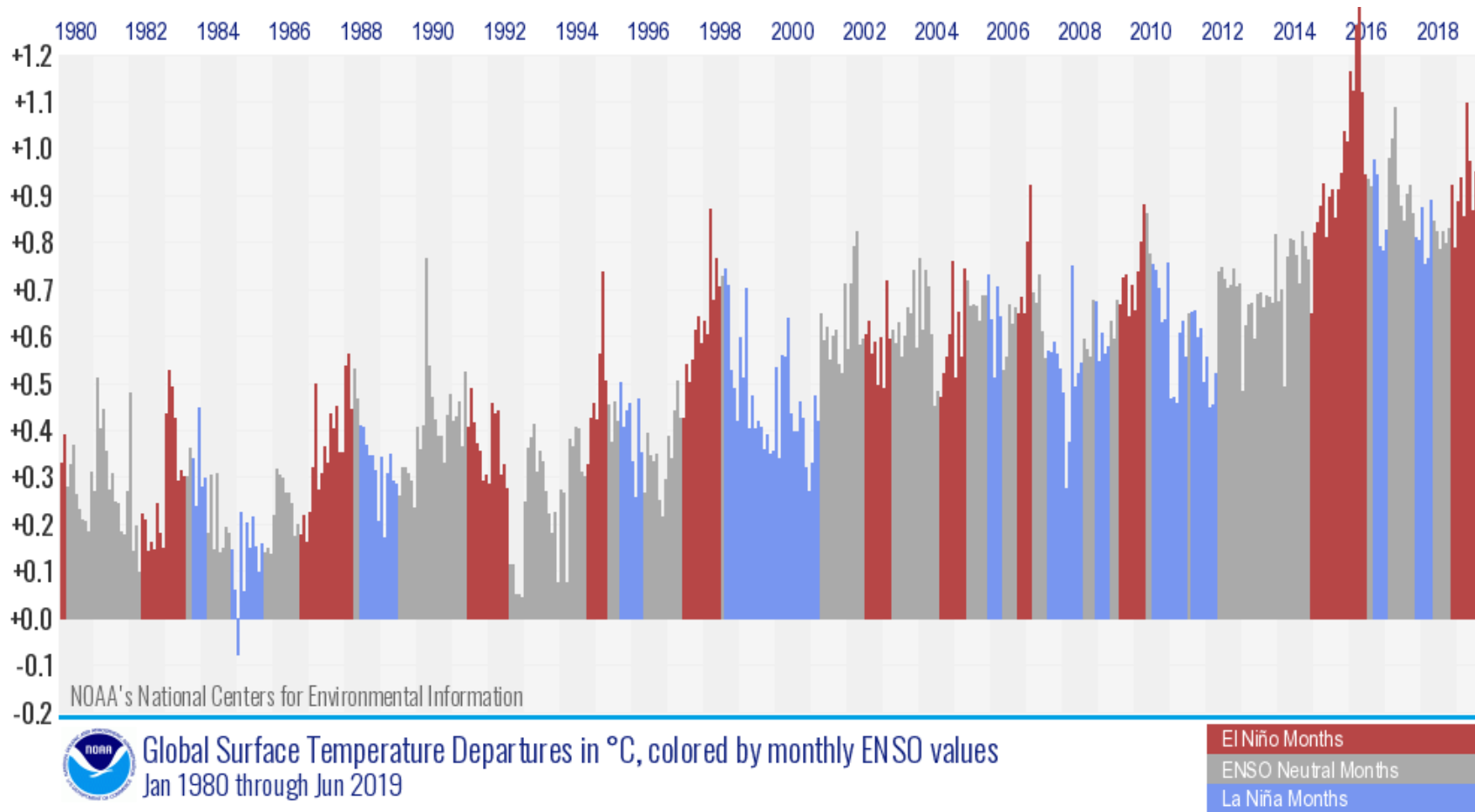
Natural Cycles being Disrupted? The Pause of the 2000s?



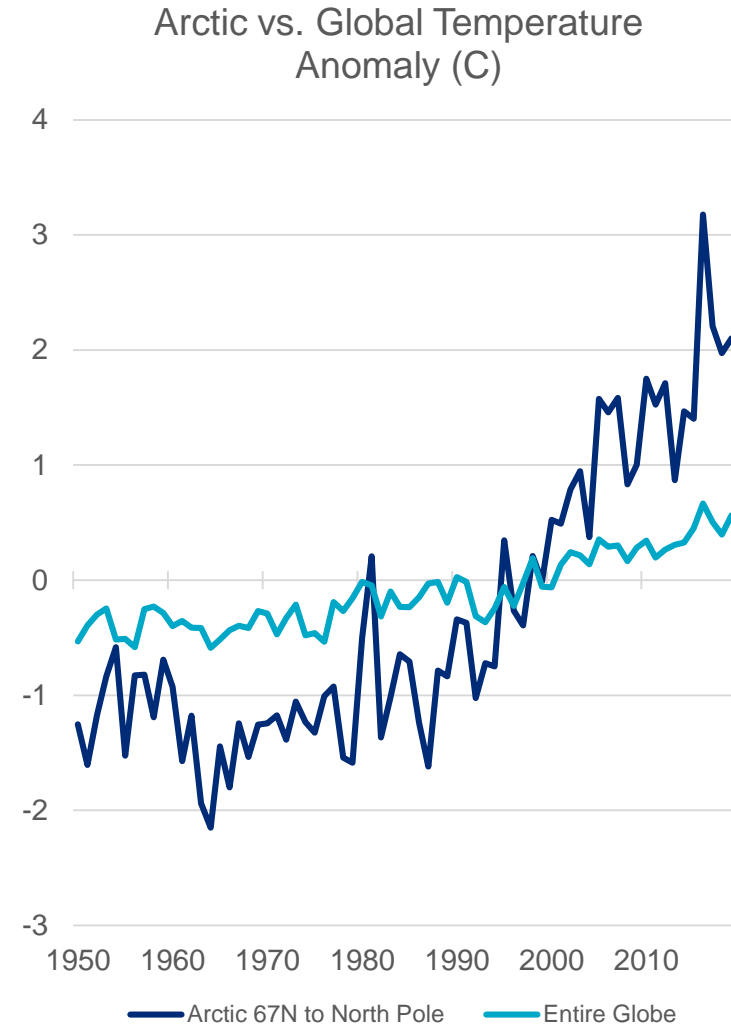
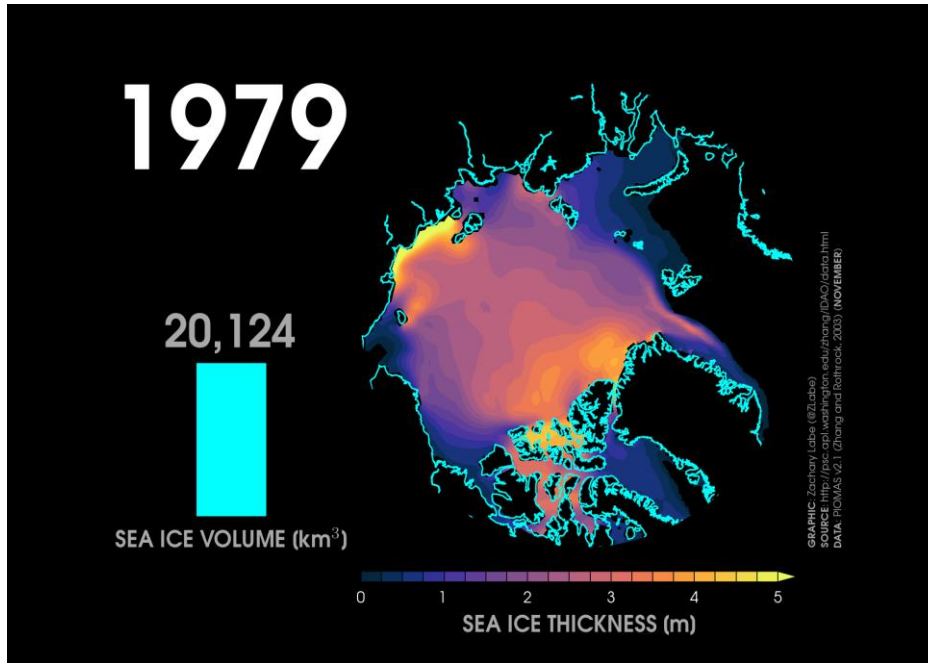
Source: NASA GISS
Baseline temperatures: 1951-1980

El Niño Events Naturally Warm the Globe

Warmth Released from Ocean to Atmosphere



The Acceleration of Arctic Sea Ice Loss Outsized Impact on Temperatures as Ice Shifts to Open Waters

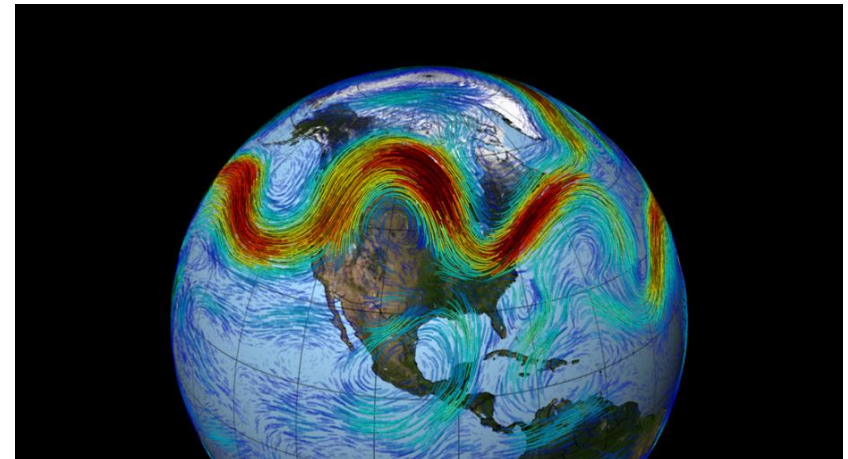
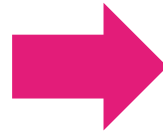
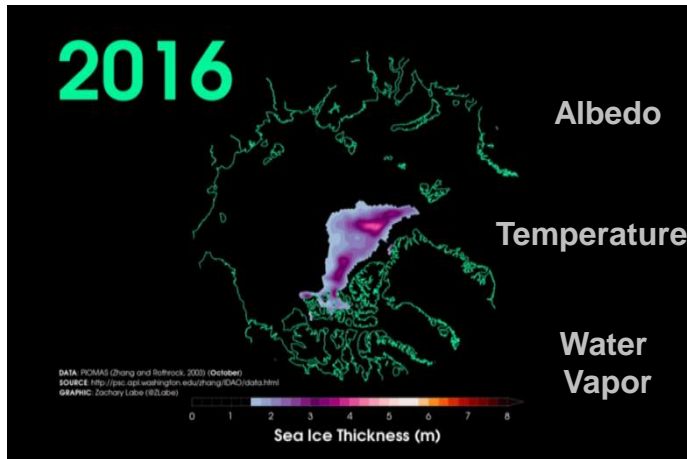
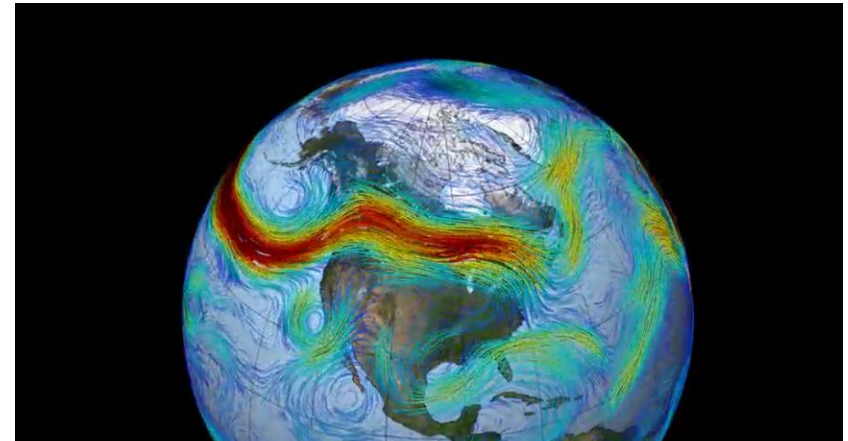
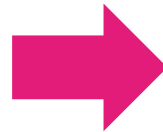
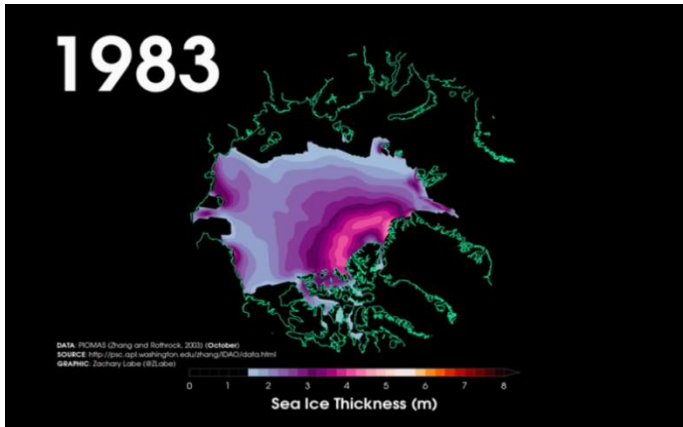


Arctic warming more rapidly than rest of the planet

Accelerating ice loss since 1990 in lock step with temperature increase

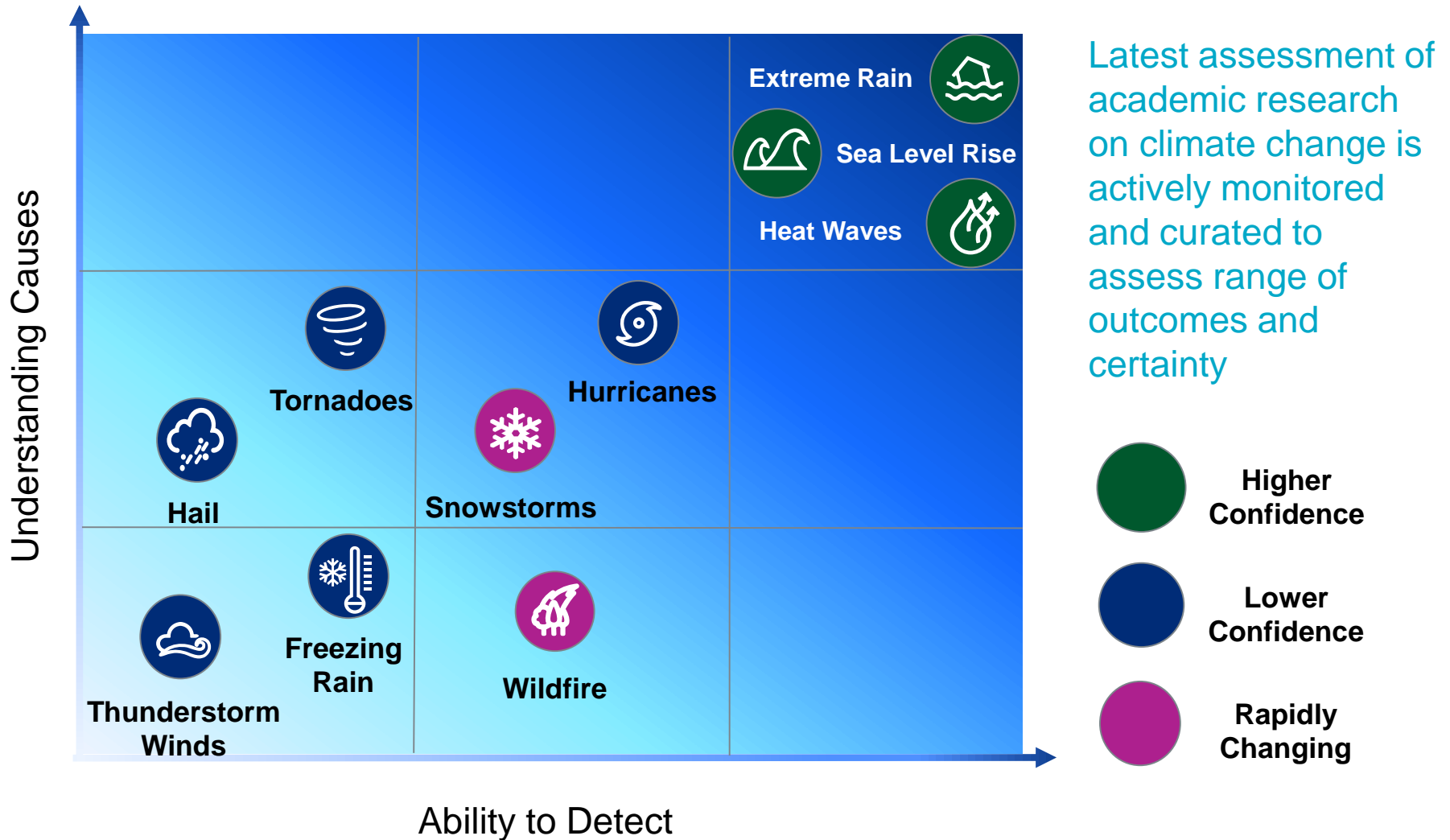
The Acceleration of Arctic Ice Loss

Jet stream more volatile = stickier weather patterns



Perils Influenced by a Changing Climate

Where do we have more or less confidence?



Extreme Precipitation, Sea Level Rise and Flood



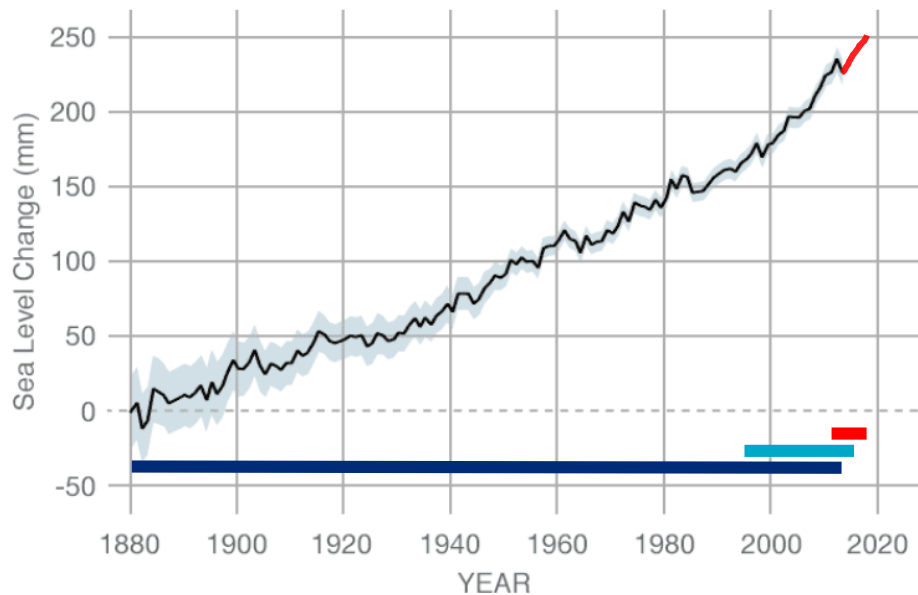
Sea Level Rise

Exacerbating potential for coastal flooding

GROUND DATA: 1870-2013

Data source: Coastal tide gauge records.

Credit: CSIRO



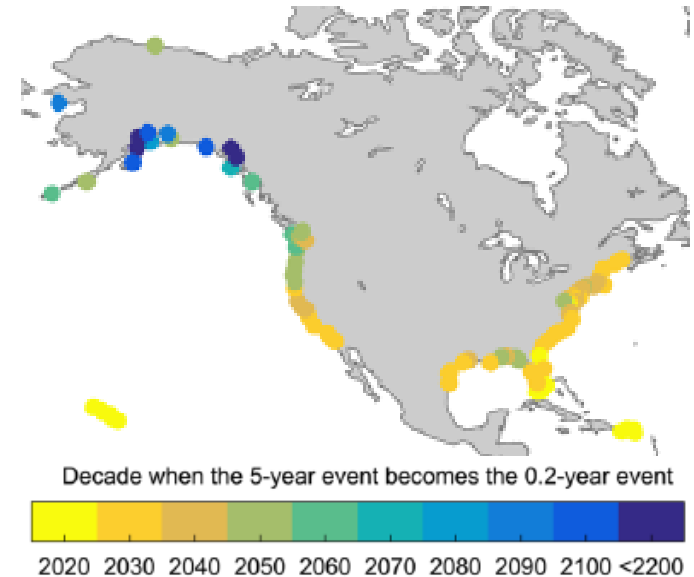
1880-2013: 0.65" per decade

1995-2017: 1.30" per decade

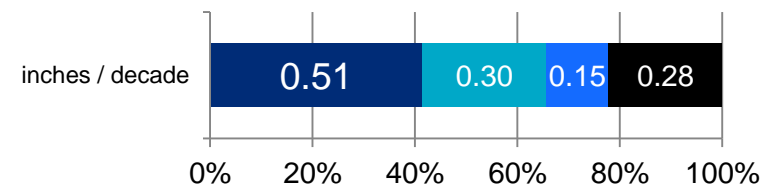
2013-2019: 1.70" per decade

Source: <https://climate.nasa.gov/vital-signs/sea-level/>

Decade onset of Nuisance Flooding



Sea level rise contribution

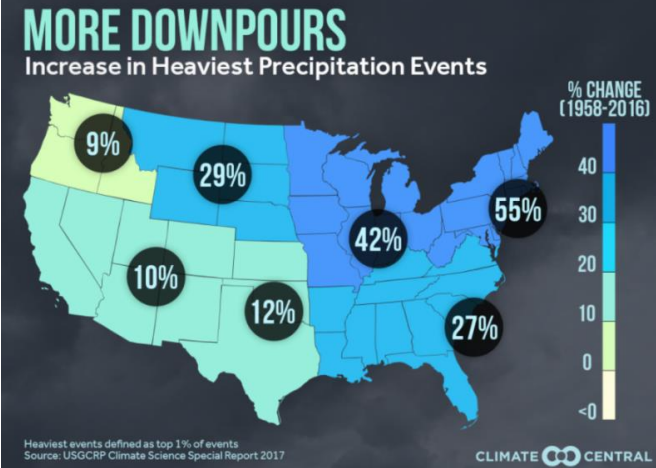
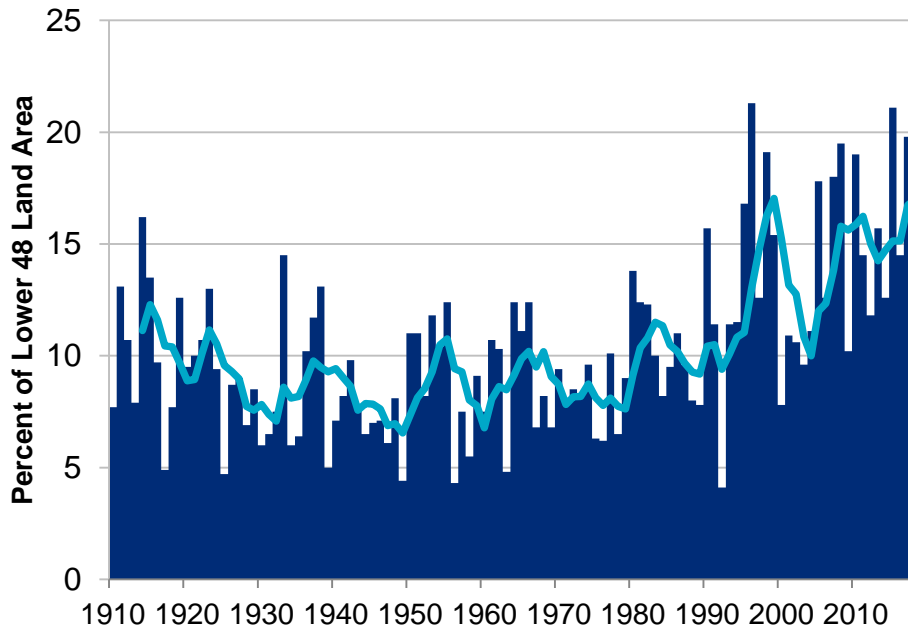


- Thermal expansion
- Greenland ice loss
- Antarctic ice loss
- Glacier ice loss

Extreme Rainfall Events

A Double Whammy: More Frequent and Severe

Extreme One-Day Precipitation Events in the Contiguous 48 States (NOAA)



Change in amount of precipitation falling in heaviest 1% of all daily events (NCDC / Climate Central)

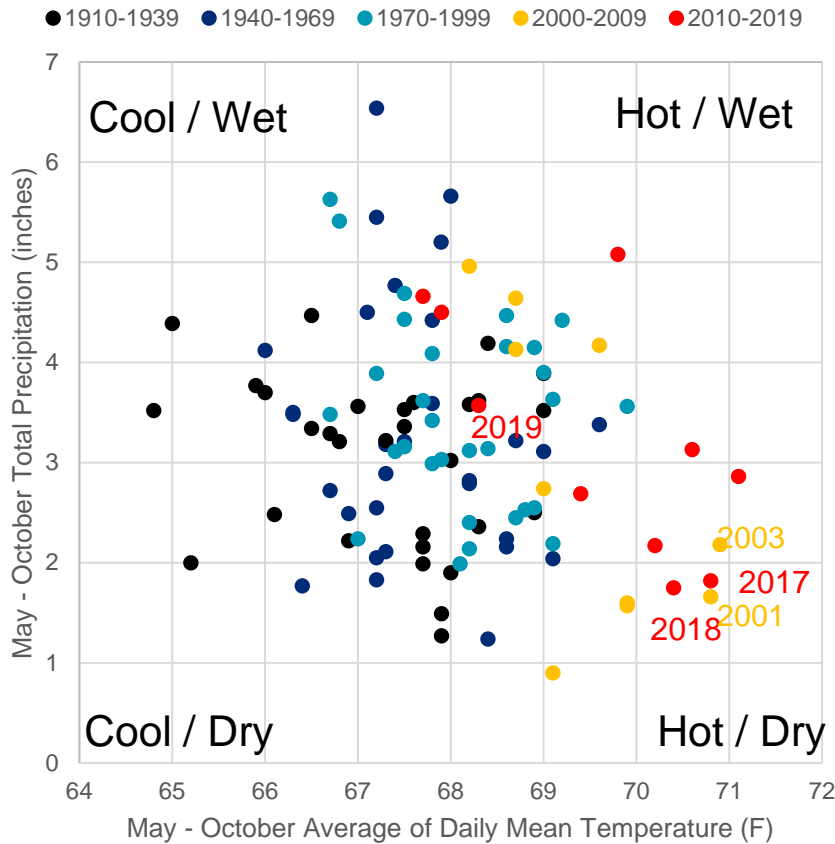


2016 featured 19 separate floods the US, the most since records began in 1880
2017 deluge persists with Hurricane Harvey in Houston, California wet winter
2018 brought Lane to Hawaii, Florence to Carolinas, record setting Mid-Atlantic
2019 record floods in Nebraska and Iowa, Imelda in Texas

California 2017-18, Australia 2019 Wildfires

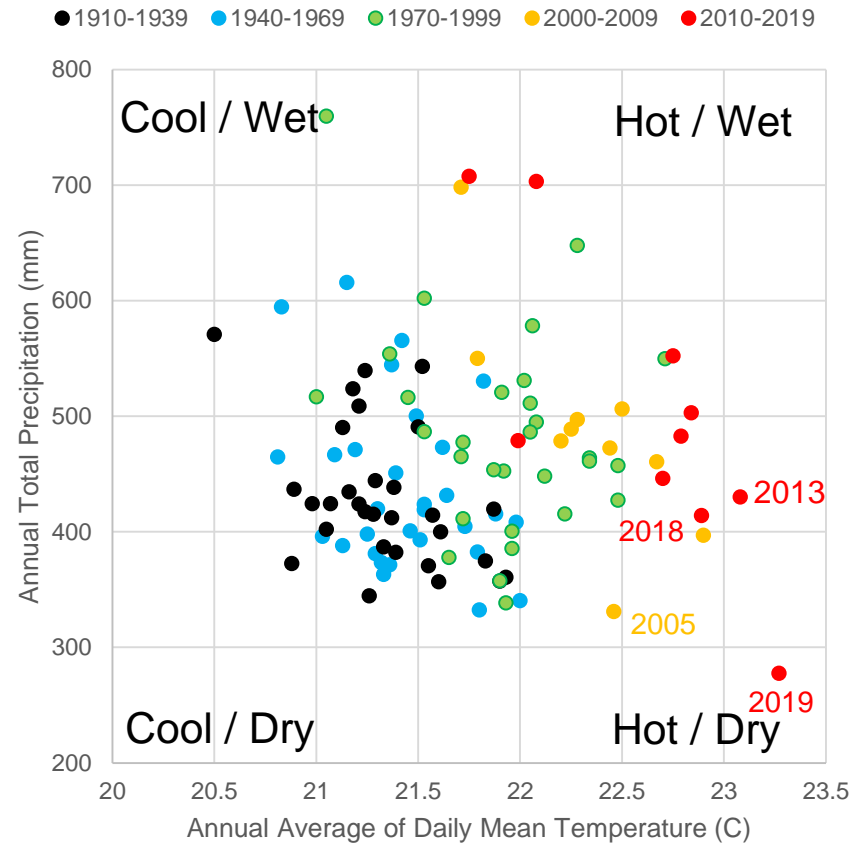
Excessive Dryness Accelerates Heat and Wildfire Risk

California Dry Season Temp and Precipitation



Data: National Climatic Data Center

Australia Annual Temp and Precipitation



Data: Bureau of Meteorology - Australia

What comes next? Lessons learned? What can we do about the future?



Three key risks of climate change

The MMC Advantage



Physical Risk

Direct damage to insured assets by weather and climatic events

 GUY CARPENTER



Transition Risk

The potential an abrupt transition to a low carbon economy causes investments to lose value

 OLIVER WYMAN

 MERCER

 MARSH & McLENNAN
ADVANTAGE



Liability Risk

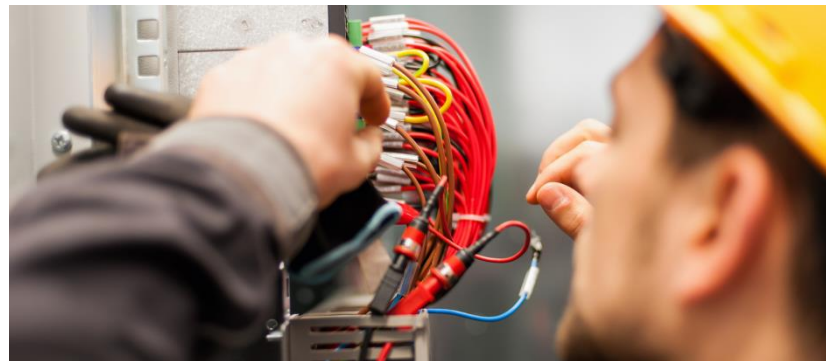
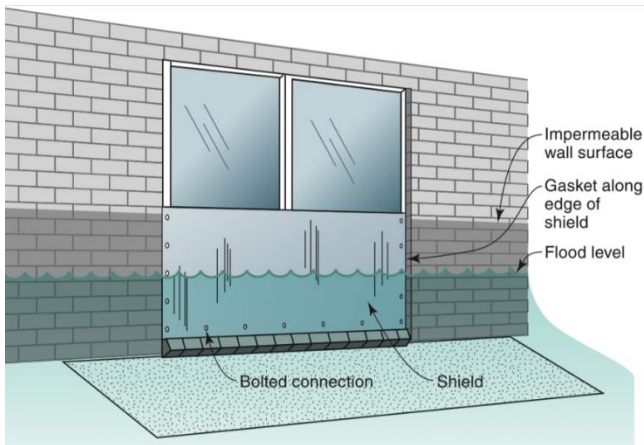
The risk of being sued for one's role in creating climate change

 MARSH

Institute for Business and Home Safety (IBHS)

Flood mitigation recommendations

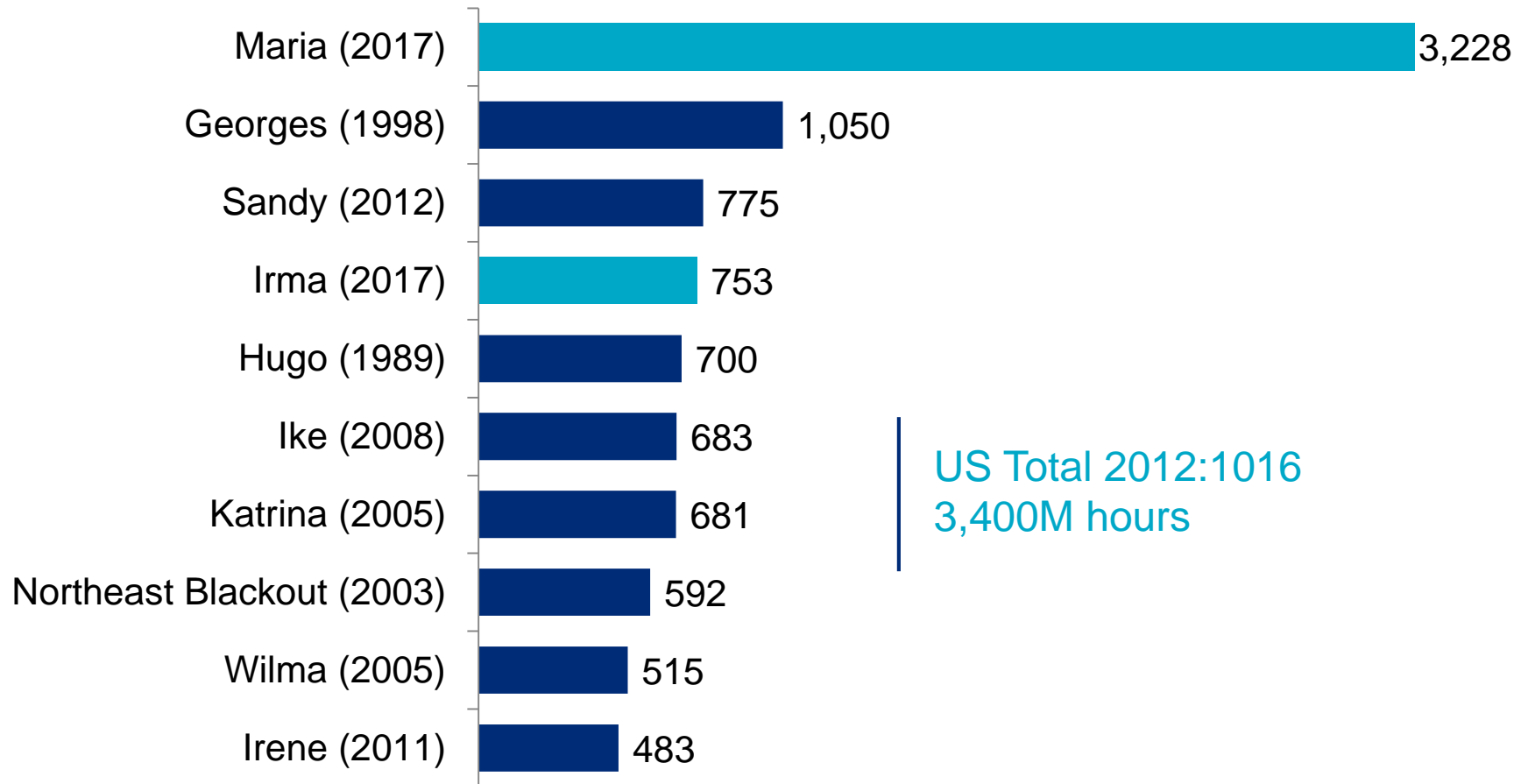
- Know your Flood Zone! [Floodsmart.gov](https://www.floodsmart.gov)
- Know your Base Flood Elevation (BFE)
- Purchase flood insurance if you are in a high risk zone (NFIP, private)



Impact of Infrastructure Damage

Longer Power Outages due to Hurricanes

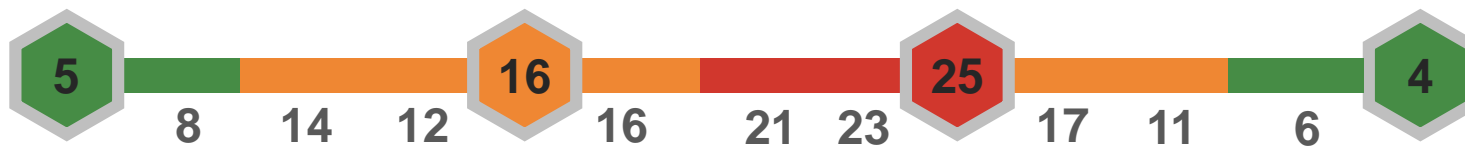
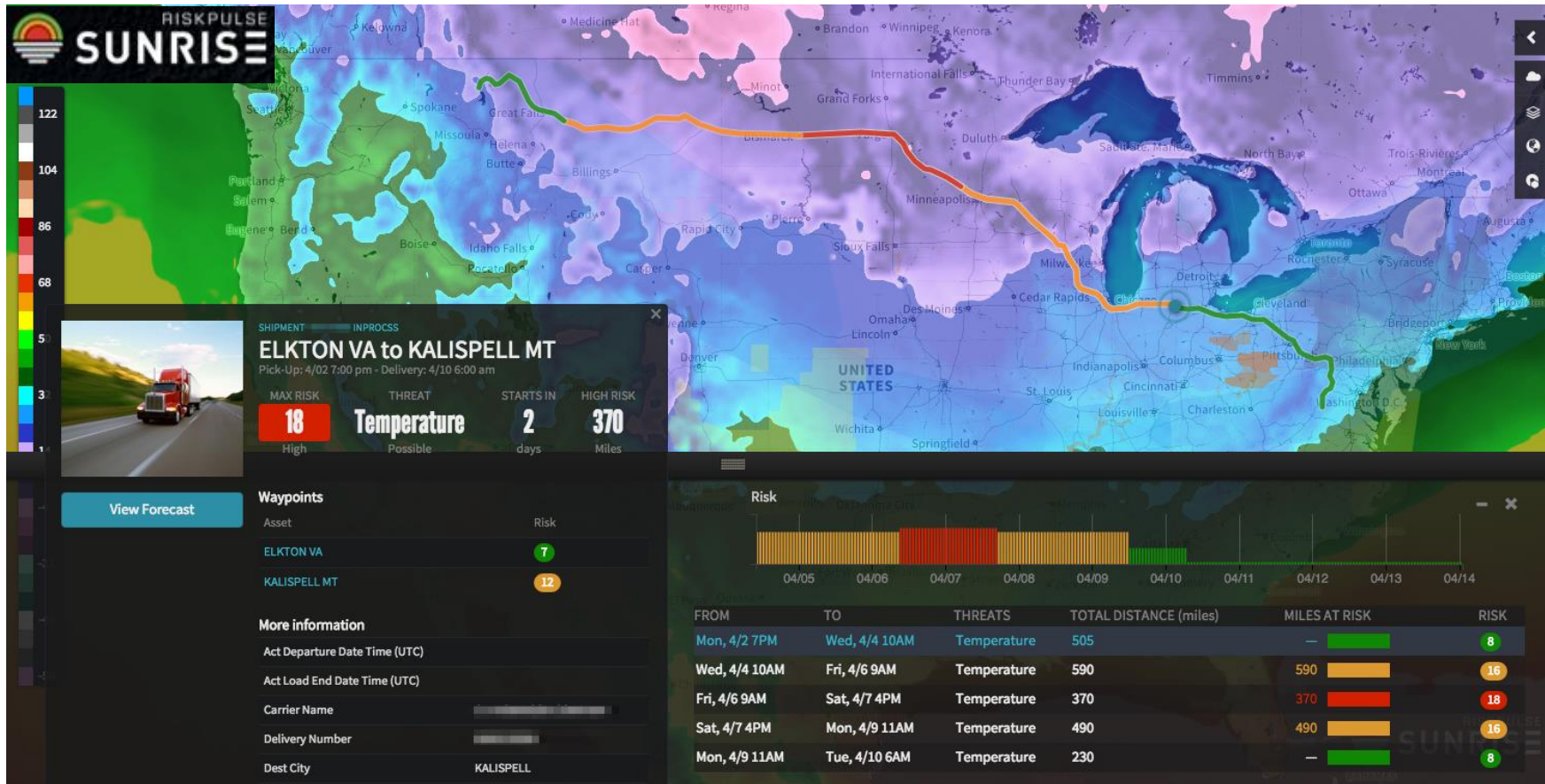
Million customer-hours impacted; largest blackouts in US history



Source: EIA, Rodium Group

Predictive Analytics on Supply Chain Disruption

Riskpulse Sunrise Platform



Lifecycle of a shipment (in days) with risk scores shown at certain points

Why is climate change assessment important? Climate risk increasingly viewed as Financial risk

Increasing pressure from policymakers, regulators, investors, and civil society



“
Today, our clients — who are your company’s owners — are asking you to demonstrate the leadership and clarity that will drive not only their own investment returns, but also the prosperity and security of their fellow citizens.
”
– Larry Fink, CEO BlackRock
Letter to CEOs¹

1. <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

Major Corporations Leading the Charge

Climate Risk is Deemed Financial Risk

The New York Times

DealBook / Business & Policy

DEALBOOK

BlackRock C.E.O. Larry Fink: Climate Crisis Will Reshape Finance

In his influential annual letter to his investors, Mr. Fink at

Microsoft will be carbon negative by 2030

Jan 16, 2020 | Brad Smith - President

Microsoft



Environmental Responsibility Report

2019 Progress Report, covering fiscal year 2018



jeffbezos
1.5m followers

View Profile



\$10bn Bezos Earth Fund

Regulatory Influences Starting to Grow

Why now?

Accelerating warming and high-profile disasters have also brought the topic forward in terms of insurance pricing, the protection gap, financial markets and the US economy.



ACTUARIES CLIMATE INDEX
INDICE ACTUARIEL CLIMATIQUE



HOUSE SELECT COMMITTEE ON THE
CLIMATE CRISIS

Founded in January 2019

“Deliver recommendations on policy, strategy and innovations to achieve substantial and permanent reduction in pollution and other activities contributing to the climate crisis by March 2020.”



Climate Related Market
Subcommittee founded
in November 2019

*“Identifying appropriate methods by which market participants’ data and analyses can enhance and contribute to the assessment of climate-related financial and market risks and their potential impacts on agricultural production, energy, food, **insurance**, real estate, and other financial stability indicators.”*

Weather & Climate Patterns

Increasing Volatility or Fundamental Changes?



Is the weather getting worse?

- No, however, it's getting more volatile

Why is weather getting more volatile?

- Warmer Arctic and oceans, carbon correlated warming causing longer standing weather regimes with embedded extremes

Can we say anything about the future?

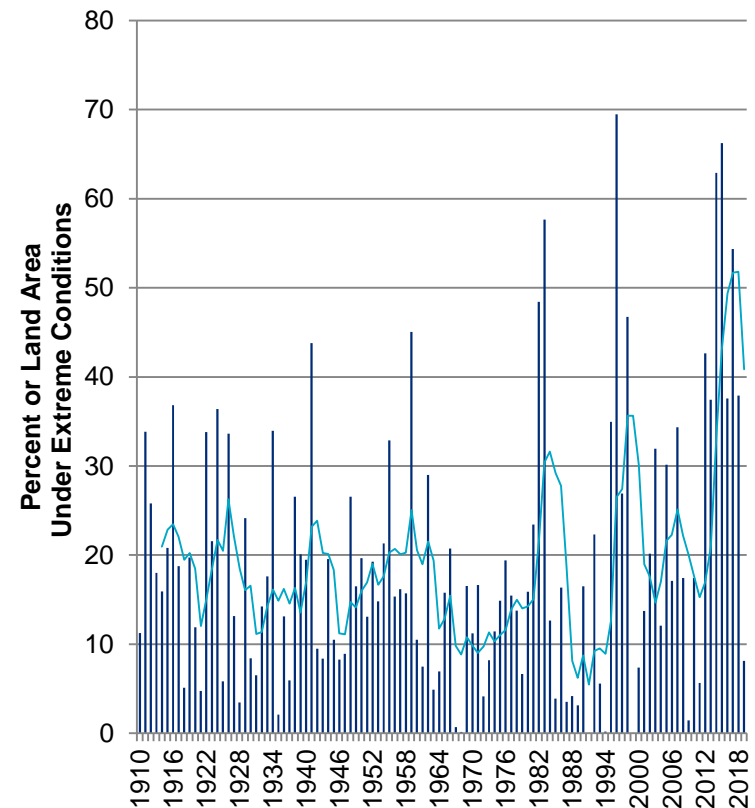
- History not representative of the future, varied confidence across catastrophic perils

What can be done to manage the volatility?

- Insurance protection, real time monitoring & catastrophe modeling, resiliency efforts

Man made or natural climate variability?

Western US Climate Extremes Index





GUY CARPENTER



Josh Darr, MS CCRA
Head of Americas Peril Advisory
Meteorologist
T: +1 312 637 6108
E: josh.darr@guycarp.com



“Peer-to-Peer” Roundtable Discussion

Facilitated by: Mac Nadel, National Retail/Wholesale Practice Leader

“Peer-to-Peer” Discussion Topics

- **Insurance Market**

- What is your company doing to mitigate increasing rates on programs (excess liability, D&O, auto liability) – Higher deductibles? Reducing coverage limits? Creative program structures?
- Specific to the property market:
 - What have you experienced on your most recent renewal?
 - Has your company, either independently or with your insurer, completed a survey of properties (building details, site security, fire protection, hazards)? If so, any interesting findings and/or how has that helped deliver a more favorable property renewal outcome?
 - Do any of you access the Chinese insurance carriers and, if so, how is the claims handling process?
 - What Else?

- **Pandemic Preparedness & Response**

- What are you doing with regard to resiliency and pandemic planning & response?
- Who leads your company’s pandemic preparedness/response program? How is risk management involved?
- With “Work From Home” being implemented, what are companies doing with regard to home office ergonomics to prevent workers’ compensation injuries?
- Are there any policies that provide coverage?
- What Else?

- **“Smorgasbord!”**

- What is your policy for serving alcohol in your corporate offices?
- What are some Return to Work success stories?
- Does your company purchase active shooter coverage? If so, is it standalone or built into the property coverage?
- How are you quantifying the concessions made in contracts when waiving insurance requirements (i.e. aggregation of Cyber risks from 3rd party vendors who don’t carry cyber insurance)?
- How does your company handle disability management for workers’ compensation claims, in-house or TPA?
- Thoughts/experiences with RMIS providers?
- What are you seeing with regard to general liability claim trends?
- Any best practices/methodologies in assessing product exposure/damage from warehouse fires?
- What Else?

BREAK!!!

“Go do whatcha’ gotta do, but be back in 15!”

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“Take a Spin on the Legal Roulette Wheel – Current Issues in Retail Risk Management” – Cannabis, Coronavirus, CCPA, Costs of Social Inflation (and More!)

Michael Droke, Partner, Dorsey & Whitney LLP





MARSH Retail/Wholesale Industry Roundtable

Take A Spin on the Legal Roulette Wheel

March 18, 2020

Michael W. Droke



Michael W. Droke
Labor & Employment
Droke.Michael@Dorsey.com
(206) 903-8709
(206) 914-6745 cell

Coronavirus Top 5

- 1. [DONE] Come up with a scheduling/remote work/cross-training plan NOW.**
- 2. Tell your employees the plan. It will reduce panic and uncertainty.**
- 3. [DONE] Monitor school closings/other things affecting your employees so you can respond.**
- 4. Inform/reassure employees of their options for sick leave for themselves and family members.**
- 5. Have a plan for if (when) an employee develops symptoms or is diagnosed with COVID-19.**

Operations planning and trade secret protection

- **IMMEDIATELY** train your employees on existing remote work resources.
- Identify additional low cost remote work resources and train employees on them as well.
- Advise employees to prepare their own remote work resources. (Beware of **California** law)
- **BUT** beware of trade secret/data security issues. Prepare clear guidance for the kinds of data/hard copies employees may take with them home.
- Identify key/essential personnel and begin cross-training backups (and maybe tertiary backups).
- Consider staggered shifts to limit number of employees interacting.

Cannabis

FDA is now on the
CBD ball!

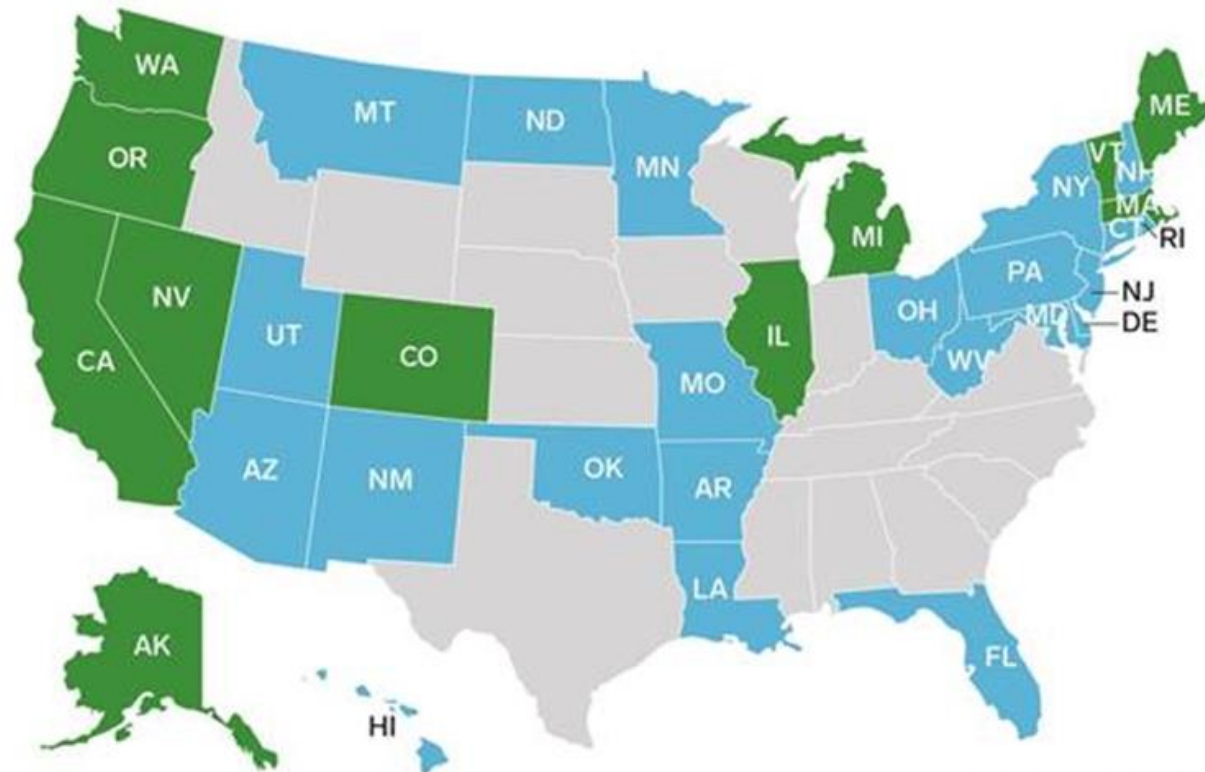
<https://www.fda.gov/news-events/public-health-focus/fda-regulation-cannabis-and-cannabis-derived-products-including-cannabidiol-cbd>



Marijuana

States where marijuana is legal

■ Legalized recreational and medical marijuana ■ Legalized medical marijuana



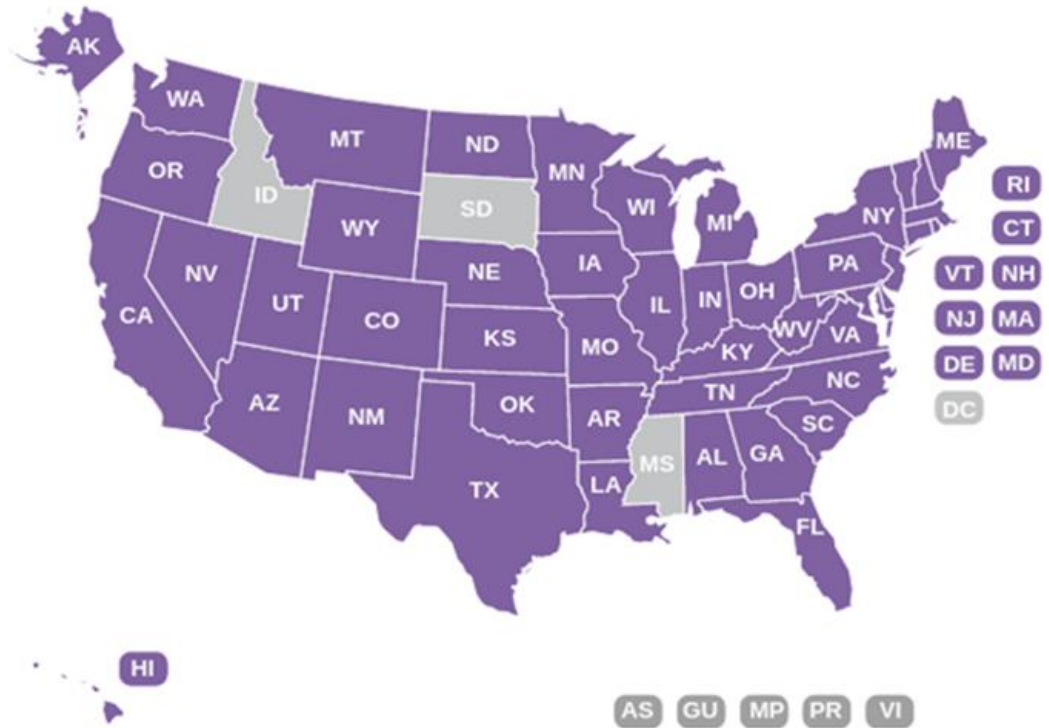
BUSINESS INSIDER

Hemp



Allows cultivation of hemp for commercial, research or pilot programs

Does not allow cultivation of hemp.



Why Companies Are Worried About Consumer Data in California

- Data breach class actions
- “Reasonable security” is **un**defined
- Attorney general enforcement, 30 day cure before fine



Why The CCPA Is Relevant To You

- **Effective now**
- **Gives individuals rights**
- **Strictest law in the country**
- **Significant Penalties**
- **State enforcement**
- **Applies to any company (no industry specific)**



Class-action lawsuit filed over Marriott data breach

January 11, 2019

Consumer Rights CCPA Protects

Pertains to the “personal information” of “consumers” and requires disclosures to consumers.

Allows consumers to request, review, or delete certain personal information, and also to prohibit sale of personal information.

Several rights covered



Applicability

Personal Information: “information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household.”



Sale of Personal Information

- Defines a sale or selling broadly, and more or less as any disclosure of a Consumer's personal information by a business to another business or third party for any monetary or *other valuable consideration*.
- If a business “sells” personal information, it must disclose that fact to Consumers



Staying Ahead – What can be done Today

INDUSTRIES & PRACTICES

roadmap to compliance

California Consumer Privacy Act (CCPA)

WE PROVIDE PRACTICAL LEGAL SOLUTIONS TO HELP BUSINESSES ADDRESS THE CHALLENGES OF CALIFORNIA CONSUMER PRIVACY ACT (CCPA) COMPLIANCE.

Overview

Coming into effect in 2020, the California Consumer Privacy Act will impose significant privacy requirements on any business conducting business in California or gathering data on California residents. Dorsey's expert privacy team has already begun to assist clients in developing their internal privacy practices and external privacy policies so that they will be ready for compliance on day 1 of the CCPA's term.

[Launch CCPA Screening Tool](#)

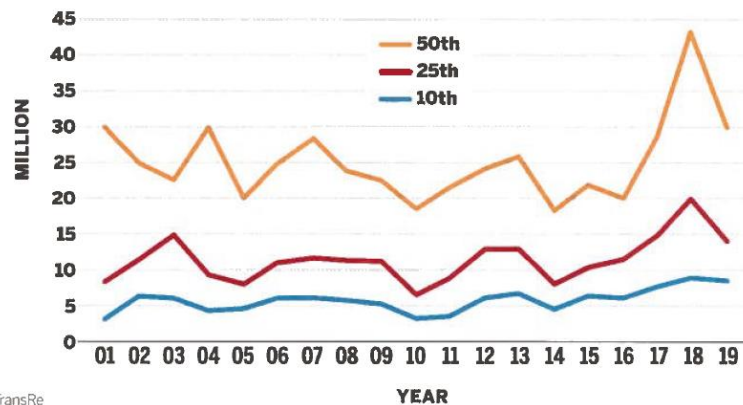
[newsletter signup](#)

<https://www.dorsey.com/services/ccpa>

Costs of Social Inflation

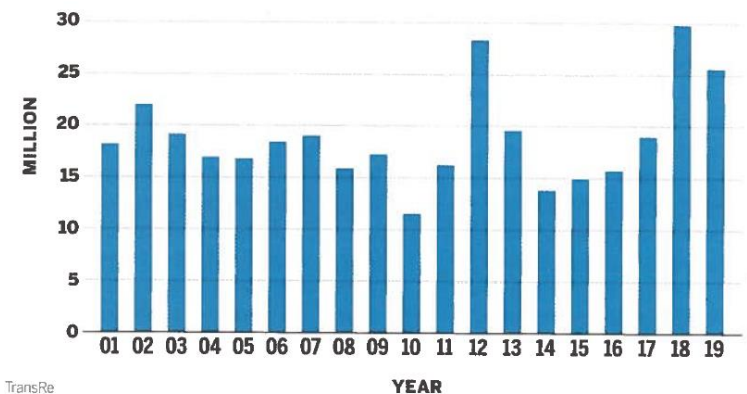
1. What is it?
2. What causes it?
3. What to do to manage your risk?

Largest 10th/25th/50th Verdicts, 2001-18



TransRe

Average of Top 50 Med Mal Verdicts



TransRe



Michael W. Droke
Labor & Employment
Droke.Michael@Dorsey.com
(206) 903-8709
(206) 914-6745 cell

Closing Remarks

Mac Nadel, National Retail/Wholesale Practice Leader, Marsh



