



**Risk and  
Insurance  
Management  
Society, Inc.®**

**RTMS NEWS**

**JULY  
2004**

**THE AWARD WINNING HOUSTON CHAPTER**

**Advancing the Risk Management Profession**

## **End Analysis: The Shareholder Value of Crisis Handling**

by Lori A. Brassell-Cicchini

**A study published in England by Rory Knight and Deborah Pretty in 1997 quantifies the value of catastrophic management planning. In *The Impact of Catastrophes on Shareholder Value*, the authors address the aftereffects of highly publicized disasters involving publicly traded companies. They categorized companies as “recoverers” and “nonrecoverers.” These designations do not mean that the companies involved did or did not survive, but rather that they did or did not recover successfully following a disaster.**

The study quantifies comparisons between the two groups. For recoverers, the initial loss after the crisis event was 5 percent of capitalization on average; for nonrecoverers, the loss was 11 percent. Recoverers also recouped lost value by the fiftieth trading day after the disaster, posting a 5 percent or more cumulative impact on shareholder value by that time. Nonrecoverers, however, suffered a net cumulative negative impact of almost 15 percent up to a year after the catastrophic event.

*(Continues on page 5)*

## **“Mold Rules 2004”**

Dr. Jim Kelaher  
Director of Occupational Health at Baylor  
College of Medicine

What new mold rules?

Texas updated its mold rules earlier this year. What does that mean to Texas employers? What are the medical issues in mold remediation? Is there significant health risk? What is the role of insurers? How do we approach the medical issues in mold problems? Just what are the implications of the new Texas Department of Health rules? Training? Curriculum? Protocols?

Join us as Dr. Kelaher from the Baylor College of Medicine unmask the mysteries of the new mold rules. Dr. Kelaher serves as the Director of Occupational Health at Baylor College of Medicine. In addition to overseeing Baylor’s employee health needs, he also provides occupational medicine consultation to clients in various industries. He has been actively involved with emerging corporate health issues at the local, state and federal levels. Dr. Kelaher holds his MD and MPH (Masters in Public Health), and is a CPA.

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# From the President's Desk

Hello Everyone,

So many changes and so little time! I'm so excited and pleased with the board's decision to move our luncheon location to The University of Houston Hilton – **starting this month!** I can't tell you how excited the students and faculty are to have us and how much we hope the change in location will help our interaction with the school as well as the Gamma Iota Sigma Fraternity. I hope all of you will join me in enjoying the new venue and fresh new faces of a future generation.

Our July speaker, Dr. Kelaher, of Baylor will be updating the chapter on mold and health issues associated, or not associated, with mold. I'm excited to hear if respirators and moon suits are still "mod." REMEMBER: the speaker evaluation prize is up to \$60.00 but you have to be present to win!

Lastly, I'd like to mention that the Fall Conference will be October 25<sup>th</sup> at Northgate Country Club – ALSO A CHANGE IN VENUE. This year we have multiple sessions for you to attend and will offer an afternoon session as well. We intend to have a golf clinic for non-golfers! So, you have no excuses not to attend – there will be something there for everyone.

*Colleen*

**New Members**

We are very pleased to announced our new members for June 2004:

Kathryn Pavlovsky - Deloitte & Touche

Lisa Cunningham - Capital Risk

Ken Nibling - VARCO International

Erica Currie - Cemex, Inc.

Larry Laurie - Methodist Health Care

Mark Hilliard - Hilb, Rogal & Hobbs



Your Houston Rims Chapter is endeavoring to reach out to the Houston Community with your help. At our monthly lunch meetings, we will be collecting soaps & shampoos (unused); especially those you've been collecting from hotels over the years! These items will be donated to the Houston Area Women's Center Ending Domestic & Sexual Violence.

## RIM's Luncheon

# Support Your Community

For question, call or e-mail

Sondra Faul (713) 500-8127

Sondra.K.Faul@uth.tmc.edu

Summer is coming up, so they will also be in need of children's bug spray & sunscreen. Regular size soap & shampoo is a bonus.



**Women's Center**  
Ending Domestic & Sexual Violence

Houston Area

1010 Waugh  
Houston, Texas 77019

phone 713-528-6798  
fax 713-535-6363

## Education Corner

Want to sharpen your Risk Management skills?  
Looking for career advancement?

Get help earning your Associates in Risk Management (ARM) designation by taking classes sponsored by the Award Winning Houston Chapter of RIMS!

To earn the ARM designation, you must successfully pass (via a national exam) three courses; ARM 54 Essentials of Risk Management, ARM 55 Essentials of Risk Control, and ARM 56 Essentials of Risk Finance.

ARM 55 - Essentials of Risk Control, the middle part of the three part certification process, is being offered this fall (starting Monday, August 16th).

Please see the attachment for general information and enrollment instructions.

## Door Prize & Speaker Evaluation Winner...

Victor Pivetta won the door prize.

The \$40.00 for the speaker evaluation was not won. It now rolls over and is worth \$60.00. You have to be present to win.

**Meeting Notices, Newsletters and other chapter correspondence are now sent out by e-mail.**

If you are a deputy member and are not receiving yours please let us know by contacting Victor Pivetta, Membership Director. Deputies can update/correct information by logging on to the Society web site: [www.rims.org](http://www.rims.org).

Associates & Non-Members, contact Ginny Penzell.

## Houston Area Job(s) Listing for July 2004

**Company:** Dean Foods  
**Position:** Claims Specialist  
**Location:** Dallas, Texas

**Company:** Veolia Water  
**Position:** Director, Risk Management  
**Location:** Houston, Texas

**Company:** H.E. Butt Grocery Company  
**Position:** Director, Risk Management  
**Location:** San Antonio, Texas

- ❖ Any job listing descriptions, contacts, etc. can be found at The Houston RIMS website: <http://houston.rims.org/ChapterWebsite/RIMSChapter.cfm?CID=328>
- ❖ For further information regarding positions or to place a job opening for your company in our newsletter, contact Marsha Phillips, Director - Job Placement, via email at [marsha.d.phillips@jacobs.com](mailto:marsha.d.phillips@jacobs.com) or by telephone at (832) 351-7149.
- ❖ For information regarding National RIMS listings, contact Jennifer Berman at RIMS New York at (212) 286-9292 or email: [jberman@rims.org](mailto:jberman@rims.org).
- ❖ Also, look online at the Houston Chronicle's classified web site under employment. Do a key word search for Safety or Risk Management: [www.houstonchronicle.com/classifieds](http://www.houstonchronicle.com/classifieds) or look online at the Houston Press's classified web site: [www.houstonpress.com/classifieds](http://www.houstonpress.com/classifieds)

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The difference between the two groups was planning—and more importantly, quick implementation of crisis response. Disasters focus attention on top management. If the company communicates well and shareholders and investors view the event as well managed, the impact on stock values is generally positive.

Obviously, every crisis can not be expected to result in a positive financial outcome. Negative impact, however, can be minimized if a company is seen to be doing its best in the face of difficult circumstances.

### **Tylenol**

When the first Tylenol tampering case occurred in 1982, Johnson & Johnson was totally unprepared—there was no plan. A nonrecovery event, the decline in shareholder value was calculated at minus 10 percent fifty trading days afterwards.

The second Tylenol tampering took place four years later. This time, the company was prepared with a plan that they implemented perfectly. Key to the plan was the participation of senior management as public spokespersons to win back the trust of the public. As a result, fifty days after the event, shareholder value was 8 percent higher than before the tampering.

### **Odwalla**

On October 30, 1996, Odwalla Inc. learned of a suspected link to its apple juice and several cases of *E. coli*. Odwalla immediately recalled all products containing apple or carrot juice from forty-six hundred retail outlets in seven states and British Columbia. The \$6.5 million recall was completed within forty-eight hours.

Odwalla sales plunged 90 percent; its share price plummeted 34 percent; customers filed more than twenty personal injury lawsuits; and the company's very survival was under attack. While other companies might have hidden behind "no comments" and delayed reactions, Odwalla executed its plan of constant internal communication, personalized customer service, fast and effective response and responsibility.

As a result, positive perceptions of Odwalla's crisis response helped it grow to become the nation's top fresh-juice distributor. Recently, the company was purchased by Coca-Cola Co. for \$181 million—a 30 percent premium over Odwalla's share value.

### **Nokia versus Ericsson**

One company's catastrophe can also result in another's crisis. In March 2000, a fire destroyed a Philips Electronic factory in New Mexico. The impact stretched to Scandinavia where both Nokia and Ericsson depend on Philips' chips to satisfy the demand for mobile phones. Nokia was aware of the critical gap in its supply chain before Philips even notified its customers. Activating its crisis management plan, Nokia located alternate suppliers and locked in a supply of chips to meet demand. When Ericsson discovered its supply was compromised, alternative vendors were no longer available. Ultimately, it lost about \$600 million and a 50 percent share in the mobile phone market.

*Lori Brassell-Cicchini, CPCU, ARM, is AVP of catastrophe services at ESIS, Inc. in Philadelphia.*

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## Houston Chapter of RIMS

### UPCOMING EVENTS

Luncheon meetings are at 11:30 am

**2004**

**July 21 2004**

Dr. Kelaher  
Director of Occupational  
Health at Baylor College of  
Medicine

"Mold Rules 2004"

**August 18, 2004**  
**September 15, 2004**

**October**  
**Houston Chapter RIMS Fall Conference**

**November 17, 2004**  
**December 15, 2004**

Check the web Site: [www.rims.org](http://www.rims.org) >chapters  
>chapter web sites > Houston.  
Watch for event information.

### Reservation Deadline

is **Monday, July 19, 2004 at 4pm.**

Please send your response by e-mail to [jlyon@contactpsc.com](mailto:jlyon@contactpsc.com) or fax the notice to 713.625.7087.

The Luncheon Registration form is available on the chapter web site at [www.rims.org](http://www.rims.org)

choose "chapters" then "chapter web sites" then "Houston" look for the "Monthly Meeting Notice" on the list to the left.

### MEETING PLACE

**The Hilton University of Houston**  
**University Drive- Entrance One, Suite 207**  
**Phone #713.741.2447**

**Parking is is being provided by the Houston Chapter of RIMS.**  
**Be sure to pick up your token at the registration desk so you can get out of the parking garage free of charge.**

