



Risk Management's role in advancing business resilience

RIMS Piedmont Chapter

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INTRODUCTION

Outline of today's discussion

Global instability, societal shifts and technological advances have ushered in **a new era of risks** for business leaders to address

Key factors for building resilience

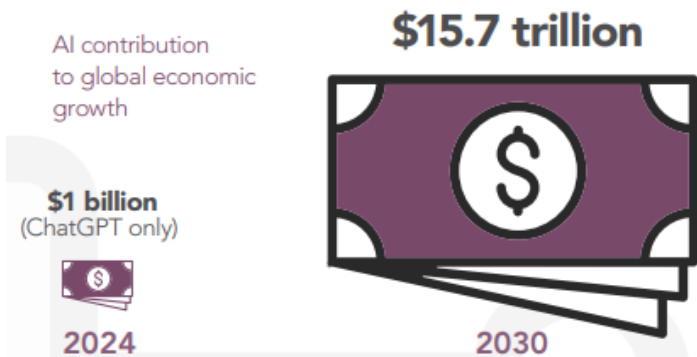
1. Understand the evolving risk landscape
2. Implement strategic insurance coverages
3. Build and advance operational resilience



The Evolving Risk Landscape

UNDERSTAND THE EVOLVING RISK LANDSCAPE

Artificial Intelligence



Conflict and Geopolitical Instability



In key nations, military spending has increased:

U.S.	Russia
China	India
Iran	Saudi Arabia

Cybersecurity

1/4 of cybersecurity incidents involve **ransomware**.
The top action vectors are:



Email



Desktop
Sharing
Software



Web
Applications

UNDERSTAND THE EVOLVING RISK LANDSCAPE



Climate Change

In the first half of 2023, the U.S. had

76%

of all natural hazard-related insured losses worldwide.

Hail was the primary cause of damage.



Evolution of Work

The U.S. Chamber of Commerce estimated that there are **1.9 million fewer citizens participating in the labor force** in February 2023 compared to February 2020.



Environmental, Social and Governance (ESG) Expectations

Investor, customer and workforce interests continue to **favor companies that provide information on how they are managing risks and developing business strategies to address ESG issues.**

Key Risks

Technology Failure

Supply Chain Delays

Workforce Shortages

Property/Asset Loss

Liability

Reputation

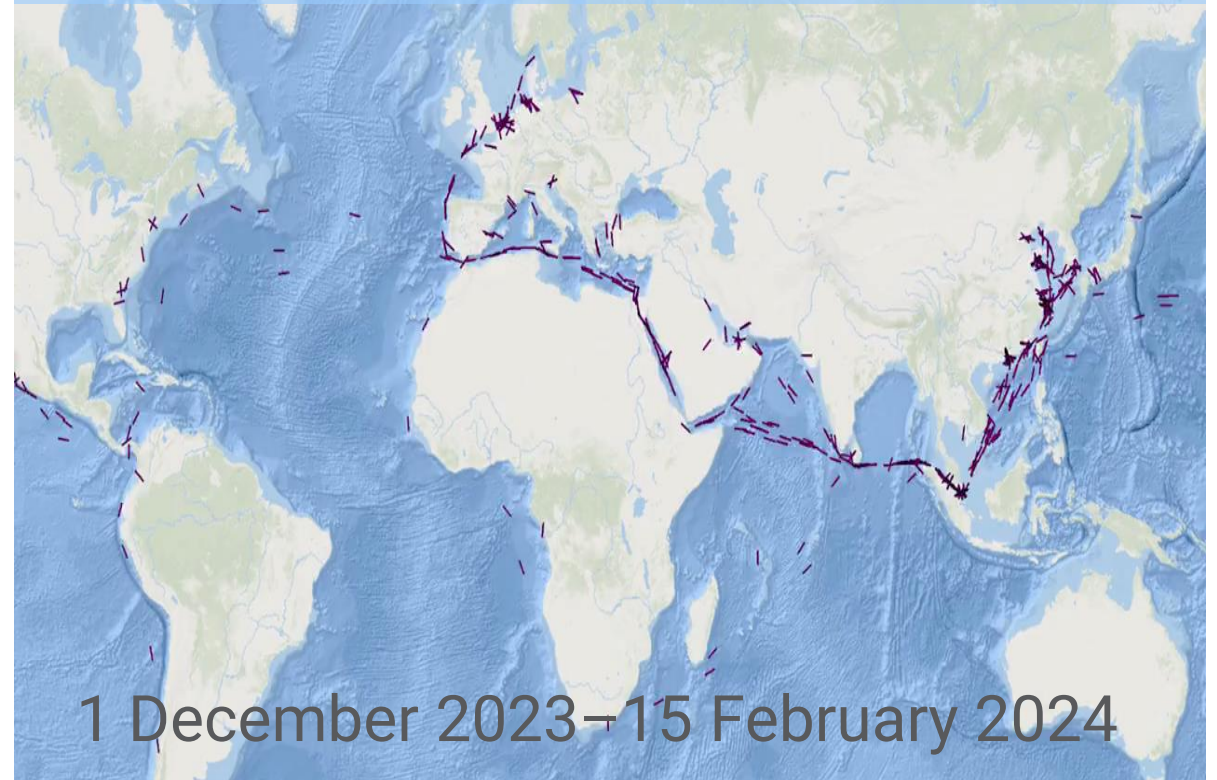
Financial Resilience

FACTORS INFLUENCING PROPERTY & BI VALUATIONS

Supply Chain Delays

- Unpredictable delivery times
- Volatile freight costs
- Dramatic shifts in demand
- Labor challenges
- Conflict and geopolitical instability
- Inflation
- Extreme weather

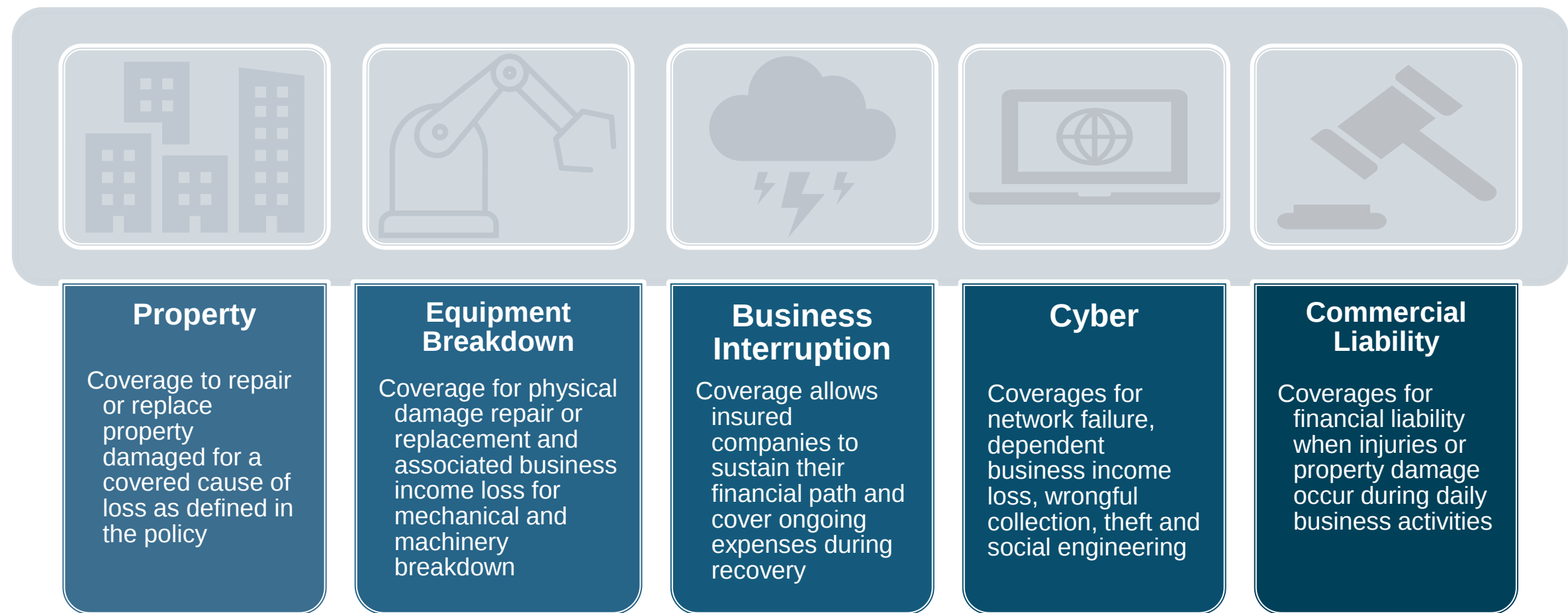
Attacks on ships in the Red Sea and Black sea compounding disruptions and climate-induced droughts affecting Panama Canal



Strategic Insurance Coverages

IMPLEMENT STRATEGIC INSURANCE COVERAGES

Risk transfer solutions to consider



IMPLEMENT STRATEGIC INSURANCE COVERAGES

Considerations for property and equipment coverage needs

Property

1. Review property values and true replacement costs at least once a year to align with inflation and supply chain conditions
2. Ensure that your resilience strategies and insurance coverages reflect current trends for natural and man-made risks
3. Identify repair/replacement times for specialized assets critical for revenue generation.
4. Adjust coverages based on current and future property use. The risk exposure for fire loss and water infiltration from internal/external sources significantly increases for vacant buildings.

Equipment Breakdown

1. Consider equipment breakdown coverages for the most vital machinery.
2. Establish coverage requirements by pinpointing singular points of vulnerability or specialized high-value equipment that, if compromised, could lead to significant business revenue loss.
3. Implement robust machine preventive and predictive maintenance as the first line of defense to enable continuity of operations



IMPLEMENT STRATEGIC INSURANCE COVERAGES

Considerations for business interruption coverage needs

Business Income

1. **Conduct a pragmatic yearly evaluation of the anticipated changes in revenues and expenses** for both 12-month and 24-month periods
2. **Assess the revenue impact for each location using a “complete loss” scenario** to understand your organization’s potential financial BI limits.
3. **Examine your ability to pay and retain employees displaced during an extended period of restoration.**

Extra Expense

1. **Estimate the funds each location will need to secure recovery resources** when an incident disables operations.
2. **Estimate the contract or temporary labor requirements and their daily/weekly costs for supporting the recovery of affected operations.**

Extended Period of Indemnity

1. Identify sites where a long-term revenue loss might occur for your services or products.
2. Estimate, for each location, the **time** required for sales to return to pre-disruption levels after the impacted operation has been fully restored and is functioning at pre-incident levels again.

IMPLEMENT STRATEGIC INSURANCE COVERAGES

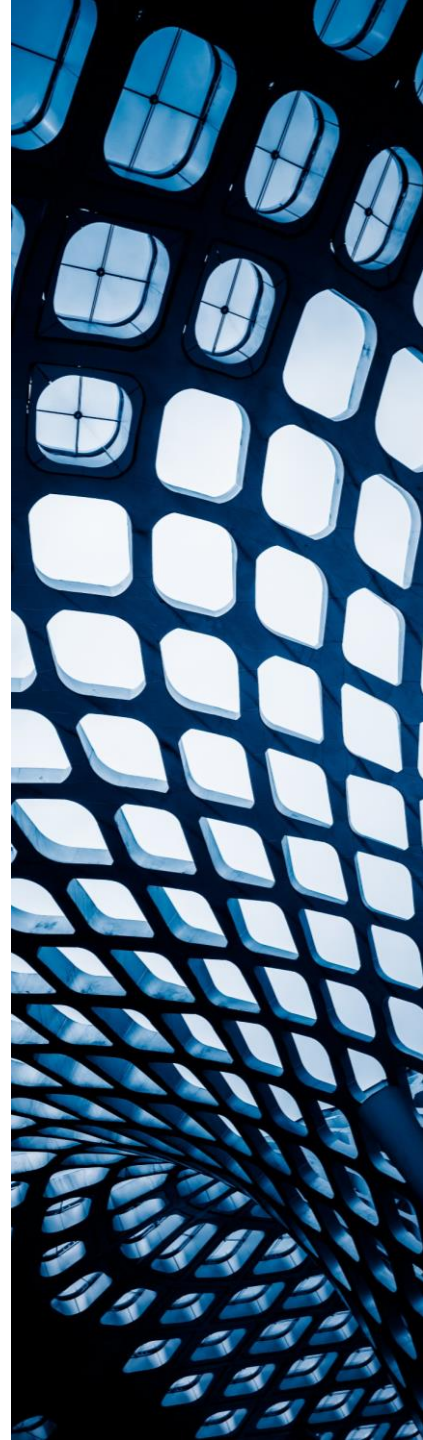
Considerations for cyber security and commercial liability coverage needs

Cyber

1. Work with your insurance broker to establish the appropriate coverages such as network failure, dependent business income loss, wrongful collection, theft and social engineering
2. Implement a cybersecurity framework to identify, protect, detect, respond and recover, as defined by the National Institute of Standards and Technology (NIST)

Commercial Liability

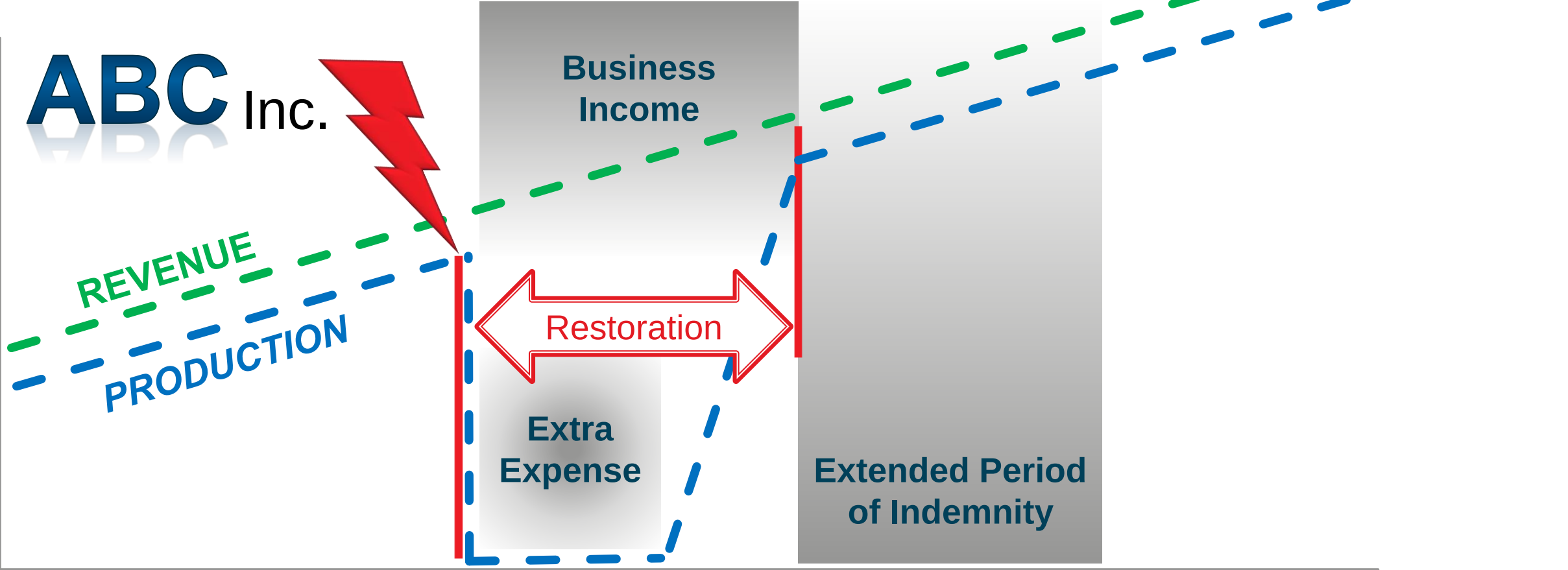
1. Perform a risk assessment at the corporate level to understand your liability exposures and establish controls (e.g. secure access, snow/ice removal, etc.) to minimize incidents from occurring on your premises
2. Work with your insurance broker to understand liability trends (e.g., emerging interests, damage and litigation monitoring services)
3. Transfer risk as much as possible with contractual indemnification and insurance requirements for all third parties involved in supporting your operations



Advance Operational Resilience

IMPLEMENT STRATEGIC INSURANCE COVERAGES

Simulated ABC Inc. disruption with Business Interruption Insurance

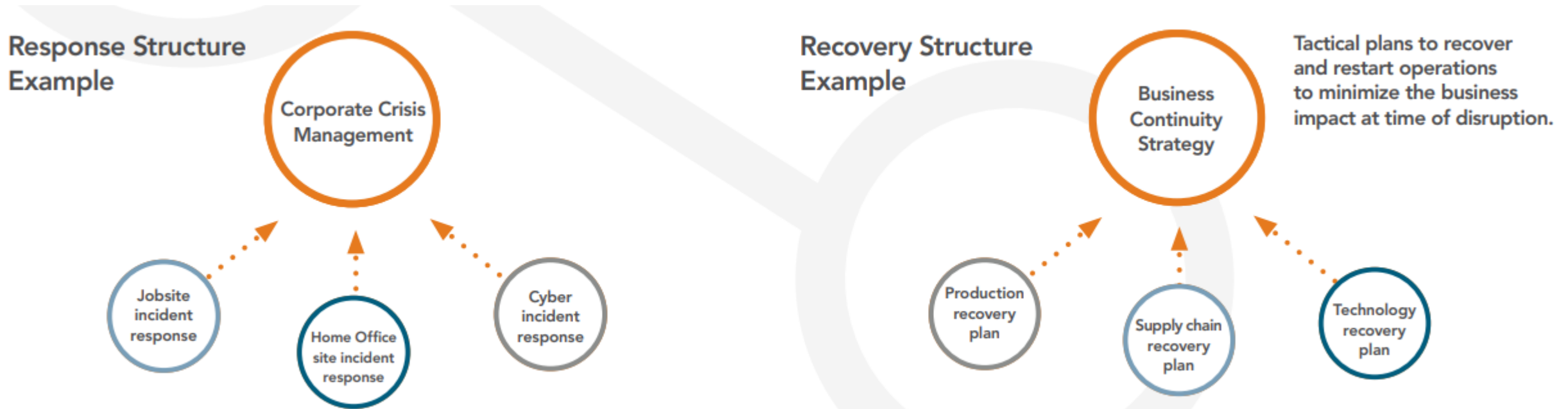


BUILD AND ADVANCE OPERATIONAL RESILIENCE

Core Disciplines

ENTERPRISE RISK MANAGEMENT

The first line of defense in reducing the probability and impact of a disruption.



BUILD AND ADVANCE OPERATIONAL RESILIENCE

Critical success factors

Executive Sponsorship

- Understand the value and direct the formation of policy and procedures that enable strategic business resilience
- Designate accountability, authority and oversight for response and recovery teams across the enterprise
- Review the status of financial and operational resilience on a regular basis

Accountability

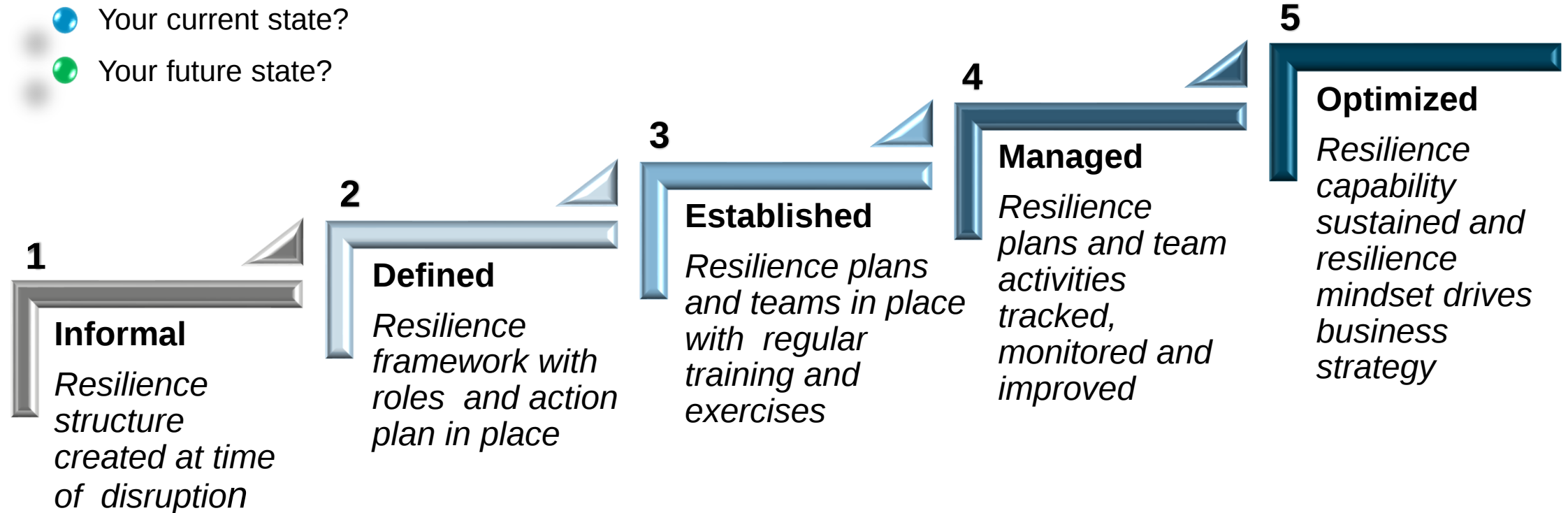
- Resilience policy clearly states the purpose, scope, key definitions and leadership roles accountable for creating, exercising and activating the response and recovery structures
- A resilience steering committee with cross-functional membership established to direct plan development, exercise, activations and monitoring of the enterprise resilience capability

Continuous Improvement

- Review and rehearse strategies and plans using likely scenarios at least once a year in a tabletop exercise or other format
- Conduct an After-Action Review (AAR) following each activation or exercise, to refine the response/recovery plan and enhance business strategy and team performance

BUILD AND ADVANCE OPERATIONAL RESILIENCE

How progressed is your business resilience program?



Business Resilience Program Maturity

“Follow the Money” Exercise

“FOLLOW THE MONEY”

BREAKOUT GROUND RULES



- **Time allocated:** 5 minutes
- **Mission:** Brainstorm potential strategic business resilience solutions for Puzzle Maker Inc
- **Group reporter:** Identify a person in your group who will capture and report ideas
- **Outcome:** Attendees apply key concepts for enabling business resilience with operational and insurance solutions

Risk Assessment Exercise

Hypothetical Business

- Puzzle Maker Inc. (wood/cardboard)
- Annual Revenue: \$300M,
- Insurance: 12 Month BI Blanket Limit \$150M
- Product Revenue: Wood – \$240M (80%), Cardboard \$60M (20%)
- Facilities:
 - **HQ** – Corporate Functions (Design, Procure, Finance, IT, Sales, Marketing, etc.)
 - **MFG 1** – 24X7, Wood Puzzle specialized production, Unique wood cutting machine from Germany, Lead Time 12 months to replace, 3-month supply of wood sheets.
 - **MFG 2** – 24x7, Cardboard Puzzles, custom made cutting press, 100% capacity, highly flammable materials
 - **WH 1 & 2** - Finished wood/cardboard products split 50/50 across the two locations.
 - **Supplier 1** – Sole Supplier of Wood Sheets (*scheduled location in the policy*)
 - **Supplier 2, 3, 4** – Primary Supplier of Cardboard Sheets (*Not Scheduled*)



“Follow the Money” Group Reports

THANK YOU



To learn more about
strategic business resilience
visit [Business Resilience \(cna.com\)](https://cna.com)



Source: CNA's [2023 Strategic Business Resilience Report](#)

