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# COMPREHENSIVE RISK MANAGEMENT: A Conversation on Emergency Preparedness and Business Continuity

A companion guide to the Emergency Preparedness  
and Business Continuity portion of Parker, Smith & Feek's  
2023 Risk and Safety Summit Seminar





## Comprehensive Risk Management: A Conversation on Emergency Preparedness and Business Continuity

Emergency preparedness and business continuity planning are integral to mitigating property risks and losses in an organization, ensuring the organization's longevity and enhancing its ability to withstand adversities. The recent insights from Parker, Smith & Feek/IMA Financial Group Claims Executive Bret Ommodt and Director of Property, Risk Control Eric Riddleberger, along with King County Housing Authority Risk Manager Joel Tobin, presented a comprehensive perspective on emergency preparedness and business continuity planning during PSGF/IMA's annual Risk and Safety Summit held virtually in December.

# Distinguishing Concepts

Tobin emphasized the distinction between emergency preparedness and business continuity planning. Emergency preparedness is tactical in nature, addressing short-term needs and ensuring the implementation of specific incident response procedures within your organization and that they are well communicated to employees who understand their roles and responsibilities. Emergency preparedness may involve planning and coordinating with local police, fire, and other municipalities or governmental entities for specific or unique needs and concerns.

**“The goal is protecting life, property, protecting your assets and environments, and keeping your employees and members of your community safe,” Tobin said.**

On the other hand, business continuity planning is strategic in nature, addressing longer-term needs for organizational recovery. This involves collaboration with key departments, including IT, human resources, facilities, and executive leadership.

Key to the development of a business continuity plan is thinking in terms of time windows, Tobin highlighted. Understanding the impact of disruptions on essential business functions over different durations, such as two to five days, five to seven days, or 15 to 30 days, is vital for effective planning.

**“Being clear about how you’re ready to address emergencies and how you’ve got all your critical business functions up and running as quickly as possible is very important,” Tobin added.**

Riddleberger underscored the importance of regular risk assessments to inform emergency preparedness and business continuity plans.

**“Sometimes [carriers] go into facilities where the organization has a little bit of paralysis to the actual hazards that are present,” he stated. “Being very transparent with yourselves and what can happen on-site is critical to ... getting back whole again.”**

Riddleberger emphasized some key measures to take when formulating emergency preparedness and business continuity plans:

- + Understanding your organization’s resource management
- + Conducting gap analysis
- + Understanding your emergency operations and training, running tabletop exercises and conducting drills
- + Revising these plans as needed

# Case Example - Ammonia Leak

Ommodt provided a compelling example of the importance of a thorough business continuity plan through a case involving an ammonia leak in a seafood processing facility. Ammonia is commonly seen in HVAC and refrigeration systems; however, it is a corrosive contaminant and toxic to humans. The failure of a bracket connecting a pipe to a refrigeration compressor led to a significant leak, which required the disposal of all products in the facility.

**“Ammonia is the colorless gas, but it has a pungent, very distinct odor, and about half of the building was impacted before they were able to determine [they had] a leak,” Ommodt added. “They ventilated, hit their exhaust fans, opened all the doors, and tried to get the ammonia out, but naturally, it got through the entire complex.”**

Ommodt emphasized incorporating product damage assessment processes into your organization’s emergency preparedness and business continuity plans.

**“Maybe your product is sealed. Maybe it’s packaged in shrink wrap. Who’s to say that product is damaged?” Ommodt said. “[It’s important to be able to] understand and assess whether or not your product is damaged, and whether you’re going to do that internally, if you have the expertise to do that, or if you’re going to hire out. It’s key to understand how you’re going to assess that damage to your stock, and, more importantly, how the carriers [are going to do] that as well.”**

Ommodt also recommended thoroughly understanding how your coverage works to cover as much of your loss as possible.

**“[In this case, the loss] was covered under an equipment breakdown form that allowed for the stock loss to be covered at the retail or selling price as if no loss occurred,” he said. “You have built-in business interruption for this type of loss under this coverage. You still have a net profit loss, though. That product was going to go into something; you were going to [use it to] create some sort of product. Maybe you lost sales orders because you couldn’t fulfill them. So, understanding how your coverage works is crucial to your continuity planning.”**

Riddleberger discussed measures the seafood processing organization could have taken from a risk control perspective to reduce the likelihood, or even the exposure, of the loss. One of these measures is strategically placing the ammonia piping to minimize the risk of leakage as much as possible.

**“If [you] think about your manufacturing facilities and where the piping for ammonia could be located, if you are able to have the ammonia room on the outside of a building and then pipe all the ammonia outside of the building and then up on top of the roof, that gives the opportunity to reduce any type of contamination that the ammonia could have to your facility,” Riddleberger said. “If you’re thinking about new construction, where you locate your piping is critical to reducing the contamination aspect of ammonia.”**

Riddleberger also suggested implementing early detection systems, automatic shutdowns, adequate ventilation, and determining the airflow patterns in your facility.

Watch a complete recording of the seminar at [www.psfinc.com /2023-RASS](http://www.psfinc.com /2023-RASS)



# Case Example – Switchgear Failure

In November 2021, a senior living community faced a significant disruption when the switchgear, a critical device designed to control and de-energize portions of the building during repairs near high-voltage equipment, failed, leaving 300 residents without power. The incident forced the evacuation of residents to a nearby high school, ensuring their safety while the building's power was restored. Residents could only return after the backup system had been activated.

Ommodt highlighted the incident to emphasize the importance of backup power systems, adequate business interruption limits, and extra expense coverage to cover temporary power solutions. He explained the prolonged lead time for specialized equipment like this, stating:

**“Specialized equipment of this manner typically has a long lead time in terms of fabrication and delivery. I think it took 12 months to get the new replacement equipment here. In a situation where they didn’t have a backup power source that they could rely on, they could have spent upwards of \$150,000 to \$200,000 on temporary power [while] waiting for the new switchgear.”**

Ommodt also noted the impact on insurance negotiations, commenting that taking measures like this also helps your broker at renewal argue to carriers that your organization took the proper precautions to minimize the loss.

Riddleberger emphasized the importance of keeping up with electrical maintenance, particularly in older buildings, to mitigate the risk of switchgear malfunctions.

**“Understanding the pieces of equipment that you have can help reduce these types of losses,” he said. “With buildings of older construction, you might not be able to find repairs or spares ... If you’re aware of that, there could be an opportunity to utilize certain parts of the circuit breakers to switch out as needed.”**

Riddleberger added that ensuring your electrical room is cool, clean, dry, and without any combustibles is also vital in reducing hazards. Several tests can be run to determine how hot the equipment in the electrical room is getting, including thermographic testing and infrared scans.

**“If you’re in a very high hazard, dusty facility, I wouldn’t go past a year [without having these tests done] because that dust can create the loose connections within all of your electrical equipment,” Riddleberger said.**



Riddleberger also expressed the importance of critical equipment replacement lead time, especially for manufacturing facilities, in your business continuity plan.

**“I’ve had different manufacturing facilities where critical equipment would be down for two years,” he recalled. “That is a really big part of your business continuity plan, to know that if you do have critical equipment that could be down for that [amount] of time, maybe you look to a competitor and ask [if their equipment] can be utilized as a backup. That’s not the ideal situation, but in an emergency or business continuity plan, that might be an opportunity where you can help each other out. [It’s even better to have] backup or spares on site for that replacement lead time if you have the resources. We want to be proactive with our business continuity planning and not reactive, as best we can.”**

## Conclusion

Insights from the annual Risk and Safety Summit underscored the symbiotic relationship between emergency preparedness and business continuity planning. By integrating tactical and strategic approaches, your organization can proactively manage risks, enhance resilience, and ensure a swift recovery from unexpected incidents. Contact an experienced broker for more details on emergency preparedness and business continuity planning.



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