

Risk Management Lessons Learned During Hurricane Season 2005 **By: Rich Woldt – CEO of the Risk Management Learning Center**

The hurricanes of 2005 brought out the best and worst in all of us. Our best was highlighted by an international response to Katrina, tapping the support and resources of virtually every good citizen from every community around the world. The worst was highlighted by a media that focused on the looting, the shooting, the failed rescue efforts and the few who spent most of their time criticizing government agencies for failing to live up to their expectations. Most of the finger pointing was driven by frustration and fear while some was exaggerated by those creating sound-bites for the next election.

Fact is, the hurricanes of '05 taught us much of what we already knew. They taught us that bad things happen to good people when they don't heed the warnings of emanate danger. They taught us that failing to plan is planning to fail, and no matter how much we plan, we need a system of command and control to lead us out of harms way.

So let's wind the clock back to any point before any one of the '05 hurricanes and assess what we knew at the time. We knew hurricanes destroy just about everything in their path and the damage caused will be directly related to the intensity (category) reached when they hits land. We also knew we had a well tested and reasonably accurate system in place to track hurricanes from birth to death and warn almost everyone in harms way. We knew that for the most part everyone in harms way had learned for generations how to protect their property, prepare themselves, and either seek shelter (house-in-place) or evacuate. Finally, we knew that hurricanes traumatize everyone in their path and everyone who cares; period. **After all, we knew trauma is not driven by political ideology, religion, or social class.** It's driven by the guilt we feel when we know we should have done or be doing something to help. It's driven by the "fear" we feel when we realize it could be happening to us or someone we love. And trauma is driven by the profound "sense of not being in control" of our present or future.

We've learned through experience that ***all property and casualty risks increase before, during, and after a hurricane.*** For example, much like businesses that wrote "contingency plans" for recovery, looters wrote action plans to implement between the time evacuees left New Orleans and when Katrina hit shore. Before Katrina, New Orleans law enforcement knew gangs living in the high crime rate areas of the city were going to loot the French Quarter and shoot at anyone trying to stop them. Looting, burglaries, robberies, extortion, kidnapping, fraud, scams, and even murders and gang reprisals all escalate when social barriers and municipal safeguards collapse. ***Therefore, insurance and bonding companies need to plan for escalating real and bogus claims, increased insurance fraud, increased scams, and defaults on premium payments.***

Note to Readers: *The 2005 hurricanes provided our RMLC faculty with a number of R&D opportunities. I encourage you to read the Katrina' white papers, incident reports, and ICS postings we issued to first responders, victims, and evacuees. When possible in '06, RMLC workshops and presentations will include lessons learned before, during, and after Katrina. We're developing three "Virtual" Incident Command System' templates*

for Property/Casualty carriers, financial institutions, and community leaders using our “Community Outreach Programs.” All are adopted from the Incident Commands used by emergency governments throughout the gulf coast. Refer to our home-page postings and the tutorials under “Pages under Constructions” for more information.

Contingency Planning – Conclusions and Recommendations:

Risk Management (RM) assessments during Katrina underscored the importance of well written and tested contingency plans. For the most part plans required by financial institution regulators, those written for the private business community and those recommended for schools, elderly and child care facilities, and hospitals worked well. It appears the plans written for insurance companies and financial institutions scored the highest followed by those written for schools and public utilities. Most other plans failed because they were outdated or written to the “Disaster Recovery” standards of the ’70s the “Business Continuity” standards of the ‘80s and ‘90s, or the “Business Resumption” standards acceptable prior to 9-11. Contingency plans written and updated to post 9-11 protocols worked best until they too were overwhelmed by incident “scope creep,” and the escalating breakdown in communications followed by a failure to command and control the response from the private sector.

RMLC Solutions:

Our contingency planning workshops in 2006 will focus on conducting accurate damage assessments, determining the scope of the incident, and launching an appropriate incident response.

2006 Incident Command Systems – Command & Control

Professional first responders, specifically fire fighters have used the “Incident Command System (ICS)” for decades to provide incident command and control appropriate to the scope of each incident. So, on 9-11 when terrorist attacked the World Trade Center, fire fighters responded following their traditional “unified” command protocols only to learn that staging areas were located too close to the collapsing towers and EMTs entering the towers would never come out alive. They also learned that terrorist often stage an attack as a decoy to lure responding assets to a staging area and than attack the staging area. Consequently, post 9-11 Incident Command (IC) response protocols focused not only on launching a speedy and appropriate response, but equally important, on protecting and defending all response personnel and recovery resources.

Our assessment of the response protocols used by law enforcement, fire fighters, Emergency Government and Homeland Security personnel, for the most part, indicated most professional first responders followed the book as it was written after 9-11. For example, Incident Commanders placed a high priority on the safety and security of responding personnel and management of recovery assets. Unfortunately, their focus on safety and security slowed their response and gave the impression they were failing to meet the needs of the victims awaiting rescue. This than helped motivate and fuel a

response from the private sector that in turn provided the media with endless sound bites and political extremists the fodder they needed to blame the other party for allowing Katrina to land on New Orleans.

RMLC Solutions:

Insurance companies call it “indemnification,” business leaders call it “business resumption,” community leaders call it “survival” and we all call it “getting back to normal.” The ultimate goal is to get victims back to a like and similar position they were in prior to Katrina. RMLC workshops in 2006 will adopt the Incident Command System (ICS) to every walk of life, using the National Incident Management System (NIMS) as our performance standard.

Three ICS templates are being developed. One to focus on a victim’s “physiological” needs such as food, shelter, security, and the need to make a living and provide for their family. This template will work well for any insurance company, bank, credit union, or employer. Our goal is to re-establish any lost economic base within the affected community. The second ICS template will respond to a victim’s “sociological” needs or the need to belong. This template will work best for any business association, veteran’s organization, club, society, or group fostering a community response to the incident. The third ICS template will respond to a victim’s “self esteem” or “self actualization” needs. This template will work best for school administrators, church leaders, or anyone promoting a career or hobby that might redefine the victims self worth. Together the three ICS templates will carry a victim through the recovery process. Our strategy is to first rebuild their economic base, than restore their identity by reconnecting them to a place where they belong, and finally we restore their self esteem and dignity by offering them hope and a sense of being back to normal with a bright and promising future.

After Katrina hit and levees failed, it became painfully obvious that those responding from the private sector where either not aware of or chose to ignore the “command and control” structure used by professional first responders. In 2006 we’ll offer RM presentations supported by our three ICS templates.

New Risks Identified during Katrina – Risk Concentration and Economic Disparages

Katrina identified new risks associated with large scale events and natural disasters. For example, we learned that as the population ages there will be more who’ll depend on assistance during evacuations, we learned of gangs who pre-planned looting and gang reprisals against law enforcement, we learned the impact social welfare programs have had on survival instincts, and how the economic disparages between two neighborhoods can cause economic ciaoos when the social order breaks down.

Katrina took us all to the woodshed for a hard-learned lesson in Risk Management. We could have predicted much of what occurred in New Orleans based on the RM research we did in Europe and South Korea (Refer to my white papers on managing risks

triggered by economic disparities between cultures and communities.) For example, the economic disparity between East and West Germany was 5 to 1 when the wall fell, it's 13 to 1 between North and South Korea. We all witnessed what happened to the economy of Western Europe when the wall suddenly fell and neighboring countries were faced with a mass migration of one economic culture into another. While neighborhoods in New Orleans are not separated by walls or wire, there appears to be significant economic disparities between the have and the have-nots living within blocks of the French Quarter. Economic disparities tend to equate to crime rates so in the future municipal leaders should be able to anticipate such crimes as lootings and shootings triggered by any breakdown in the social order.

RMLC Solutions:

RM workshops in 06 will reinforce RM fundamentals to include how to more effectively identify and more accurately measure risks created by the concentration of criminal activity in an adjoining neighborhood. We'll cover the impact of barriers suddenly disappearing between economic cultures. We'll re-write the steps evacuees should take to protect property they must leave behind and teach them how to create controllable crime scenes so looters can be identified and brought to justice. We'll also teach victims how to better document their losses, support their claims and work with insurance companies to reach a fair and honest settlement. We'll design and develop appropriate response protocols for the general public that compliment rather than duplicate the efforts of professional first responders. And, finally, we'll create a secure and safe path for victims to follow from disaster through recovery, back to normal, and on to a bright and promising future.

For more background on our Virtual - Incident Command Systems, study the V-ICS templates posted at RMLearningCenter.com.

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