



PREVENTING DISASTER AND MINIMIZING THEIR
CONSEQUENCES:
BUSINESS CONTINUITY PLANNING FOR PANDEMICS
FOR BUSINESS PREPAREDNESS

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Preventing Disaster and Minimizing their Consequences: Business Continuity Planning for
Pandemics for Business Preparedness
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TABLE OF CONTENTS

1	BUSINESS CONTINUITY PLANNING AND PANDEMIC PREPAREDNESS	2
1.1	PRE-EVENT PREPARATION AND MITIGATION	2
1.2	INSTITUTIONAL COST	3
1.3	RISK BASED PLANNING	3
1.4	APPROPRIATE USE OF A GAP ANALYSIS	4
1.5	DISCUSSION QUESTIONS	4

1 BUSINESS CONTINUITY PLANNING AND PANDEMIC PREPAREDNESS

1.1 PRE-EVENT PREPARATION AND MITIGATION

Business Continuity Planning (BCP) for pandemics requires different strategies for managing a business interruption. The high level BCP strategies, adopted by most firms, focus on continuing business operations with limited infrastructure in geographically dispersed locations. However, in pandemic planning, employees are the ones most affected, not the firms' locations and technologies.

From a regulatory standpoint, Basell II requires that all businesses "have in place contingency and business continuity plans to ensure their ability to operate on an ongoing basis and limit losses in the event of severe business disruptions." Banks are also required to "establish disaster recovery and business continuity plans that take into account different types of plausible scenarios to which the bank may be vulnerable, commensurate with the size and complexity of the bank's operations." ¹ The emergences of a pandemic outbreak, requires serious consideration by regulators and regulated financial institutions.

The World Health Organization (WHO) has identified six stages of pandemic preparedness planning¹. In terms of the Avian Flu, the world is approximately between stages 3 and 4. To prevent pandemic progression, health authorities impose quarantine restrictions on infected families. Anti-viral drugs and vaccines could potentially inhibit the spread of a pandemic outbreak. However, until an effective vaccine is developed, produced, and delivered, the most effective containment mechanism will be self-quarantine.

Those with BCP roles and responsibilities should take the following actions in preparation for a pandemic outbreak:

- Research and understand the disease and the potential means by which it could directly/indirectly impact operations, resources, reputations, and financial stability.
- Review, update and test current business continuity plans (consider interdependencies).
- Communicate with governments, international agencies and industry groups to aggregate relevant information.
- Identify protocols for identifying a suspected case of pandemic outbreak, and notifying the proper authorities.
- Identify triggers and procedures for activating business continuity plans.
- Assess additional risks that might affect the continuation of service (suppliers and vendors).

¹ Dr. Patrick Mc Connell, Banking and Avian Flu: Planning for a Possible Pandemic, 2006

- Review or develop employee health procedures to minimize the potential for transmission of infectious diseases.
- Communicate with employees to educate them about the disease and what health care precautions they need to take at home and in the workplace.
- Involve senior management in the planning and preparing for a pandemic outbreak.

1.2 INSTITUTIONAL COST

The impact of a pandemic is unpredictable; any business location could be affected, and multiple offices could be impacted simultaneously.

A pandemic outbreak can be classified as one of the four categories of operational risk defined in Basell II- external events. The Basell committee defines operational risk as “the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.”

Banks that use the Advanced Measurement Approach (AMA) for calculating operational risk capital are required to estimate their capital to a 99.9 percentile confidence interval¹. This approach is often referred to as a ‘1 in 1,000 year event.’ Relying on experienced business managers, risk management experts, and subject matter experts, banks are required to arrive at an estimate, based on scenario analysis.

Evaluation of institutional cost should focus on the four areas of operational risk. The objective is to identify key people, processes, and systems, and highlight where mitigating actions would be beneficial. Firms, private or public, should consider the costs to mitigate risks, versus the potential revenue costs.

1.3 RISK BASED PLANNING

Companies that would be most affected by a pandemic outbreak are large, geographically dispersed firms with critical operations centralized across businesses. These firms would be affected in multiple locations, concurrently.

Pandemic outbreaks are not typical business risks. Their unique characteristics include:

- International impact
- Rapid escalation and long duration
- Projected infection rate of 25% of the world’s population
- Stressed health care facilities, public health agencies, and associated work forces
- Macro impact on regional and global economies

Analysis of the potential impacts of a pandemic outbreak should ensure that appropriate measures are in place to protect staff and customers, and the firm is able to withstand an inevitable disruption.

1.4 APPROPRIATE USE OF A GAP ANALYSIS

To identify risks and plan appropriately for a pandemic, firms must consider the costs of implementing certain controls. Firms, whether public or private, must identify the maximum impact of a potential disruption, and how much time the firm could tolerate between the onset and recovery of a pandemic outbreak. Firms should consider the phases in pandemic planning when conducting a gap analysis, and the strategies required.

The five 'phases' in pandemic planning include¹:

- Pandemic Alert – governments are notified that a pandemic is possible and that preparedness plans should be reviewed and updated where necessary. Individual firms become increasingly aware of the threats and should consider the potential negative impacts of such an event.
- Pre-Pandemic – localized outbreaks of the disease occur with human-to-human transmission. Government (and firms) assign *specific* resources to address the heightened threat level and prepare contingency communications for the general public and staff.
- Pandemic Outbreak– general outbreaks of the disease with human-to-human transmission occur across borders. At this stage, governments (and firms) activate *pre-planned measures*, such as border and travel restrictions, to minimize the spread of the disease. Key emergency staff are provided with anti-viral drugs and any general vaccines that are available.
- Maximum Disruption Period – maximum disruption to business will occur.
- Prolonged Recovery– recovery from a pandemic will be slow and will impact various industrial sectors at different times. Individual firms will have to adapt to altered business conditions.

1.5 DISCUSSION QUESTIONS

- Item 1.5.1 What are the challenges associated with business continuity planning for pandemics?
- Item 1.5.2 What are the expected outcomes and deliverables of business continuity programs for a pandemic plan?
- Item 1.5.3 How should risk be assessed from a public and private sector perspective?
- Item 1.5.4 What risk tolerance level is acceptable in a pandemic plan?
- Item 1.5.5 How is leadership woven into BCP to accomplish pre-event preparation and mitigation?