

# ICF Podcast Series Navigating COVID-19 Aid—FAQs

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## Episode 6: [Risk Management](#)

### 1 How do you mitigate the risks associated with a pandemic?

A: Risk management is used primarily to describe the steps we can take to avoid loss or lessen the impact of a potential risk. As we sit here today amid a pandemic, we can all assess what we could have done differently and better. In assessing risk, you first need to assess what can happen. The “what” is a pandemic, but don’t fail to include in your assessment the fallout from a pandemic, such as loss of revenue, inability to retain employees, supply chain impacts, employment lawsuits, and much more. Once you’ve identified risks specific to your organization, you should determine the probability for occurrence. Keep in mind that pandemics are not new. If history is a good predictor of the future, more pandemics are likely, including a resurgence of COVID-19. We can no longer say that the probability is unlikely. As such, we need to examine the consequences of such a risk and begin the process of mitigating against those possible outcomes.

### 2 What metrics matter when evaluating the risk of a pandemic?

A: The challenge is in identifying weak/early signals of an evolving pandemic and determining how those elements may affect a company’s value chain. This type of “early warning” allows preparatory time to trigger continuity planning, ensuring organizations and their key partners are aligned on the implications of an emerging event.

It is critical that companies establish measures of risk mitigation to assess the efficacy efforts taken to reduce risk. Similarly, it is imperative that organizations define what it means to be resilient under extreme conditions—that is, what functions are critical to an organization. Further, as the crisis unfolds, companies must be able to monitor these resiliency metrics to determine impacts to capability, capacity, and performance.

Similarly, companies need to look at their counterparties to see how much stress they can sustain during a crisis so that they might evaluate contingent business interruption risks.

Finally, we need to understand what we are measuring and ensure the metrics used are relevant in driving decisions during a crisis. The evaluation of risk metrics should be completed well in advance of a crisis and tested under different assumption sets.

### 3 What can governments and businesses do to better plan for another pandemic?

A: Now that we are living through a pandemic, it may be easier to determine next steps. First, companies should develop a pandemic preparedness plan. In fact, some companies are now being required to provide their pandemic plan when bidding on jobs. The plan should clearly define essential roles, protocols for remote work, measures required of infected employees before they return to work, training that will be needed, and the emergency communication plan.

After you develop your plan, you may want to do the following:

#### Review your sustainability

Does your business have enough capital to sustain itself during an extended shutdown? For how long? Would it be feasible to consider remote work as a permanent solution to lower costs? Are there other business solutions that could decrease expenditures? Some industries may be able to capitalize on this moment as the pandemic opens the door for new business opportunities. Each business will need to determine what makes the most sense to remain viable.

#### Document any unplanned expenditures

What unplanned expenditures will your business accrue due to the pandemic? In the event of a federally declared disaster, the federal government will provide funding for eligible expenses for Federal Emergency Management Agency (FEMA)—eligible applicants impacted by the event. To take advantage of this funding, you will need to document your unplanned expenditures and hold on to all invoices and receipts for payment. Once a disaster is declared, the federal government will release details on what types of costs may be considered for reimbursement.

#### Assess technological systems

Does your business have the appropriate technology to continue operations during an extended shutdown? Do your employees have laptops, access to the internet with adequate bandwidth, and appropriate protection from computer viruses? Consider investing in software to allow for collaborative meetings and remote file access.

#### Examine contracts

Does your business have contracts that include a force majeure clause? A force majeure clause is a contractual provision that temporarily or permanently suspends contractual obligations when completion of work is not feasible due to circumstances beyond your control. This clause typically contains language that specifies which type of events are considered “unforeseeable,” so it must specifically list pandemics in order to apply. The contract should not be enforceable if it contains a force majeure clause and work is not possible due to COVID-19. Some states—such as New York, Florida, California, Texas, and Illinois—mandate the inclusion of force majeure language in contracts. It is likely that other states will now join in this requirement.

#### Consult with a risk advisor

Buying insurance is one of the most important risk management steps that businesses can take to mitigate loss, so it is critical to consult with a risk advisor.

#### **4 The COVID-19 crisis has exceeded the resiliency capabilities of most organizations. As the crisis continues to unfold, how can organizations evaluate risk under conditions of deep uncertainty?**

A: Organizations often view risk through lenses of severity and frequency, but they should also think about the velocity of the risk. How fast will a given event affect an organization? Until organizations can establish these measures and understand the implications, it is difficult to plan and react under conditions of deep uncertainty.

Fundamentally, the question centers on the determination of the amount of stress an organization can withstand over what period of time and in what parts of the business. Too many risk committees discounted the potential likelihood of a pandemic (and other gray/black swans). The severity of such extreme events is not well understood and rarely measured in a meaningful way, and the speed at which a crisis can impact an organization is almost never measured. This leaves organizations struggling when events exceed their capabilities to understand, measure, or manage the crisis.

Closely related to this, organizations need to also consider their related supply chains and stress-test vital connections in those chains.

#### **5 How does insurance coverage fit into the risk management in the context of a pandemic?**

A: Insurance is one primary way you can mitigate against loss. However, it is important to know what coverage you have and whether or not it will respond to a pandemic.

Group health insurance is a sometimes-forgotten piece in terms of risk mitigation. It is important to protect the health and well-beings of those on your group health plan. Talk with a risk advisor to establish basic protocols that should be considered when a disaster strikes. Consider things such as the following:

- Lifting out-of-network restrictions for members who have only in-network coverage
- Lifting daily limits for prescription refills
- Lifting co-pay requirements for maintenance medication
- Extending premium payment and/or filing of claim deadlines
- Extending call hours for added support
- Adding (free) counseling for a limited time for members
- Assessing your ability to manage call operations from remote locations

While most businesses have commercial property policies, most of the traditional policies do not cover pandemics and include standard exclusionary language for loss due to virus or bacteria. This exclusion means that the insurance company will not pay for “loss or damage caused by or resulting from any virus, bacterium, or other microorganism that induces or is capable of inducing physical distress, illness, or disease.” The Insurance Services Office responded in February 2020 with two new forms for Business Interruption Losses and Civil Authority Orders, both specifically related to COVID-19. Both forms grant limited coverage for COVID-19 when there is no direct physical damage to covered property. However, it is unlikely that any insurance company will be willing to endorse a current policy with an ongoing pandemic.

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Questions? Please contact:

**Marko Bourne**

[Marko.Bourne@icf.com](mailto:Marko.Bourne@icf.com)

+1.717.818.5833

**Susan West**

[Susan.West@icf.com](mailto:Susan.West@icf.com)

+1.225.325.5108

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For more information and insights on COVID-19, visit:

<https://www.icf.com/insights/covid-19>

We cannot emphasize enough the importance of reviewing your insurance policy to determine the coverage that may or may not be provided under a pandemic.

**6 If the models showing a second wave are correct, how can and should risk leaders evaluate future risk?**

A: We do need to think forward and create risk forecasts about the impact of a second wave, in whatever form that may be. It is incumbent on us to evaluate these forecasts in terms of an organization's entire value chain—from its workforce impacts to its customers.

This approach goes beyond “war gaming” and incorporates modeling and analytics to drive decision making about an uncertain future.

**7 How do you think risk management and how we think about risk management will change moving forward?**

A: There's no better time than now to prepare for another potential wave of COVID-19 or another pandemic.

The concern that a natural disaster will occur during an ongoing pandemic is real and creates a new set of risks to consider, such as sheltering and evacuating large numbers of families and individuals. We must continue to mitigate risks and become better prepared for the next event.