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Contingency Planning

by Joseph J. Launie, Ph.D., CPCU, FACFE

Ex Ante

Few, if any, disasters present as poignant and heartrending a story as the account of the events of the evening of October 8, 1871, in the pretty farming village of Peshtigo, Wisconsin. That fall had been unusually dry in the Upper Midwest. Fires had been burning in the distant forests for some time. On that fateful night the townspeople of Peshtigo had no idea they were in the path of a million-and-a-half-acre forest fire which was bearing down on them.

The following account is excerpted from the *Marinette and Peshtigo Eagle Extra* of October 11, 1871;

"Yesterday morning in company with several gentlemen from Marinette, Wis. and Menominee, Mich., we visited the site of what was once the beautiful and thriving little village of Peshtigo. It contained about 1500 people, and was one of the busiest, liveliest and one of the most enterprising communities along the Bay shore.

"From the survivors, we glean the following in reference to the scene at the village and in the farming region commonly known as the 'Sugar Bush.' Sunday evening, after church, for about half an hour a death like stillness hung over the doomed town. The smoke from the fires in the region around, was so thick as to be stifling and hung like a funeral pall over everything and all was enveloped in Egyptian darkness. Soon, light puffs of air were felt, the horizon at the south east, south and south west began to be faintly illuminated, a perceptible trembling of the earth was felt, and a distant roar broke the awful silence. People began to fear that some awful calamity was impending, but as

yet, no one even dreamed of the danger.

"The illumination soon became intensified into a fierce lurid glare, the roar deepened into a howl, as if all the demons from the infernal pit had been let loose, when the advance gusts of wind from the main body of the tornado struck. Chimneys were blown down, houses were unroofed, the roof of the Wooden Ware Factory was lifted, a large ware house filled with tubs, pails [kanakans?], keelers and fish kits was

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nearly demolished, and amid the confusion terror and terrible apprehension of the moment, the fiery [sic] element in tremendous unrolling billows and masses of sheeted flame, enveloped the [doomed?] village." *Deana C. Hipke. The Great Peshtigo Fire of 1871.*

The "tornado" was the firestorm, a wind that great fires create. The village of Peshtigo was totally destroyed. At least 800 people perished there that night. The total death toll from that forest fire in Wisconsin and the Upper Peninsula of Michigan has been estimated at between 1,200 and 2,400.

The people of the village of Peshtigo on the night of October 8, 1871, failed to realize the meaning of that faint illumination on the horizon. At that point it was probably too late for evacuation. They had

no way of knowing that safety could be found in Peshtigo Harbor, a short distance to the east on the shores of Green Bay.

As risk managers at all levels, how often do we recognize the faint illumination on the horizon for what it is - a portend of pending disaster? During the Korean War I volunteered to spend three years as a counterintelligence agent. I mention this only because serving in military intelligence was good training for risk management and underwriting. There are those who chortle that military intelligence is an oxymoron, not realizing they are only certifying their own ignorance. Intelligence is another word for information, and the military has lots of it.

All intelligence agents soon become aware that their problem is seldom too little information. Rather, the problem is too much information, which must be sifted and sorted.

Risk managers have the same problem. The trick is to discern in advance which types of disasters are likely to occur out of the universe of things that could possibly happen.

Catastrophe prevention on the basis of preplanning is an impossible task at both the military-intelligence and risk-management levels. Vulnerabilities can be reduced but not eliminated. Catastrophes can be separated into those stemming from hostile action and others stemming from natural causes such as windstorm, floods and earthquakes. From an ex poste perspective, the distinction is not a useful one. A catastrophe, regardless of its origin, must be dealt with.

The bits of information that were an early glow in the sky are easy to discern ex poste, but ex ante they are too often lost in the fog of the sheer volume of information. After the fact it is easy to say that the plot

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to blow up the Eiffel Tower with an airplane was an early warning of the attack on the World Trade Center, but when viewed in light of its being just one of many millions of data bits, the true elusiveness of this connection becomes apparent.

Similarly, the levees around New Orleans prior to the arrival of Katrina were perhaps below an acceptable level of safety. Why was this not apparent before the storm arrived? The answer is actually quite depressing. All over the country we have levees, dams and other elements of our vast public-works infrastructure that are dangerously inadequate. One could find levees in the California Delta at this minute that are little if at all better than those in pre-Katrina New Orleans.

Catastrophes of human origin are no easier to discern in advance. Many college students are mentally and emotionally unstable. Often these same students either own guns or can easily obtain them. Ex ante, it is simply impossible to predict which, if any, of them will go off the deep end and start spraying bullets around the campus.

Therefore, despite the best efforts of intelligence, law-enforcement and risk-management personnel to prevent or mitigate their occurrence, catastrophes are going to occur in the future. Since we cannot prevent or even predict their occurrence, the emphasis in catastrophe planning should be on coping with the aftermath.

Occasionally, disasters occur despite repeated early warnings. The notes from my 1960 Fireman's Fund Insurance Company Home Office Inland Marine School contain the following question on the Bridge Insurance Policy application; "Do gasoline tankers drive over your bridge?" Therefore insurance underwriters, and presumably others, have been aware for at least 47 years that gasoline tank trucks and bridges are a dangerous mix.

Recently a gasoline tank truck driver lost control of his vehicle, which overturned and burned on a freeway interchange complex near San Francisco. The resulting fire was so hot that part of an interchange melted and poured itself onto the interchange roadway below like

pancake batter. The losses to the state and others from this accident were huge. Investigation showed that the tank truck and its driver had 23 prior citations.

How many clues were needed before the State of California took this rolling firebomb off the roads? Clearly more than 23. There may be no upper limit if no one is minding the store.

Ex Poste

Contingency Planning

Contingency planning consists of constructing scenarios depicting possible future disasters and developing plans to deal with them. The key elements of contingency plans are communication, coordination and practice.

Lines of communication must first be established with your first responders, the people who are going to implement your plan. Next in importance is communication with the rest of your employees to keep them informed and try to keep them safe. Your contingency plan should consider the likelihood of the interruption of normal communication systems and should establish a back-up system that will work. Contingency plans are not cheap.

Knowledge is the antidote to panic in crisis situations. It is absolutely essential that your first responders not only know the plan but believe in it. If they are calm, they can help reduce the panic in others.

Coordination can be as simple as calling the fire department and as complex as calling on the U.S. Navy for a sea lift. One of the principal elements of your contingency plan is to determine what organizations outside of your firm or governmental unit must be contacted. It is important to establish not only the wish list of resources you hope to get from outside agencies, but also the names and phone numbers, including cell phones, of those executives in the other agencies who have the authority to get you what you want.

Practice is vital for a contingency plan to work. A contingency plan is not a series of pretty PowerPoint slides. It must be a viable working plan of action. If you are risk manager for a county, for example, and

think that your scenario will require you to get National Guard forces from the state, then you need to know who to call to do that. You do not want to find yourself knee deep in alligators, calling the switchboard at the state capitol and asking for the governor.

If your contingency plan reveals that you will depend heavily on some outside agency for vital resources, then someone in your risk-management department should make it his or her job to become acquainted with the person at the other agency who can get you those resources. Someone on the risk-management staff should make the acquaintance of all the resource controllers from the other agencies. You should take them to lunch and get to know them. The reality is that you do not call the state government; that is a mythical entity. You call a person at the state government.

Newspaper accounts of the aftermath of Katrina in New Orleans indicated that there were serious breakdowns in both communication and coordination, perhaps exacerbated by lack of practice. Despite our great advances in technology, some people in New Orleans, as Katrina was hitting, were no better informed about what was going on than the doomed citizens of Peshtigo.

First Interstate Bank

A number of years ago, First Interstate Bank's risk manager, Al Howard, had a difficult task convincing management to spend around one million dollars on a contingency plan for the bank. The plan was designed to keep the bank operating in the event of a major disaster.

The plan was severely tested one evening around 9 pm when the twelfth through sixteenth floors of the bank's high-rise headquarters were involved in a major fire. The bank's trading room, the nerve center of its financial operations, was totally destroyed. The contingency plan was immediately put into operation. Within the hour a back-up trading room was open and staffed at another location. All over the city, financial executives took previously

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packed briefcases from their closets and boarded red-eye flights for New York, London, Zurich and other major financial centers. The next day, the bank's trading operations functioned virtually as usual. All of the first responders from the bank knew exactly what they had to do because they had practiced.

The risk-management department avoided what would have been a loss of tens of millions of dollars.

Avalon — Another Peshtigo?

The winter of 2006-2007 was unusually dry on Catalina Island. The island received less than 2 inches of rain. Therefore when a brush fire broke out in the back country on the island, it grew from 2 acres to 80 acres in 5 minutes. Soon an inferno of flame was roaring down on the town of Avalon, fed by 20-mile-an-hour winds. The island's fire department of four engines and 10 men, some of whom were volunteers, was quickly over-run. They ran for their lives under a canopy of flames. It seemed certain that a major disaster was about to take place. The flames had reached the edge of the city, which included a large number of frame structures.

Although it is 26 miles off the mainland, Catalina Island is part of Los Angeles County. Los Angeles County Fire Battalion Chief Dan Ertel, based at the department's command center, activated the "Catalina Plan." A dozen dispatchers and logistics experts gathered in the "war room," where they mapped the battle on computer screens and white boards.

A squadron of nine water-dropping helicopters and five fixed-wing aircraft attacked the leading edge of the fire at the edge of the town of Avalon. An armada of public and private vessels evacuated 3,200 residents and visitors from Avalon. On the return trip, Coast Guard cutters, county fire vessels and the private Catalina Express ferry service brought firefighters from the mainland. A total of more than 770 firefighters eventually landed on the island.

A convoy of 35 fire engines raced down the freeway from Los Angeles to Camp Pendleton, where the U.S. Navy awaited them with a fleet of six hovercraft.

The hovercraft made the 50-mile passage from Camp Pendleton to Avalon in one hour. They went back and forth all night, bringing in 46 fire engines, bulldozers and water tankers to join the battle against the blaze.

The battle for Avalon was won by this carefully planned response. Only one dwelling and six commercial structures were lost to the flames. The fire burned 4,200 acres. There was no loss of life. The "Catalina Plan" worked.

California State University, Northridge

One of the fallacies of contingency planning is that you can simply sit back and let FEMA and the federal government take over. Actually there is no substitute for knowledgeable local resources that understand the terrain, the damage and the needs of the survivors. What is vital is local boots on the ground.

California State University, Northridge, a 1-mile-by-2-mile campus with 30,000 students, was located at the epicenter of the 1994 Northridge earthquake. Fully 80 percent of the campus buildings were heavily damaged or destroyed. The safety of the remaining buildings was questionable. The campus was in ruins, more heavily damaged than any other major university in the history of the country.

Fortunately for the university, the boots were on the ground at 8 am the morning after the quake. University President Blenda Wilson was wearing boots and a hard hat. That was to be her uniform for months. She immediately issued sweeping orders. The entire university staff and faculty were placed on administrative leave, securing their paychecks and easing one of their anxieties. Second, no one was to use any of the buildings until they were approved for occupancy by FEMA. This took months and, in some cases, years.

Third, the quake had occurred during semester break. The spring semester would start one week late, which would be made up by having classes during spring break. At that point the campus calendar, which is vital to a university, would be back on track. Wilson had three weeks to get a 30,000-student university back in operation

with no buildings. She began by commandeering every office trailer General Electric Capital had west of the Mississippi. Next she convinced a firm to stop other production to make 14,000 folding chairs and many thousands of folding tables.

Wilson held a meeting at 8 am every day in the tent which was to be her administration building for many months. The meeting included representatives from all the trades involved in the reconstruction: computer experts, telephone technicians, contractors, carpenters and electricians. A computer expert who attended those meetings recently mused, "The meetings started on time, everyone was there and no one was late. The meetings were businesslike, brisk and short. Everyone knew what they were to do that day. There would be another meeting to deal with tomorrow."

As a professor, I taught a graduate seminar in finance on campus starting at 7 pm. When I arrived on campus that first night, the classroom trailers miraculously were all there. It was winter, and there was no heat, so the students, prewarned, wore ski clothes. The restroom trailers were a couple of weeks away from delivery so construction toilets dotted the landscape, much to the dismay of the female students. The drone of gasoline generators and light posts made of 2 by 4s gave the scene the air of a carnival.

The morale of the students and faculty was outstanding, which was a vital and essential part of the recovery. Signs quickly appeared on campus; "Not just back but better." Within a week there were ramps for wheelchairs on the classroom trailers so that Northridge, a pioneer in total handicap access, could continue its tradition.

Food trailers appeared like magic around the campus. The classroom trailers and a collapsed parking structure had eliminated 9,600 parking spaces, so free bus service was instituted to far-distant parking lots. As a business professor, I discovered that I did not need a building or a blackboard or even a computer to teach at the university level. I could lecture on a warm summer day under a tree with students sitting on the grass, and

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occasionally I did just that. We learned that a university is not made up of its buildings, grand as they may be, but of its faculty, staff and students. It is not the structures: it is the people who matter.

One of my most vivid memories of that first semester was a professor standing under the shade of a tree in the afternoon next to a single folding chair, holding up a hand-lettered sign on a stick that read, "Graduate Office."

Conclusion

The story of California State University, Northridge's rise from the rubble of the earthquake shows that contingency plans can work if everyone focuses on the present and the future and ignores the piles of debris of the past, which gradually ebb away. Part of the success at Northridge came from the implementation of contingency plans, but much of it came from immediate, decisive decision-making on the spot. Catastrophes cannot be dealt with in endless committee meetings.

Contingency plans are labor intensive and expensive. Whether dealing with a business firm or a governmental agency such as a county or a university, contingency plans can save money, but more important, they can save lives. A risk manager for a university faced with the blood-chilling horror of a deranged shooter loose on campus is virtually helpless without a carefully rehearsed contingency plan. For example, panic could ensue if the campus police officer's radios blared out, "Shooter on campus." It would be far better for the dispatcher to say, "We have a code three," with each officer knowing exactly what to do in this situation. The officer's confidence would further be improved if there had been a previous walk-through of the plan to deal with "code three." 

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