ARE YOU MANAGING YOUR OPERATIONAL RISKS?

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“Helping You Protect Your World”
Unitel Insurance Group has been providing risk solutions for the independent telecommunications industry for more than 25 years. Our highly trained and dedicated staff does this exclusively for more than 650 telecommunications companies throughout the USA. We are experts in this business and we are very good at what we do!
“Millie”
“Maggie”
What exactly are “Operational Risks”? And by extension – What is Operational Risk Management?
Operational Risks Can Include:

- Employee Challenges
- Legal Problems
- Public Perception of Your Company
- Natural Disasters
- Loss of Key System Components
- Terrorism, Criminal Activity, Sabotage, Cyber Attack
Employee Challenges

• Discrimination (Federal Title Seven)
• Wrongful Discharge (#1 loss driver)
• Sexual Harassment (#2 loss driver)
• Workplace Violence (Internal/External)
• Negligent Entrustment
NEGLIGENT ENTRUSTMENT

“A THEORY OF LEGAL RECOVERY UNDER WHICH PLAINTIFF ALLEGES DEFENDANT WAS NEGLIGENT IN ENTRUSTING A DANGEROUS INSTRUMENTALITY TO ONE INCOMPETENT TO USE IT SAFELY, WHEN HE KNEW OR SHOULD HAVE KNOWN THAT THE INCOMPETENT WOULD INJURE A THIRD PARTY.”
Legal Problems

Administrative or punitive fines -- OSHA, FCC, ADA, PUC, etc.
Civil Penalties
Criminal penalties
Sanctions
Internal Revenue Service
Public Perception of Your Company
(Loss of Good Will)

• Reduced Revenue
• Loss of Credibility/Stature
• Less Influence on Others
Natural Disasters

- Tornado
Natural Disasters

Flood
Natural Disasters

Fire and Wildfire
Natural Disasters
Heavy Snow Loads
Natural Disasters

Lightning/Hail
Loss of Key System Components

- Main Business Office
- Hub Tower
- Host CO
- Billing/Accounting Operations
- Transmission sub-station
- EDP Equipment
Terrorism, Sabotage
Targets People, Information Systems, Transportation
Goal is to Create Panic and Disruption of Operations

How will they do this?

Facility Security-Theft of Services

Cyber Attack – Computer Virus or Loss of Service attack
(Maybe launch a cyber attack from one of your remote C.O.’s?)

Privacy, Fraud & Identity Theft Issues – compromise of database records
Computer security-External (hackers); internal (disgruntled employee)

Threats against employees or their families
NEW ECONOMY, NEW EXPOSURES

• Business shift:
  • “Bricks and Mortar” to “Clicks and Orders”
  • Online business is bigger than ever

• Public Web presence for all to access

• Explosive growth in the 21st century
  • One billion websites and growing!
NEW EXPOSURES

• Net expansion outruns General Liability (GL) coverage
  • Existing policies do not account for Web-based liabilities
• Data theft is commonplace
• Increasing intellectual property liability claims
NEW EXPOSURES

- Employee misuse of websites, emails and other electronic communications that involve:
  - Harassment of other employees or outside individuals
  - Accidental or purposeful slander or copyright infringement
  - Use of pirated or unstable software
  - Misuse of company data
ECONOMIC EXPOSURES

• Trademarks
• Copyright implications
• Intellectual property rights
• Defamation
• Security
• Systems failures
Social Media Exposure

- Misuse of social media can open a company up to a variety of risks
- Keep track of what’s being said about your company online, through social networks and blogs
So, Now You’ve Had a Significant Loss!

What are you going to Do?
Do You Have a Plan?
Whatever can go wrong, will go wrong – and it will do so at the worst possible time.”
(Murphy’s Law)

O’Brian’s Corollary – Murphy Was an Optimist!

That’s why you have to plan!
How Many of You Have a Disaster Recovery Plan?
Business Continuity Plan?
Failure to Plan is Planning to Fail

Our Disaster Recovery Plan Goes Something Like This...
Better Yet!

Do You Practice

Operational Risk Management?
Operational Risk Management is a continuously repeated process which includes risk assessment, risk decision making and implementation of controls that result in risk acceptance, mitigation and avoidance.
Principles of ORM

• Accept Risk When Benefits Outweigh The Cost

• Accept No Unnecessary Risk

• Anticipate and Manage Risk by Planning

• Make Risk Decisions at the Right Level
ORM is not a stand alone activity

- Responsibility of all Management Members
- ORM is Vital to Strategic Planning, Project Development and Change Management
- Cross Functional and Dynamic Process
- Helps Prioritize Best Course of Action
- Facilitates Reducing Operational and Compliance Costs
- Helps Reduce Future Exposure to Risk
Typical Utility/Telecom Company Policies, Procedures & Practices

• Personnel Management (Hiring/Firing, etc.)
• Worker Safety (Towers, Construction, Office, etc.)
• Cyber Security (Internet Ops, CPNI, Servers, etc.)
• Fleet Vehicle Use & Management Policy
Typical Utility/Telecom Company Policies, Procedures & Practices (2)

• Property Protection/Access Control Procedure
• Disaster Recovery/Business Continuity Plan
• Contracts and Contractor Use Policy
• Accounting/Money Handling Procedures
If You Want To Do ORM Right –

• Senior Management Buy-in & Support Needed
• Understand How Your Business Operates
• Conduct an Operational Risk Assessment
• Decide How to Deal With Identified Risks (Accept, Mitigate, Avoid)
• Insurance Can be Used to Accept and/or Mitigate
In Summary
A successful business should regularly assess its risks no matter how well the company is doing. In fact, the best time to take a closer look is when things are going well. Don’t wait until operations are struggling.

Schedule and conduct regular risk assessments
To keep your business running at its best!
THANKS! AND GIVE ME A CALL IF YOU WANT HELP WITH YOUR RISK MANAGEMENT CHALLENGES!

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