

# **On the New Voluntary Corporate Preparedness Accreditation and Certification Program**

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# Overview

- A new business preparedness certification program
- A chance to link preparedness actions to business incentives
- One means of promoting resilience in the business community

# The Legislation

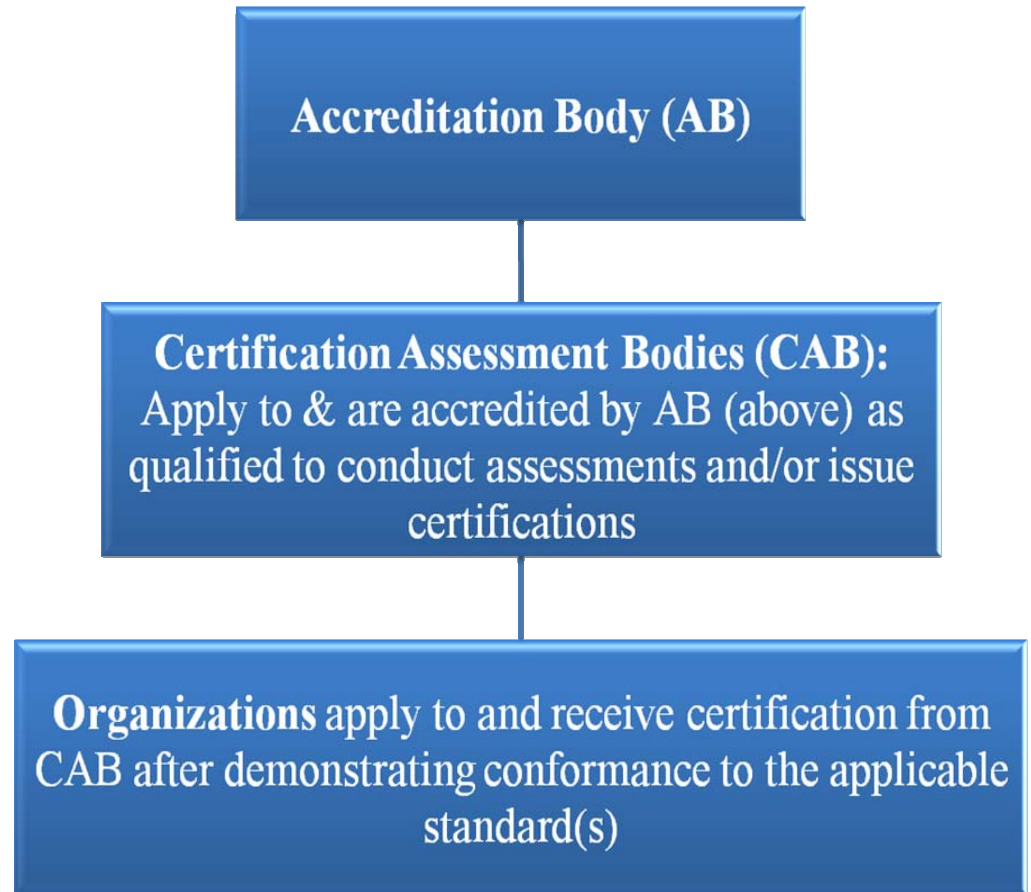
- **“Implementing Recommendations of the 9/11 Commission Act of 2007”** also referred to as H.R. 1 and Public Law 110-53. Title IX of the Act addresses private sector preparedness and the certification program
  - Goal: to provide a voluntary method to independently certify the emergency preparedness of private sector organizations including their disaster/emergency management and business continuity programs.
  - Key stakeholders are invited to participate in the development of the program.
  - Administered outside of government by third party organizations
  - One or more preparedness standards can be designated
  - Existing industry efforts, certifications and reporting recognized and integrated
  - Special consideration made for small businesses.
  - Proprietary and confidential information is to be protected

# Current Situation

- DHS's responsibilities
  - To designate one or more organizations to act as the accrediting body to develop and oversee the certification process, and to accredit qualified third parties to carry out the certification program.
  - To designate one or more standards for assessing private sector preparedness.
  - To provide information and promote the business case for voluntary compliance with preparedness standards
  - To monitor the effectiveness program on an ongoing basis
- Legislated timeline: w/in 210 days of signature, an operational program (i.e., 02/08)
- Upcoming activities
  - Active discussions in various industry forums
  - Alfred P. Sloan Foundation National Stakeholder's Forum, Dec 10-11, 2007

# Voluntary Accreditation & Certification Programs

- Background Information and Historical Cases
  - E.g., ISO 9000 - 9001, ISO 14000 - 14001
  - ANSI is the sole recognized standards body in the US



# Considerations and Strategies

*as identified via InterCEP Webinar Series, September – October , 2007*

- **Learning from Existing Voluntary Certification Programs in Quality and Environmental Management**
  - Voluntary certification programs can be accommodated by corporations and used to their benefit.
  - Elements of existing management systems structures that would facilitate conformance with a preparedness certification program
- **Integrating Voluntary Preparedness Certification with other Business Reporting Requirements: Issues and Opportunities**
  - Many firms have extensive experience with standards related to OSHA, workplace violence, sustainability, fair trade, etc.
  - Based on this experience, it should be fairly easy for firms to develop similar auditing processes to support a preparedness standard.
  - The real residual benefits of standards compliance emerge only once safety or quality or whatever becomes a part of the organizational culture.
  - Potential benefits of compliance with other standards include increased employee satisfaction and retention, increased productivity, brand differentiation, etc.

# Considerations and Strategies

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- **The Rating Agency Perspective on Assessing Business Preparedness**
  - Historically, rating agency focus with respect to risk management has been concentrated in the financial services and utility sectors
  - The potential expansion of rating agency focus to include greater emphasis on enterprise risk management
- **Supply Chain Management and Assessing Supplier Resilience**
  - Certification is valuable downstream in assessing suppliers
  - Companies will be able to show a single certification to customers upstream that validates preparedness as opposed to having to provide detailed documentation and interface with multiple customers.

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- **Incorporating Insurance Company Input into the New Certification Program**
  - Insurers are highly motivated today to take whatever information is available (including standards certifications as well as other data) that is indicative of risk and to translate that into price incentives.
  - The notion of preparedness standards and how they fit into underwriting guidelines needs to be further explored.
  - There is concern about the lack of definition and the difficulty of quantifying insurance credits for certification.
  - Carriers still need data in terms of best practices and things that work
  
- **Potential TRIA Considerations and the New Voluntary Preparedness Certification Program**
  - Because of TRIA, commercial property and casualty policies are currently priced artificially low
  - Whatever may become of TRIA and other government backstop programs, terrorist-related insurance policies need to be accurately priced to reflect risk in order for market-based incentives to evolve
  - Only once the market has adjusted to accurate levels of risk could underwriters begin to evaluate specific credits based on certified conformance to a standard.

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- **Can Corporate Governance & Social Responsibility Initiatives be Advanced through a Voluntary Certification Program?**
  - Preparedness is congruent with good corporate governance and CSR
  - CSR and corporate governance personnel are typically in different silos than the corporate security and continuity personnel
- **Minimizing Legal Liability Through a Preparedness Certification Program**
  - Negligence tort and other legal liability can be a major exposure for companies of all sizes in the aftermath of an emergency
  - The value of a preparedness certification in a tort case is that it could help demonstrate fulfillment of duty of care
  - Reduction of liability may help companies reach the threshold of benefits to motivate adopting certification

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- **Incorporating the Perspective of Key Vertical Industries into the New Preparedness Certification Program: The Financial Services Sector as a Case in Point**
  - The financial services sector has a long history in preparedness activities, with many robust programs in place
  - Certification program leaders should look at a “maturity model” approach that would encourage businesses to engage in a process of continual improvement
- **Special Considerations for Small & Medium Sized Business in the New Preparedness Certification Program**
  - It will be important that separate certification processes will be established for SMEs.
  - Trade associations may be able to play a role in assisting SME’s in developing a preparedness program and obtaining certification through preparation of a generic preparedness template, training, sharing of audit costs, etc.
  - Large organizations may play a role for SME’s as a mentor to assist them through the process.

# The Business Case for Preparedness

- **From an all-hazards perspective that addresses everything from terrorist attacks to natural disaster to pandemic flu to global warming preparedness can help...**
  - Assuring corporate survival
  - Expanding the customer base and increasing customer retention
  - Decreasing operational expenses
  - Lowering cost of capital
  - Protecting key assets
  - Strengthening reputation and brand
  - Reducing liabilities
  - Facilitating regulatory and governance compliance
  - Increasing productivity and innovation
  - Increasing agility in identifying and pursuing new opportunities
- **Preparedness certification would additionally provide a point of competitive differentiation**

# InterCEP's Assessment

- **An Opportunity to Link the 'What' and the 'Why' of Preparedness by**
  - Confirming business preparedness on an operational basis, and
  - Facilitating bottom-line benefits and incentives to the business community
- **The Moral of the Story**
  - 3<sup>rd</sup>-party certification of corporate preparedness provides one means of preventing a tragedy of the commons

# Questions and Comments

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**Thank You**

