



Business Survival Strategies

Managing Through the Economic Downturn

The drumbeat of negative headlines continues daily: manufacturers failing to make payroll, construction firms halting projects, pharmaceutical companies slashing R&D budgets, retailers scrambling for trade credit and customers, and the U.S. auto industry in distress.

Corporate bankruptcies have risen 50 percent since 2007 and even companies that are not insolvent are restructuring by cutting costs, laying off workers, closing plants, and delaying capital investments.

Under these conditions, crisis preparedness is not an option—it is an imperative—and is at the heart of good corporate governance. The actions that companies take in the next weeks and months will not only help them survive 2009, but will help them emerge stronger.

If you are evaluating or already implementing a strategy for restructuring or closure, Marsh Risk Consulting (MRC) offers a comprehensive approach to help navigate the risks associated with restructuring or closing operations.

The combined resources of MRC's Reputational Risk & Crisis Management, Workforce Strategies, Property Risk Consulting, and Environmental & Health/Safety Practices provide clients with the knowledge and expertise to more effectively identify risks, mitigate exposures, and manage their businesses in this challenging economic period.

Reputational Risk & Crisis Management

A crisis is a defining moment for a company. The way a company manages an adverse event—like a downsizing—can either severely threaten or greatly enhance its brands, operations, finances, investor confidence, customer loyalty, employee morale, and community standing...in short, its reputation.

Real-time Crisis Consulting

Our senior consultants, with extensive experience in crisis management, provide 24/7 guidance and hands-on assistance to senior leaders and Boards to help manage and mitigate potential damage, instill stakeholder confidence, and protect the company and its brands when faced with corporate restructuring-related crises. During such reputation-defining moments, Marsh can help you:

- Provide an actionable analysis of the potential threats to all stakeholder groups.
- Create a crisis management strategy.
- Determine and implement appropriate preventative measures.
- Define the decision-making framework, manage the event, and orchestrate the company's crisis response.

- Assure that existing incident and site-level response plans are properly aligned, including business continuity, emergency response, human impact, and communications.
- Identify and neutralize emerging issues and risks that could escalate the crisis.
- Augment a company's existing communications team with senior crisis communications professionals working on-site.
- Transition the company back to normal.

We combine expertise in crisis management, law, finance, media, communications, reputation management, and public policy to offer clients deep experience in a broad range of issues—from civil litigation to bankruptcy and restructuring, from natural disasters to labor unrest and downsizing. Our team has successfully supported companies during some of the most severe, high-profile events in every region of the world.

In addition, we are approved by most major insurers to provide real-time crisis management services to their policyholders, so a portion of our fees is often paid under our client's insurance.

Crisis Management

Companies not facing an immediate restructuring-related crisis still need to be prepared as they develop

their short and long-term business strategies. A new or updated crisis management program can help you manage and recover faster from issues threatening your people, brand, valuation, customers, finances, or operations. Our systematic approach is designed to help you manage crises arising from traditional risks like labor unrest to threats such as shareholder activism. Marsh can help you:

- Benchmark crisis preparedness—including existing plans and procedures—against best practices and industry standards.
- Develop a crisis management plan that enables management to respond to any issue or event and effectively prevent or mitigate a crisis.
- Align and integrate existing incident response plans to effectively manage a crisis (legal, human impact, finance, business continuity, emergency response, etc.).
- Train and exercise crisis management teams to validate plans and procedures.

Workforce Strategies

In the global marketplace, the quality of a firm's workforce can mean the difference between success and failure. Yet, managing the risks associated with human capital can present challenges for which your firm may not be prepared.

Maintaining a productive workforce involves prioritizing and managing key initiatives that may be unpopular in some quarters but economically necessary, such as shutting down a plant. These strategic choices can lead to new challenges; there are complex human resource and workers' compensation issues that must be carefully managed to avoid unexpected consequences and costs.

Most significantly, pending workers' compensation claims need to be closed and emerging claims managed carefully. Not addressing residual plant closing costs can result in the filing of excessive workers' compensation claims and unanticipated expenditures at a time when a company's success or failure hangs in the balance.

With careful planning, a multi-disciplined management team can reduce the number of claims generated and help the company manage workers' compensation and litigation costs during the plant closing process.

MRC's Workforce Strategies Practice consultants begin by meeting with senior executives, plant personnel, brokerage team members, third-party administrators, and loss control specialists. With input from these key stakeholders, our Workforce Strategies team will then develop an action plan and support implementation of efforts to:

Human Capital

- Inform employees of the pending closure, provide information on placement programs and resources.

- Provide job search assistance, perhaps scheduling a job fair with local companies.
- Help employees file for unemployment, if necessary.
- Develop/inform employees of severance packages.

Loss Control

- Document the work environment, including plant processes, conditions, and exposures, and possibly video different workstations.
- Perform appropriate medical tests, such as hearing and physical capabilities.
- Complete an extensive industrial hygiene study.
- Inventory all chemicals used in the plant.
- Gather OSHA inspection and incident reports.

Claims Consulting

- Compile all employee and medical records, as well as payroll and personnel files.
- Update job descriptions, document task requirements.
- Conduct exit reviews and evaluations of staff and claimant history.
- Assess return-to-work, transitional duty, and light duty programs for employees currently in such programs.
- Arrange for record storage, ensuring materials are easily accessible.
- Develop a claims workout and closure strategy, conduct a detailed review of all pending claims, and work closely with third-party administrators and insurers on claim closure strategies.

Physical Security

- Review building security procedures; determine if extra vigilance is required.
- Make arrangements to secure the property once the plant is closed.

The goal is to develop a downsizing strategy that will ease employees through the process, minimize the financial impact, and protect the corporation's business for the long term.

Property Risk

During volatile economic times, facilities that are left vacant or idle—often unsupervised—can become easy targets for malicious acts or hangouts for vagrants or juveniles. Companies experiencing layoffs or plant closures may even be vulnerable to retaliation from a frustrated former employee.

Industry data indicates that fire, including arson, is the biggest threat to a vacant building; however, theft, flood, water damage, windstorm, electrical breakdown, and freeze-ups are also significant threats.

Closed, shuttered, or idled sites demand as much or more loss prevention attention as active facilities. The expected

duration of a shutdown, climatic conditions, and other considerations dictate the type and degree of protection needed.

As part of MRC's multi-disciplinary approach, the Property Risk Consulting Practice provides expertise in managing idled or closed facilities. Our team of experts works with companies in the following areas:

Pre-planning Site Assessment

- Assess the site's risks, threats, vulnerabilities, and target areas as well as possible consequences if not managed properly.
- Develop prevention and mitigation steps, particularly for idle sites.

Buildings and Grounds

- Develop strategies for maintaining the interior/exterior of the building and adjacent grounds.
- Evaluate the potential fire hazards and sources of ignition that should be monitored and/or eliminated during and after plant closing.

Supervision and Security

- Provide recommendations regarding passive and alarm-type security measures as well as on-site security guards.
- Evaluate fire protection systems and establish an inspection and testing schedule.

Weather

- Create a weather-related preparation checklist, especially for facilities located in hurricane zones and those exposed to winter conditions, as freezing temperatures can affect a building's structural integrity, which can contribute to a disastrous fire.

Periodic Loss Prevention Inspections

- Develop a weekly or semi-regular building tour schedule to ensure functionality of fire protection systems, security of ignition sources, and integrity of building security.

Equipment Decommissioning

- Develop an equipment decommissioning program particularly where control and supervision is required such as:
 - > flammable liquids, chemicals, and gases management; and/or
 - > relocation of equipment with extremely high value, or vulnerable to water damage, extreme temperatures, and dust or contamination.

Environmental Liabilities

The closure and possible divestment of any real property has the potential for long-term and costly liabilities that if improperly managed could result in litigation, regulatory enforcement, or diminution of the asset value. The presence of hazardous materials either within the

plant, a component of the physical structure, or in the subsurface environment can be exacerbated with time and negatively impact the owner's ability to divest, especially as a potential buyer or its financiers will want to conduct their own environmental assessments of the site.

Lack of maintenance and facility security may result in the release of hazardous materials. Uncontrolled dispersal could lead to extensive environmental contamination and cleanup. The lack of historical information or adequate retention of documents could result in unnecessary assessment and remediation costs, liability contingencies and reserves, and/or enforcement action. MRC's Environmental & Health/Safety Practice can help companies to:

Pre-closure Strategy

- Develop a comprehensive closure plan to identify all known and potential sources of hazardous materials and actions required to adequately retain or remove such materials from the facility.
- Consolidate all historical environmental assessment information that: describes historical site use and hazardous materials management practices; characterizes soil, water, and building conditions; and describes past site remedial activities, cost expenditures, and further remedial activities.
- Organize and analyze historical enforcement and claims information, as well as copies of environmental insurance policies.

Environmental Site Assessment

- Identify all operation areas that potentially contained or are contaminated by hazardous materials including an analysis of soil, surfacewater and groundwater, pits, waste piles, septic tanks and leachfields, storm water drains, and dry wells.
- Assess the necessary action to remove contaminated materials and restore the site.
- Prepare cleanup plans and cost estimates for plant decontamination.
- Ensure cleanup activities are well documented for future reference.

Property Divestment

- Ensure that all relevant information is provided to the seller.
- Ensure that only appropriate assessments are conducted.
- Develop requirements for consultants or contractors working for the buyer, as well as ensure that appropriate access agreements have been executed and adequate insurance is maintained to protect your interests.
- Oversee the buyer's assessment.
- Assist with state-level disclosure requirements.



The Right Resources at the Right Time

At Marsh we are able to combine these resources and others to develop a strategic program to help your company manage the restructuring process, minimize the related workers' compensation costs, and mitigate damage to the organization and its property.

Our consultants have the required depth and breadth of expertise across a full-range of industries to help manage the diverse and complex issues that must be addressed, from protecting corporate assets, to developing critical claims management systems, to reducing liabilities, to instilling stakeholder confidence in the company for the long term.

For Further Information

If you require additional information about how Marsh can support your restructuring activities, please contact your local Marsh representative or:

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