

Adviser

Egyptian Unrest



Events in Egypt have unfolded at a rapid pace resulting in an extremely volatile situation, with violent demonstrations in Cairo and other major cities. The situation is still unstable and is changing hourly. In the past five days, it has changed quickly from peaceful protests through violent protests to the President announcing he would not be going for re-election. We expect that these changes will continue and the situation will remain unpredictable.

As of 1 February, the UK Foreign Office and the US Embassy in Cairo have issued statements advising against all but essential travel to Cairo, Alexandria and Suez. Companies with operations in Egypt may face losses from threats such as business interruption, theft of and damage to property, disruption to contracts for both purchase and supply, late payments that potentially impair cash flow, and the need to evacuate and/or relocate employees.

Marsh offers the following advice to organisations that may be affected by the events in Egypt. This Adviser outlines issues to help clients determine the key areas and required actions that businesses need to focus on.

Business implications

Whilst many firms across the world have business continuity plans to deal with the effects of a wide range of potential disruptions, they still may not be adequately prepared for an unusual event like the current situation in Egypt.

As part of a business' overall risk and resilience planning framework, it is sensible to plan for the effects of staff being absent from work (either as a result of being unable to travel back from Egypt or unable to get to work in Egypt).

To address these risks, firms should monitor the situation very closely with their local foreign office

and businesses should examine and possibly amend their existing business continuity plans accordingly.

Marsh recommends that management should review their risk management controls and communications capabilities as events such as this one could mean having fewer people, losing the ability to conduct face-to-face business as planned and an inability to deliver and receive goods.

To reduce the impact on businesses, Marsh recommends considering the following questions and issues:

Are your people safe?

For all organisations the primary concern is to ensure the well-being of staff and other people for whom it is responsible. Often the perspective of people on the ground is different to that portrayed in the media so it is essential to maintain direct communication if at all possible and to check the accuracy of information provided. Information and guidance from the country foreign office or embassy may help inform decisions about employee safety. Egypt has cut off most internal and external internet access and there is only limited mobile and landline telecommunications. It is vital, therefore, that businesses ensure regular updates are provided in order to monitor the risk to their people.



Organisations should also ensure contact information is up to date and that all staff are safe and well. Other advice includes:

- Clear instructions about not travelling to work if it is not safe to do so
- Ensure that the location and travel plans of all members of staff are known
- Develop and implement a regime of “checking in”
- Ensure Human Resources support is available and appropriate policies/procedures are in place and understood
- Make sure there is an open communication channel for staff in Egypt to gain advice or provide information about changes to their situation
- Where appropriate keep next-of-kin at home updated
- Regularly review the situation with regard to staff safety, taking into account advice from the relevant government authorities and communicate any change of instruction clearly and in a timely manner
- Provide a brief internal statement about the situation in order to provide assurance that people are safe.

All persons travelling or in Egypt should also take the following actions:

- Issue clear instructions to staff planning to travel to Egypt to change their plans unless it is absolutely necessary to travel
- Any staff currently in Egypt should consider leaving as soon as they can safely do so
- Monitor your local government advice about travelling and the general situation in Egypt and provide regular updates and guidance to staff

- Staff should remain in contact with their airlines concerning flight schedules and arrange to get to the airport well in advance of any curfew hours
- Ensure staff comply with curfew orders and remain indoors during curfew hours
- Advise staff to monitor local news broadcast by television, radio and internet.

Assessing the risk

Unpredictable events can change the level of risk faced by an organisation very quickly. Businesses should review their risk exposures in light of the current situation in Egypt, assess the potential impact and adjust their business continuity plans accordingly. This should include a review of current business interruption strategies, the supply chain and financial exposures. Current political commentary suggests that Egypt is unlikely to witness a rapid return to stability. Businesses therefore need to consider the longer term business implications of an unstable political regime.

- Evaluate the immediate impact of these events on your business taking into consideration customers, suppliers and other key stakeholders
- Give early warnings of any potential problems to customers and suppliers
- Review crisis communication plans to ensure they are adequate to support this crisis
- Review business recovery strategies with specific attention to:
 - IT and communications requirements
 - Opportunities to switch some business activities to unaffected areas
 - Longer term business continuity strategies to minimise the potential impact.

Supply chain considerations

For many organisations the immediate impact of the situation in Egypt may be disruption in their supply chains rather than a direct business interruption. Organisations often have an inventory of thousands of suppliers and there may be hidden dependencies and vulnerabilities not previously identified or evaluated. Whilst no two supply chains are the same, there are a number of general measures all businesses should consider. These include:

- Prioritise key suppliers and evaluate the inherent risks
- Seek assurance from key suppliers over their own contingency plans
- Try to reduce reliance on single suppliers where possible
- Review and if necessary refresh internal contingency plans, i.e. identify alternative suppliers, increase stock levels or establish contractual relationships.

Immediate concerns for businesses with key suppliers in Egypt

- Seasonal goods and perishable goods need to assess the potential interruption to transportation arrangements
- Discuss contingency planning with air cargo handlers to understand what arrangements they have in place
- Review all affected supplier contractual agreements relating to the delivery of goods and services.

Above all, get involved in your supply chain – don't assume that everything will simply be OK.

Communications procedures

For any organisation dealing with a crisis situation, one of the most important challenges is channelling information and communicating effectively with stakeholders and the business. Crisis managers must have accurate, up to date information on which to base their decision making. Often representatives from different parts of the organisation are required to work together as a team. Where possible telephone calls and teleconferencing are the most effective way to share information and ensure common understanding across the organisation. It is also important to have a crisis media plan that is up to date and has been well rehearsed.

- Ensure you are in receipt of accurate, up to date information from reliable sources and that the unfolding situation is reviewed regularly
- In your communications with customers and suppliers be open and honest about the situation and the potential implications for them
- Provide assurance that you have a measured response and give realistic projections about how/when you intend to resume business/implement alternative working arrangements
- Use any media attention to provide a positive message to stakeholders
- Provide regular updates, and tell people when they can expect the next one.

Insurance implications

An event such as this is unusual and we would urge anyone with insurance queries to contact their insurance adviser in the first instance. We understand that clients may have specific queries regarding cover for personal accident/travel and property damage/business interruption (denial of access) and Marsh is liaising closely with insurers on this.

Affected companies should begin to gather as much information as possible to prepare for the claims process.

Loss adjusters are currently formulating their response to the situation, with some limited surveys being possible at present. Once the situation stabilises there will be adjusting teams deployed on the ground to deal with losses on behalf of the interested insurers.

In the meantime, any company that has suffered damage should take steps to mitigate losses as far as is safe and practicable. It will be important to capture the damage for record purposes (photographs, video, etc.) and maintain separate accounting codes to identify all costs associated with the damage.

Some buyers of terrorism insurance have also found themselves without cover following the civil disturbances because of disagreements about whether certain events were acts of terrorism or political violence. Companies therefore need to make sure that they have insurance coverage for a broad range of perils, reducing uncertainty that can be caused over the classification of an event.

Contact your Marsh Service Team or our Political Risk Practice to discuss any terrorism insurance implications.

Useful information

Foreign and Common Office Travel Advice
www.fco.gov.uk

More information

Marsh has a range of experts that can help you understand and manage such events. When faced with an actual crisis situation, Marsh can guide you through such events by helping to ensure that you are back in business as quickly as possible and that your employees receive the support required. Working with you, we can make sure you stay ahead of your risk issues and manage your recovery efforts.

Our specialised forensic accounting and claims practice is mobilising a team across EMEA to assist and support clients with the management and preparation of claims following major losses.

For further advice and assistance, please contact your client service team or our technical experts:

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