



Delta Dental Plan of California: El Niño Exercise

Full Mitigation Best Practice Story

Sacramento County, California



Sacramento County, CA - On November 20, 1997, Delta Dental Plan of California and Deltanet, Delta's data processing and consulting subsidiary, conducted a business continuity exercise for its Sacramento facilities. The exercise was done in partnership with Region IX of the Federal Emergency Management Agency (FEMA). The objective of the exercise, entitled the "El Niño" Exercise, was to test Delta's business and Information Technology (IT) contingency plans in anticipation of unusually stormy weather and potential severe flooding at the business locations.

The exercise scenario, developed by the Sacramento County Office of Emergency Services, described the flooding of the Delta facility due to a break in the nearby American River levee. This was a very realistic scenario given the National Weather Service predictions for a severe El Niño phenomenon. There were three primary exercise objectives: 1) to familiarize Delta personnel with their business recovery plan, 2) test how well the plan was supported by the Deltanet plan, and 3) assess any additional steps that might be needed to prepare for an emergency.

Participants in the exercise included several key internal departments for Delta Dental. Observers were from the Roseville Fire Department, National Weather Service, California State Office of Emergency Services, FEMA and J&H/Marsh McLennan. The mix represented the public/private partnership critical to pro-active mitigation.

As a result of the El Niño exercise, Delta Dental's senior staff addressed the need to secure their facilities from potentially severe flooding. Planning began in July 1998 for the relocation of the \$2.3 billion company to mitigate threatening impacts to the business.

In April of 1999, Delta began relocating its Sacramento operations center from a 100-year flood plain to a 500-year flood plain. When the move is completed, scheduled for November 1999, Delta Operations and Deltanet Data Center Operations will be housed on the same campus.

The action taken by Delta Dental demonstrates clearly the value of disaster exercises conducted with trained professionals from both the public and private sectors.

The partnership illustrates how pro-active and cost-effective mitigation can result when problems identified in an exercise setting are acted upon. Standard Homeowner's insurance policies do not cover flood damage.

The National Flood Insurance Program makes Federally backed flood insurance available to homeowners, renters, and business owners in participating communities.

A clear indication of financial risk reduction for this business is shown by the risk analysis report that is submitted annually by Delta Dental to the State of California. The report, conducted under the guidelines of the Federal Information Processing Standards, Section 31, shows that the risk of loss due to flooding at the previous location was in excess of \$25 million with an annual loss expectation of \$367,551.

The decision to relocate to a 500-year flood plain has reduced Delta's annual loss exposure to \$51,457, a benefit to cost ratio of 7:1. Additional benefits are employee job stability and decreased insurance premiums to the customers of Delta Dental.

Activity/Project Location

Geographical Area: **Single County in a State**

FEMA Region: **Region IX**

State: **California**

County: **Sacramento County**

Key Activity/Project Information

Sector: **Private**

Hazard Type: **Flooding**

Activity/Project Type: **Training**

Activity/Project Start Date: **07/1997**

Activity/Project End Date: **11/1999**

Funding Source: **Business Owner**

Funding Recipient: **Business/Industry**

Funding Recipient Name: **Delta Dental Plan of California and Deltanet**

Activity/Project Economic Analysis

Cost: **Amount Not Available**

Activity/Project Disaster Information

Mitigation Resulted From Federal
Disaster? **No**

Value Tested By Disaster? **No**

Repetitive Loss Property? **No**

Reference URLs

Reference URL 1: <http://www.fema.gov/business/nfip/>

Reference URL 2: <http://www.oes.ca.gov/Operational/OESHome.nsf/1?OpenForm>

Main Points

- Delta Dental Plan of California, in partnership with FEMA Region IX, conducted a business continuity exercise for the employees of its Sacramento facilities.
- The objective of the exercise, entitled the "El Niño Exercise", was to test Delta's business and Information Technology (IT) contingency plans in anticipation of unusually stormy weather and potential severe flooding at the business locations.
- As a result of the El Niño Exercise, Delta relocated its Sacramento operations center from a 100-year flood plain to a 500-year flood plain.
- The decision to relocate to a 500-year flood plain has reduced Delta's annual loss exposure to \$51,457, a benefit to cost ratio of 7:1. Additional benefits are employee job stability and decreased insurance premiums to the customers of Delta Dental.