

## Scenario Update 3

# FBIIC/FSSCC Pandemic Flu Exercise

This update covers the **scenario timeline** of  
November 5<sup>th</sup> through December 3<sup>rd</sup>  
(Weeks 7 through 10 of the Pandemic)

Note: This exercise is designed to create an opportunity for the participants to experience a series of possible pandemic influenza environments. These scenarios are not necessarily predictive, nor do they represent the official viewpoint of any organization, group, or entity. The exercise is intended to allow the participants and their organizations to explore possible situations and to consider their options for responses and mitigation approaches. The sponsors understand that no scenario can present all aspects of a possible situation, and that there is no way to know definitively the actual circumstances that might be present during a pandemic.

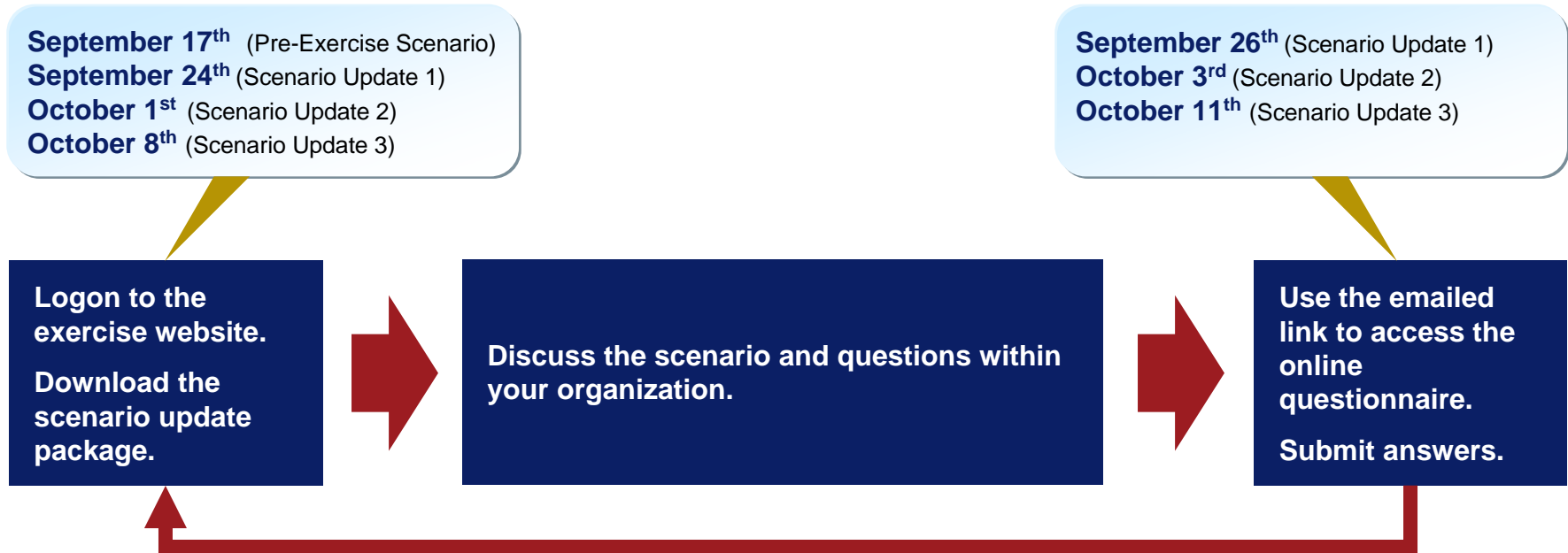
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## Exercise Overview

- ▶ **HOW TO PARTICIPATE:** Financial organizations within the United States are voluntarily registered for the exercise on the website ([www.fspanfluexercise.com](http://www.fspanfluexercise.com)). This website serves as the point of distribution for the exercise briefing materials and the scenario information.
- ▶ **WHO SHOULD BE INVOLVED:** This exercise and its accompanying scenario have been designed to be flexible and to allow each organization to engage as many functions as it deems appropriate. These functions may include business continuity, operations, human resources, and even senior leadership decision making.
- ▶ **SCENARIO UPDATE PACKAGE:** The scenario is presented in two formats for your convenience. The first – a detailed briefing – provides the status of the pandemic with details on absenteeism and economic, market, and societal impacts. The second – a matrix – parallels the briefing but contains less detail for quick reference. Following the matrix are a set of questions designed to assist organizations in exploring the impact of the events described in the scenario on their operations.
- ▶ **FINDING ADDITIONAL INFORMATION:** Background information regarding pandemic influenza, financial services sector preparedness issues, and Federal government roles and responsibilities related to a pandemic, as well as a glossary, are available in the Exercise Briefing Book located on the exercise website. Please note that the exercise will not simulate the provision of regulatory relief.

# Exercise Construct/Mechanism



- ▶ On Monday at 9:00am (EDT) each week of the exercise, a scenario update and a set of questions will be released for participants to download via the exercise website ([www.fspanfluexercise.com](http://www.fspanfluexercise.com)). The primary point of contact will receive an automatically generated email from [fspanfluexercise@surveymonkey.com](mailto:fspanfluexercise@surveymonkey.com) containing a link for the organization to complete the online questionnaire. Participants will have until 5:00pm (EDT) on Wednesday each week to complete the online questionnaire.
- ▶ The same process and timing will occur each week of the exercise, with the exception of the final week of the exercise. Participant involvement in the exercise will end by 5:00pm (EDT) on Thursday, October 11<sup>th</sup> (due to the Columbus Day holiday) with each participant's final response to the online questionnaire.

# Using the Absenteeism Distribution Information

- ▶ As part of this exercise, we are including absenteeism distribution information for those organizations that wish to simulate at an individual level who will or will not be working during each phase of the pandemic. While the scenario will set the absenteeism in society for each phase, the absenteeism distribution information enables each financial organization to explore the implementation of their business continuity plans against a list of specific staff who are unable to work.
  - Being “absent” in the context of the exercise means that an individual is **unavailable to work**, even if he or she has telecommuting capabilities.
- ▶ Each week, a list of letters of the alphabet will be provided with the exercise materials. These letters represent the first letters of the last names of your employees. Employees whose last names begin with these letters should be considered as absent during the entire period of the next scenario update. If you are participating as a business unit, and not as an entire organization, apply the list of letters to your business unit alone to discover who will be absent.
- ▶ In the exercise, absent individuals are simulated to be absent from their normal roles. Individuals who are part of your exercise team may continue to help your organization participate in the exercise even if the absenteeism distribution information has indicated that they are absent from their normal roles.
- ▶ Please note that the letters indicating the absent individuals will be provided to you a week in advance of when they will be used. This will provide you with an adequate amount of time in which to review your Human Resources records, identify the absent individuals, and determine the distribution of the absent employees among your various departments/units/etc. as appropriate. Do not begin to simulate the absenteeism until you have received the next scenario update.
- ▶ REMINDER: During this entire scenario update (November 5<sup>th</sup> through December 3<sup>rd</sup>), the target absenteeism rate is 35%. Employees with last names beginning with D, E, G, H, I, K, L, N, and R are simulated to be absent.

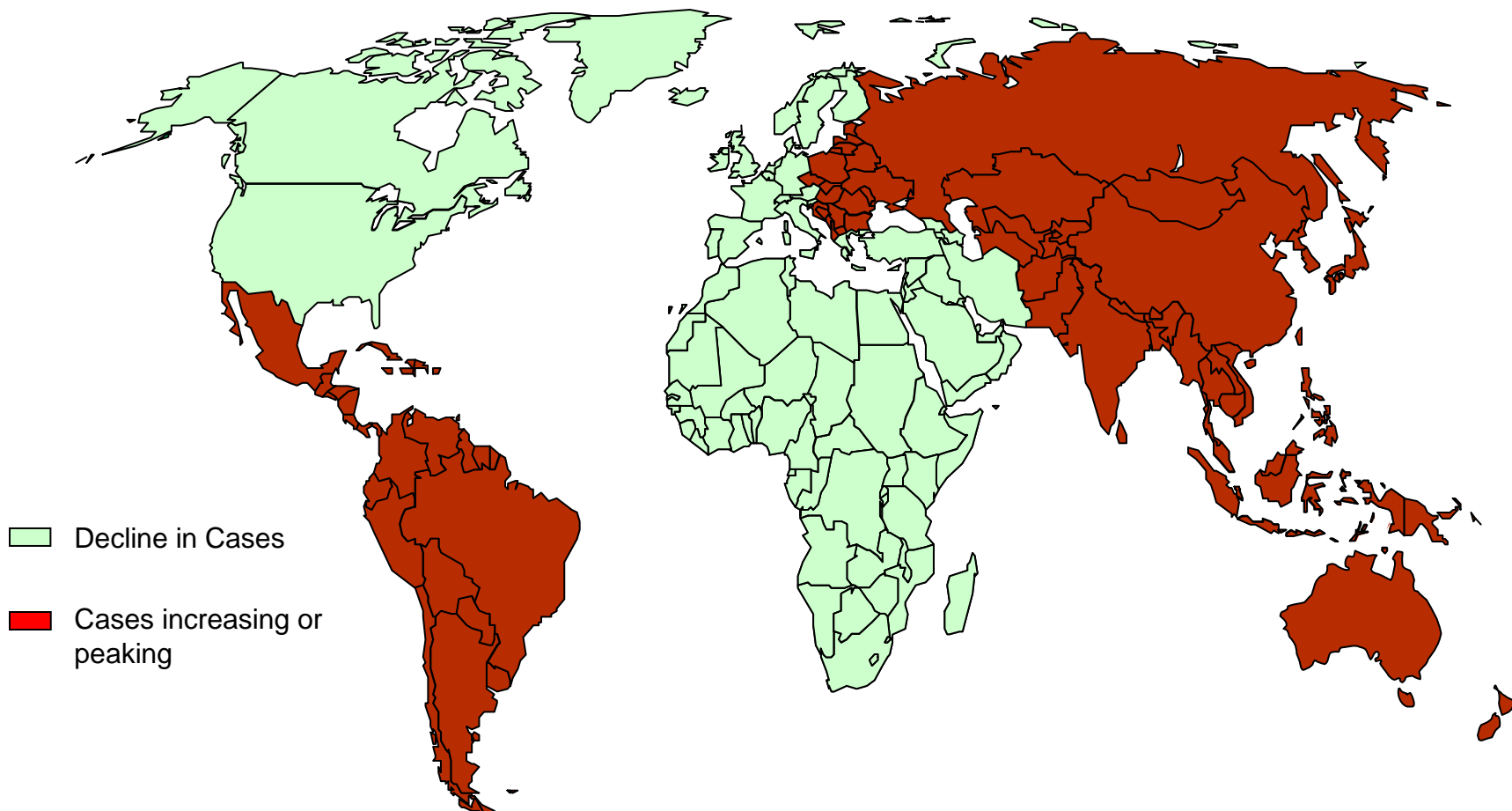
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**Today's date is December 3<sup>rd</sup>. The information contained here represents all that has happened from November 5<sup>th</sup> through December 3<sup>rd</sup>.**

# Pandemic Wave Beginning to Decline

- ▶ The United States is starting to enter a recovery period as the pandemic wave appears to be declining
- ▶ Other areas around the world are also reporting decreasing numbers of new cases



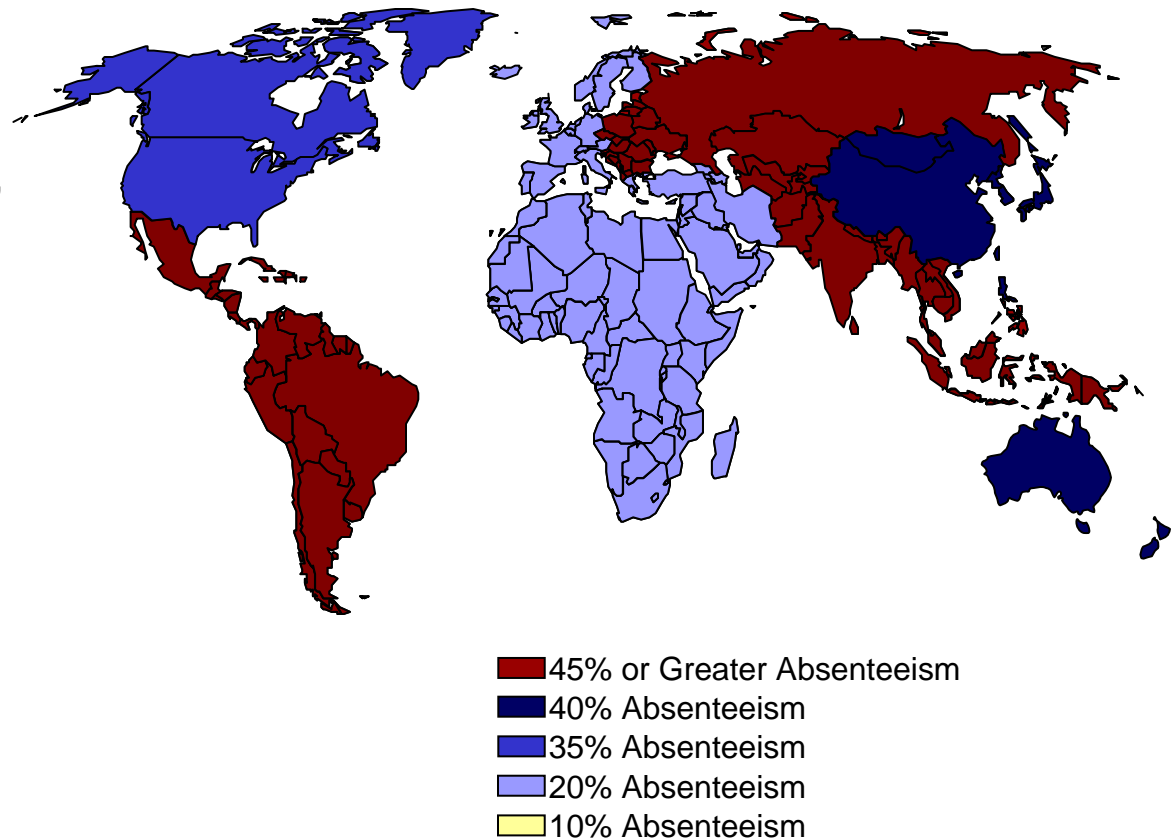
# WHO and U.S. Federal Response Stages

- ▶ The World Health Organization remains at Phase 6
- ▶ The U.S. Government declares Response Stage 6

World Health Organization Phases		U.S. Federal Government Response Stages	
<b>INTER-PANDEMIC PERIOD</b>			
1	Low risk of human case	0	New domestic animal outbreak in at-risk country
2	Higher risks of human cases		
<b>PANDEMIC ALERT PERIODS</b>			
3	No, or very limited human-to human transmission	0	New domestic animal outbreak in at-risk country
		1	Suspected human outbreak overseas
4	Increased human-to-human transmission	2	Confirmed human outbreak overseas
5	Significant human-to-human transmission		
<b>PANDEMIC PERIOD</b>			
6	Pandemic phase: Increased and sustained transmission in general population	3	Widespread human outbreaks in multiple locations overseas
		4	First human cases in North America
		5	Spread throughout United States
		6	Recovery and preparation for subsequent waves

# Global Absenteeism Rates

- ▶ Overseas, some regions are firmly in recovery
  - The pandemic is passing in Africa, Western Europe, and the Middle East, with absenteeism rates at 20% and falling
  
- ▶ In other regions, the pandemic is in full force
  - The Americas (excluding the United States and Canada), Eastern Europe, and South and Southeast Asia are hitting peak levels of absenteeism, with an average rate of 45% reported
  - Northeast Asia, the Pacific, and the Australian continent are trending upward, reporting an average absenteeism rate of 40%



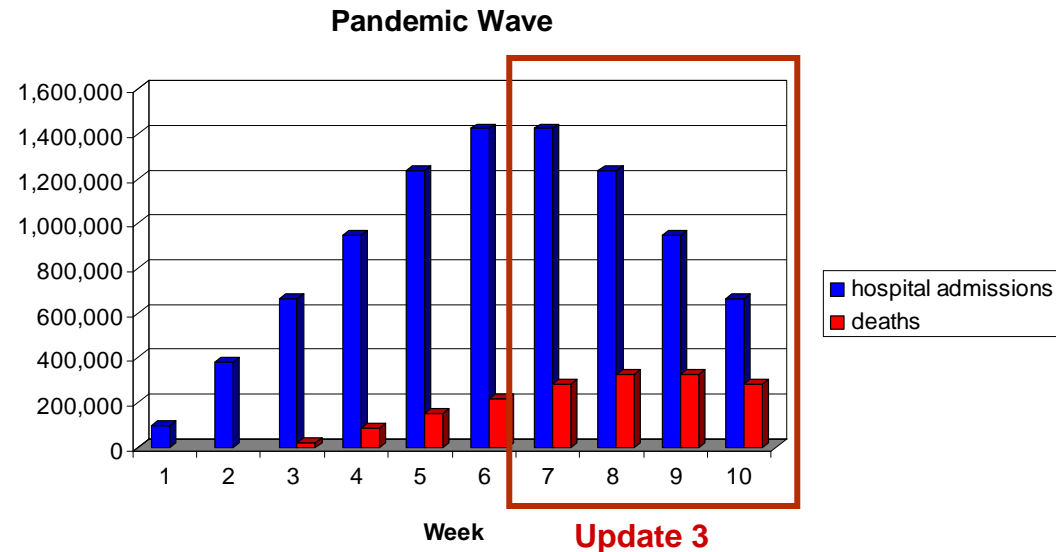
## Impact of the Pandemic in the United States

- ▶ All major sectors across the United States are reporting an absenteeism rate of 35%

<b>U.S. Pandemic Statistics</b>	
Average Current Absenteeism Rate	35%
Cumulative Hospitalizations	9,020,791
Cumulative Fatalities	1,683,480

# Impact on the Healthcare Sector

- ▶ The U.S. Department of Health and Human Services (HHS) and the Centers for Disease Control and Prevention (CDC) have announced the possibility of a second wave of the pandemic that would hit regions already affected
  - Individuals and organizations are urged to make every effort to prepare for this second wave, even though resources are scarce



- ▶ HHS and CDC reiterate the request that people with little or no flu-like symptoms not go to their local hospitals to avoid overcrowding and long waiting periods
- ▶ The *Associated Press* reports that the U.S. healthcare system is still overwhelmed, however, the rate of hospital admissions has slowed dramatically and the number of personnel needed in intensive care units is decreasing rapidly
- ▶ Hospital officials representing a number of large U.S. hospitals in major U.S. financial centers are reporting that the number of deceased persons has far exceeded the hospital morgues' refrigerator capacities
- ▶ Mental health providers are experiencing extremely high demand for their services, particularly grief counseling

# Consumer Spending

- ▶ Consumers' financial situations are fragile, given that many firms have stopped paying their employees who have exhausted annual or sick leave
- ▶ As a result, some segments of the public are hesitant and/or unable to return to normal shopping habits
  - Supplies of retail merchandise remain tight
- ▶ The durable goods sector is beginning to recover, but sales growth is sluggish and manufacturers appear hesitant to expand production
- ▶ Supplies of agricultural goods are low due to the poor harvest caused by the reduction in harvesting capabilities during previous periods

## Economic Impacts

- ▶ As the first wave of the pandemic begins to subside, so do the negative macroeconomic shocks on the U.S. economy
- ▶ Real GDP is at 1 ½ percentage points below the pre-pandemic level

## Business Impacts

- ▶ Businesses are beginning to inquire about business interruption insurance and are experiencing challenges in confirming coverage
- ▶ Businesses are struggling to cope with significant backlogs in orders and transactions
- ▶ The media is reporting that many companies are not paying employees who have exhausted sick and annual leave
  - Concerns arise over the macroeconomic impacts
- ▶ There are rumors of an increase in new fraudulent accounts and identity theft reports
- ▶ Concerns arise over how the country will manage the next pandemic wave

# Financial Market Impacts

- ▶ Foreign exchange rates for the U.S. Dollar begin to return to pre-pandemic levels
- ▶ Crude oil prices begin to recover to pre-pandemic levels
- ▶ S&P 500 rises 5% from market low
- ▶ Trading volumes recover strongly in both U.S. and European markets as traders anticipate an economic recovery
- ▶ Market liquidity is increasing in some stocks, however in others it remains sparse
  - Bid/ask spreads remain wider than normal
- ▶ Concerns over the possibility of follow-on pandemic waves remain



## Operational Impacts

- ▶ Continuing liquidity constraints in some areas still affect pricing in some U.S. securities
- ▶ Out trades begin to decrease, but remain above normal
- ▶ Some futures markets continue to operate via fully electronic trading
- ▶ For clients and traders not connected via dedicated lines, access to real-time market data is disrupted as internet traffic increases and data download times increase
  - Market data is delayed by an average of 15 minutes via the internet
- ▶ Price quotes appear to be stale as a result of internet problems

## Impact on Banks and Credit Unions

- ▶ Payments on various consumer loans and credit card arrears increase by more than one-third
  - Late payments on consumer loans are 20% above normal
  - Revolving credit delinquencies are 30% above normal
- ▶ Public sentiment, as reported through major financial news outlets, favors lenders showing leniency to those in dire financial straits
- ▶ 70% of ATMs are now operational
- ▶ Many individuals are not paying mortgages

## Impact on Insurance Industry

- ▶ Some small life/health insurance companies are experiencing liquidity problems as the volumes of death and disability claims are taxing reserves and capital levels
  
- ▶ Insurance sector update:
  - Health insurance claims have increased 50% above normal
  - Life insurers see the volume of claims continue to increase in the face of a growing rise in the mortality rate as authorities report an increase of 7 deaths per thousand population (0.7%)
  - Backlogs in the filing or processing of Worker's Compensation claims lead to a further 10% increase toward the end of the first pandemic wave

# Financial Overview: Major Indicator Reactions (Value)

## Change During the Period of Time in Each Scenario Update

	Pre-Exercise	Update 1	Update 2	Update 3
<b>FTSE</b>	-5%	-10%	-5%	10%
<b>S&amp;P 500</b>	0	-5%	-7.5%	5%
<b>NIKKEI</b>	-5%	-5%	-10%	-10%
<b>Spot Commodity Prices (CRB Industrials)</b>	-5%	-10%	-10%	2%
<b>Spot Crude Oil (change in \$/barrel, West Texas intermediate)</b>	-\$5	-\$10	-\$10	\$2.50
<b>USD (\$) (FRB trade weighted index)</b>	5%	2.5%	0%	-5%
<b>US Federal Funds Rate (basis points)</b>	0	0	0	0
<b>US 3-Month T-bill Rate (basis points)</b>	0	-25	-50	-25
<b>US 10-Year Treasury Security (basis points)</b>	-25	-25	-25	0

Yellow indicates current scenario update

## Financial Overview: Major Market Reactions (Volumes)

<b>Average Daily Volume for the Period of Time in Each Scenario Update</b>				
	<b>Pre-Exercise</b>	<b>Update 1</b>	<b>Update 2</b>	<b>Update 3</b>
<b>NYSE and NASDAQ combined</b>	8 billion	10 billion	6 billion	11 billion shares
<b>CME</b>	12 million	15 million	9 million	16 million contracts
<b>UK</b>	1.5 billion	2.1 billion	2.5 billion	2.7 billion shares
<b>Hong Kong</b>	4.3 billion	4.3 billion	3.9 billion	3.1 billion shares
<b>Japan</b>	2.1 billion	2.1 billion	1.9 billion	1.5 billion shares

Note: Options volumes are tracking stock volumes

Yellow indicates current scenario update

# Financial Overview: Bond Market Auctions

Security Type	Announcement Date	Auction Date	Settlement Date	Maturity Date	Publicly Held Maturing (billions)	SOMA Maturing (billions)	Offering Amount	New Cash/Paydown for Settlement Date (billion)
4-week bill	Mon, 11/5/07	Tue, 11/6/07	Thu, 11/8/07	12/6/07	38.00		21.00	14.00 NC
13-week bill	Thu, 11/8/07	Tue, 11/13/07	Thu, 11/15/07	2/14/08			17.00	
26-week bill	Thu, 11/8/07	Tue, 11/13/07	Thu, 11/15/07	5/15/08			16.00	
<b>Holiday---Monday, November 12, 2007---Veterans Day</b>								
4-week bill	Tue, 11/13/07	Wed, 11/14/07	Thu, 11/15/07	12/13/07	41.00	15.00	25.00	17.00 NC
13-week bill	Thu, 11/15/07	Mon, 11/19/07	Fri, 11/23/07	2/21/08			17.00	
26-week bill	Thu, 11/15/07	Mon, 11/19/07	Fri, 11/23/07	5/22/08			16.00	
4-week bill	Mon, 11/19/07	Tue, 11/20/07	Fri, 11/23/07	12/20/07	49.00	15.80	27.00	11.00 NC
<b>Holiday---Thursday, November 22, 2007---Thanksgiving</b>								
13-week bill	Wed, 11/21/07	Mon, 11/26/07	Thu, 11/29/07	2/28/08			17.00	
26-week bill	Wed, 11/21/07	Mon, 11/26/07	Thu, 11/29/07	5/29/08			16.00	
4-week bill	Mon, 11/26/07	Tue, 11/27/07	Thu, 11/29/07	12/27/07	53.00	17.20	27.00	7.00 NC
<b>2-year note</b>	<b>Mon, 11/26/07</b>	<b>Wed, 11/28/07</b>	<b>Fri, 11/30/07</b>	<b>11/30/09</b>			<b>18.00</b>	
<b>5-year note</b>	<b>Mon, 11/26/07</b>	<b>Thu, 11/29/07</b>	<b>Fri, 11/30/07</b>	<b>11/30/12</b>	<b>19.20</b>	<b>7.5</b>	<b>13.00</b>	<b>11.80 NC</b>
13-week bill	Thu, 11/29/07	Mon, 12/3/07	Thu, 12/6/07	3/6/08			17.00	
26-week bill	Thu, 11/29/07	Mon, 12/3/07	Thu, 12/6/07	6/5/08			16.00	

# Schools

- ▶ As the absenteeism rate starts to decline, K-12 schools, universities and colleges, and daycare facilities consider reopening, but most anticipate that it will be another two or three weeks before they do so



# Electric, Gas, Telephone, and Internet Service

- ▶ Due to the backlog created by the high absenteeism of the previous weeks, electricity and gas providers continue to be slow to respond to customer service requests
- ▶ The peak-time electricity supply is stable
- ▶ Responses to telephone and internet service requests continue to be delayed due to the backlog of customer requests
- ▶ Internet throughput remains at 50% of normal with the expectation that relief will occur when schools reopen and telecommuting levels drop



## Postal, Overnight, Courier, and Armored Vehicle Services

- ▶ U.S. Postal Service mail delivery is delayed three to five days longer than normal as the postal service works through the backlog created during the previous weeks
- ▶ Private delivery services are considering the resumption of 48 hour delivery guarantees but want to see a further decline in absenteeism before doing so
- ▶ Armored vehicle services continue to struggle to keep up with demand
  - The health sector is seeking support for the transportation of medicine, medical supplies, and personal protective equipment (PPE)
  - The financial services sector is seeking continued support for the transportation of cash

# Travel, Transportation, and Fuel

- ▶ Air travel schedules are increasing, but passengers are slow to return due to continued fear of infection
- ▶ Some individuals are considering returning to carpooling and mass transit
- ▶ Refinery production levels increase slightly, but are still not at normal levels
- ▶ Heating oil distribution remains strained



## Social and Sporting Events

- ▶ There is ongoing discussion regarding the restarting of league programs and other sporting events, but these have not yet resumed
- ▶ Public and social events are still cancelled
- ▶ Some cities that instituted curfews during the peak of the pandemic are now lifting them, but the majority of curfews remain in place

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<b>INFORMATION CATEGORIES</b>	<b>DETAILS ON WHAT IS OCCURRING DURING THIS SCENARIO UPDATE</b> <b>Scenario Timeline: November 5 through December 3 (Weeks 7 through 10 of the Pandemic)</b>
<b>World Health Organization Pandemic Phases / U.S. Pandemic Stages</b>	WHO - Phase 6 (Pandemic phase: Increased and sustained transmission in general population) U.S. – Stage 6 (Recovery and preparation for subsequent waves)
<b>U.S. Absenteeism Rates</b>	35% across all sectors in the United States by the end of the Move 3 timeline (December 3 <sup>rd</sup> )
<b>Status of Pandemic around the World and the United States</b> <ul style="list-style-type: none"> <li>▶ WHO statements</li> <li>▶ CDC and other U.S. Government statements</li> </ul>	The United States is starting to enter a recovery period as the pandemic wave appears to be declining. Other areas around the world are also reporting decreasing numbers of new cases.  The World Health Organization remains at Phase 6. The U.S. Government declares Response Stage 6.
<b>Global Absenteeism Rates</b>	Overseas, some regions are firmly in recovery. The pandemic is passing in Africa, Western Europe, and the Middle East, with absentee rates at 20% and falling.  In other regions, the pandemic is in full force. The Americas (excluding the United States and Canada), Eastern Europe, and South and Southeast Asia are hitting peak levels of absenteeism, with an average rate of 45% reported. Northeast Asia, the Pacific, and the Australian continent are trending upward, reporting an average absenteeism rate of 40%.

<p><b>U.S. Healthcare System Update</b></p>	<p>The U.S. Department of Health and Human Services (HHS) and the Centers for Disease Control and Prevention (CDC) have announced the possibility of a second wave of the pandemic that would hit regions already affected. Individuals and organizations are urged to make every effort to prepare for this second wave, even though resources are scarce.</p> <p>HHS and CDC reiterate the request that people with little or no flu-like symptoms not go to their local hospitals to avoid overcrowding and long waiting periods.</p> <p>The <i>Associated Press</i> reports that the U.S. healthcare system is still overwhelmed, however, the rate of hospital admissions has slowed dramatically and the number of personnel needed in intensive care units is decreasing rapidly.</p> <p>Hospital officials representing a number of large U.S. hospitals in major U.S. financial centers are reporting that the number of deceased persons has far exceeded the hospital morgues' refrigerator capacities.</p> <p>Mental health providers are experiencing extremely high demand for their services, particularly grief counseling.</p>
<p><b>Consumer Spending</b></p>	<p>Consumers' financial situations are fragile, given that many firms have stopped paying their employees who have exhausted annual or sick leave. As a result, some segments of the public are hesitant and/or unable to return to normal shopping habits.</p> <p>Supplies of retail merchandise remain tight.</p> <p>The durable goods sector is beginning to recover, but sales growth is sluggish and manufacturers appear hesitant to expand production.</p> <p>Supplies of agricultural goods are low due to the poor harvest caused by the reduction in harvesting capabilities during previous periods.</p>

<p><b>Financial Markets</b></p>	<p>As the first wave of the pandemic begins to subside, so do the negative macroeconomic shocks on the U.S. economy. Real GDP is at 1 ½ percentage points below the pre-pandemic level.</p> <p>Businesses are beginning to inquire about business interruption insurance and are experiencing challenges in confirming coverage. Businesses are struggling to cope with significant backlogs in orders and transactions.</p> <p>The media is reporting that many companies are not paying employees who have exhausted sick and annual leave. Concerns arise over the macroeconomic impacts.</p> <p>There are rumors of an increase in new fraudulent accounts and identify theft reports.</p> <p>Foreign exchange rates for the U.S. Dollar begin to return to pre-pandemic levels.</p> <p>Crude oil prices begin to recover to pre-pandemic levels.</p> <p>S&amp;P 500 rises 5% from market low.</p> <p>Trading volumes recover strongly in both U.S. and European markets as traders anticipate an economic recovery.</p> <p>Market liquidity is increasing in some stocks, however in others it remains sparse. Bid/ask spreads remain wider than normal.</p> <p>Concerns over the possibility of follow-on pandemic waves remain.</p>
<p><b>Financial Services Sector Operations</b></p>	<p>Continuing liquidity constraints in some areas still affect pricing in some U.S. securities.</p> <p>Out trades begin to decrease, but remain above normal.</p> <p>Some futures markets continue to operate via fully electronic trading. For clients and traders not connected via dedicated lines, access to real-time market data is disrupted as internet traffic increases and data download times increase. Market data is delayed by an average of 15 minutes via the internet.</p>

	<p>Price quotes appear to be stale as a result of internet problems.</p> <p>Payments on various consumer loans and credit card arrears increase by more than one-third.</p> <ul style="list-style-type: none"> <li>▶ Late payments on consumer loans are 20% above normal.</li> <li>▶ Revolving credit delinquencies are 30% above normal.</li> </ul> <p>Public sentiment, as reported through major financial news outlets, favors lenders showing leniency to those in dire financial straits.</p> <p>70% of ATMs are now operational.</p> <p>Many individuals are not paying mortgages.</p> <p>Some small life/health insurance companies are experiencing liquidity problems as the volumes of death and disability claims are taxing reserves and capital levels. Insurance sector update:</p> <ul style="list-style-type: none"> <li>▶ Health insurance claims have increased 50% above normal.</li> <li>▶ Life insurers see the volume of claims continue to increase in the face of a growing rise in the mortality rate as authorities report an increase of 7 deaths per thousand population (0.7%).</li> <li>▶ Backlogs in the filing or processing of Worker’s Compensation claims lead to a further 10% increase toward the end of the first pandemic wave.</li> </ul>
<p><b>Schools (e.g., day care, K-12, University)</b></p>	<p>As the absenteeism rate starts to decline, K-12 schools, universities and colleges, and daycare facilities consider reopening, but most anticipate that it will be another two or three weeks before they do so.</p>
<p><b>Electric and Gas Utilities and Service</b></p>	<p>Due to the backlog created by the high absenteeism of the previous weeks, electricity and gas providers continue to be slow to respond to customer service requests.</p> <p>The peak-time electricity supply is stable.</p>
<p><b>Telephone and Internet</b></p>	<p>Responses to telephone and internet service requests continue to be delayed due to the backlog of customer requests. Internet throughput remains at 50% of normal, with the expectation that relief will occur when schools reopen and telecommuting levels drop.</p>

<p><b>Postal, Overnight, Courier, and Armored Vehicle Services</b></p>	<p>U.S. Postal Service mail delivery is delayed three to five days longer than normal as the postal service works through the backlog created during the previous weeks.</p> <p>Private delivery services are considering the resumption of 48 hour delivery guarantees but want to see a further decline in absenteeism before doing so.</p> <p>Armored vehicle services continue to struggle to keep up with demand. The health sector is seeking support for the transportation of medicine, medical supplies, and personal protective equipment (PPE). The financial services sector is seeking continued support for the transportation of cash.</p>
<p><b>Travel and Transportation</b></p>	<p>Air travel schedules are increasing, but passengers are slow to return due to continued fear of infection.</p> <p>Some individuals are considering returning to carpooling and mass transit.</p>
<p><b>Fuel</b></p>	<p>Refinery production levels increase slightly, but are still not at normal levels.</p> <p>Heating oil distribution remains strained.</p>
<p><b>Social, Public, and Sporting Events and Activities</b></p>	<p>There is ongoing discussion regarding the restarting of league programs and other sporting events, but these have not yet resumed.</p> <p>Public and social events are still cancelled.</p> <p>Some cities that instituted curfews during the peak of the pandemic are now lifting them, but the majority of curfews remain in place.</p>

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**Instructions:** The below questions are copies of the questions that your organization will be requested to answer for this portion of the exercise using an online questionnaire. They are being provided to you now in order to allow your organization the opportunity to carefully consider each question and prepare answers. To access the online questionnaire, your organization's primary POC (as registered via the exercise website) will receive an email from [fspanfluexercise@surveymonkey.com](mailto:fspanfluexercise@surveymonkey.com) with a link to your questionnaire. Please submit your answers online prior to 5:00pm EDT on Thursday. **Anonymity Policy:** Participant responses to questions will be anonymous and not attributable to any source. Responses will be aggregated by sub-sector (banking, securities, insurance, etc.) and other categories for use by the Control Team in conducting the exercise, to perform analyses and to develop after-action reports. Reports will not include firm-specific information.

### SCENARIO UPDATE 3 QUESTIONNAIRE

**Answer these questions as if your organization is currently experiencing all the events that are described in Scenario Update 3. Some questions are designated for organizations engaged in business relating specifically to the banking and credit union sectors, the securities/derivatives sector, the insurance sector, or for organizations that participate in U.S. Treasury bond auctions. Please answer all of those questions that apply to your organization. Skip questions that do not apply to your organization.**

**Medical**

- |  |  |
|--|--|
| 1. What is the absenteeism rate of your organization resulting from the alphabetical absenteeism assignments received for Scenario Update 3?                   | <ul style="list-style-type: none"> <li>a. 0-20%</li> <li>b. 21-45%</li> <li>c. 46-55%</li> <li>d. 56-80%</li> <li>e. 81% or greater</li> <li>f. Not applicable, we did not use the absenteeism assignments</li> </ul>  |
| 2. Is your organization distributing antiviral medication(s) given the circumstances under Scenario Update 3?  | <ul style="list-style-type: none"> <li>a. No, we have either never had a supply of antivirals or exhausted our supply in Scenario Update 1 and/or 2</li> <li>b. No, we are not distributing our supply of antivirals during Scenario Update 3</li> <li>c. Yes, we are distributing antivirals to key workers only</li> <li>d. Yes, we are distributing antivirals to our entire workforce</li> </ul>   |
| 3. Is your organization replenishing or creating new stockpiles of Personal Protective Equipment (PPE), such as N95 respirators and surgical masks and gloves? | <ul style="list-style-type: none"> <li>a. No</li> <li>b. Yes</li> </ul>  |
| 4. What social distancing procedures is your organization implementing during Scenario Update 3? Check all that apply.   | <ul style="list-style-type: none"> <li><input type="checkbox"/> None</li> <li><input type="checkbox"/> Alter business hours</li> <li><input type="checkbox"/> Sending staff to alternate facilities</li> <li><input type="checkbox"/> Allowing staff normally required to work at their office(s) to work from home (telecommuting)</li> <li><input type="checkbox"/> Allowing staff normally required to work at their office(s) to not work (paid time off, leave without pay, sick leave, furloughs)</li> <li><input type="checkbox"/> Other</li> </ul> |

Where are your employees who are performing critical functions located (i.e. at their normal locations, at alternate facilities, at home)? In the text box, please specify not only the locations, but also the approximate percentage of your employees that are at each location.

**Societal**

5. Given the situation in this scenario update, approximately what percentage of your available employees (i.e. those who were **not** indicated to be absent through the absenteeism distribution information) are working from home?
- a. 0% - 10%
  - b. 11 - 25%
  - c. 26 - 50%
  - d. 51 - 75%
  - e. 76 - 90%
  - f. 91% or more

If your organization has chosen not to have employees telecommute, please explain in the text box.

6. At this point in the scenario, what methods is your organization relying on to communicate with your workforce? Please rank order your reliance on the listed communication methods, with 1 being "little to no reliance" and 4 being the "highest level of reliance."
- \_\_\_ Telephone
  - \_\_\_ Email
  - \_\_\_ Postal, courier, and delivery services
  - \_\_\_ Company website

7. At this point in the scenario, what methods is your organization relying on to communicate with your customers, vendors, and other financial services organizations? Please rank order your reliance on the listed communication methods, with 1 being "little to no reliance" and 4 being the "highest level of reliance."
- \_\_\_ Telephone
  - \_\_\_ Email
  - \_\_\_ Postal, courier, and delivery services
  - \_\_\_ Company website

**General Operations Questions**

8. Do your organization's existing pandemic continuity plans address a second pandemic wave following closely on the heels of the first?
- a. No
  - b. Yes
  - c. Planning in progress, not yet implemented

If yes, what major actions is your organization taking to prepare for the second wave? Write your response in the adjacent text box.

9. Has your organization's HR department established and implemented trauma and grief plans?

- a. No
- b. No, but actively working and expect to establish in next 90-120 days
- c. Yes, established but not yet implemented
- d. Yes, established and implemented

10. Have plans been made to provide family members of deceased employees information on death and other essential benefits?

- a. No
- b. Yes
- c. Under review

11. Is your organization using incentive packages to overcome employee concerns about coming to work?

- a. No, did not use
- b. Yes, did use

12. From a payroll perspective, how is your organization handling employees who are absent?

- a. Not paying absent employees
- b. Asking employees to take annual or sick leave
- c. Asking employees to take short term disability
- d. Paying absent employees

13. From a payroll perspective, is your organization paying employees that have exhausted their annual and/or sick leave?

- a. No
- b. Yes

14. Have plans for establishing normal operations (i.e. reopening offices that have been closed, etc.) been made to enable employees to return to work?

- a. No
- b. Yes

If yes, please explain in the text box.

15. What steps is your organization taking to ensure that it is meeting business and regulatory obligations during this phase of the pandemic? Check all that apply.

- Establish work at home capabilities
- Divide various business units into multiple groups and disperse the groups to different work sites
- Shift work within the United States to a location where your organization is not currently licensed
- Switch some functions to locations outside of the United States
- Enter into service-level agreements with other organizations

16. At this point in the exercise, what regulatory relief is your organization requesting? Write your response in the adjacent text box. Cite the specific rule and/or statute if applicable with your answer.

**Banking/Credit Union Questions** (Questions 17-22 are intended for participants engaged in the banking or credit union sectors)

17. Given that 70% of your bank/credit union's ATMs are operational during the Scenario Update 3 period, which of the below strategies, if any, are you continuing to employ to keep those machines stocked and operating? Check all that apply.

- No action
- Lower the maximum amount that can be withdrawn
- Increase user fees to discourage non-customer use of your ATMs
- Change the denominations of the bills with which the machines are stocked
- Work with vendors in an effort to improve servicing of machines
- Not applicable

18. Approximately what percentage of your organization's branches are closed on any given day given the current situation?

- a. 0 - 5%
- b. 6 - 10%
- c. 11 - 25%
- d. 26 - 50%
- e. 51 - 75%
- f. 76 - 90%
- g. 91 - 100%

19. Given the Scenario Update 3 situation, which of the following changes to operations is your organization continuing to use for bank/credit union branches that are open? Check all that apply.

- Shortened operating hours
- Drive-through services only
- Other
- No changes to service

20. In which of these areas is your organization providing relief to customers given the current situation? Check all that apply.

- Not providing any relief at the point in the scenario
- Credit card debt
- Unsecured loans
- Auto loans and mortgage loans

If your organization is providing relief, how does your organization implement those decisions? How will they be communicated to customers? What are the barriers to successful implementation? Write your response in the text box.

- 21. Does the significant increase in customer late payments have a material effect on your organization's cash flow/liquidity?
  - a. No
  - b. Yes
  
- 22. If "yes" to question 21, what are your plans for addressing this issue?
  - a. No plans
  - b. Support from affiliates
  - c. Use of lines of credit
  - d. Sale of assets
  - e. Other

**Securities Questions** (Questions 23-37 are intended for participants engaged in the securities/derivatives sector)

- 23. What is your organization's view concerning a reduction in hours of open outcry trading in securities and futures given the current situation?
  - a. Undesirable
  - b. Neutral
  - c. Desirable only if also implemented by other major world markets
  - d. Desirable
  
- 24. What is your organization's view concerning a shifting of hours of open outcry trading in securities and futures given the current situation?
  - a. Undesirable
  - b. Neutral
  - c. Desirable only if also implemented by other major world markets
  - d. Desirable
  
- 25. What is your organization's view concerning a reduction in hours of electronic trading in securities and futures given the current situation?
  - a. Undesirable
  - b. Neutral
  - c. Desirable only if also implemented by other major world markets
  - d. Desirable
  
- 26. Does your organization require a shortened trading day in order to meet your cutoff times for clearance and settlement?
  - a. No
  - b. 1 hour earlier
  - c. 2 hours earlier
  - d. 3 or more hours earlier
  - e. Unable to meet cutoff

27. How would the absenteeism rate experienced by your organization affect your trading or associated risk-management operations?

- a. Little or no effect
- b. Would create moderate problems
- c. Would create significant problems
- d. Would require us to suspend trading in certain products

If applicable, please identify the products in which your organization would need to suspend trading operations in the text box.

28. In what time frame is your organization able to complete clearance and settlement, given the current level of absenteeism and trading volumes?

- a. Normal timeframe
- b. 1 hour delay
- c. 2 hour delay
- d. 3 hour delay
- e. 4 hour delay
- f. More than 4 hour delay

29. How much assistance will the listed activities provide your organization in performing operations given the current level of absenteeism? Please assign a number to each of the listed areas, with 1 representing "little to no assistance," 2 representing "medium level of assistance," and 3 representing "high level of assistance." You may repeat numbers as necessary.

- Eliminate corporate actions that require manual intervention e.g. voluntary tenders
- Extend reporting windows e.g. trade reporting, reconciliations, QT's, 15C-3, NAV calculation
- Extend timeframe for retail confirmations and account statements
- Extend the number of days to make margin calls
- Continue to do OATS/OTS reporting but extend the timeframe to answer any inquiries from NASD

30. To what extent do the listed lines of business remain adversely impacted by the circumstances prevailing in Scenario Update 3? Please assign a number to each of the listed areas, with 1 representing "little to no impact," 2 representing "medium impact," and 3 representing "high impact." You may repeat numbers as necessary.

- Retail Equities
- Institutional Equities
- Fixed Income
- Exchange Traded Derivatives
- Foreign Exchange
- Over the Counter (OTC) Swaps

31. Within retail equities, how adversely have the listed areas been impacted? Please assign a number to each of the listed areas, with 1 representing "little to no impact," 2 representing "medium impact," and 3 representing "high impact." You may repeat numbers as necessary.

- Clearance and Settlement
- Statement Generation
- Regulatory Reporting
- Trading

- |  |  |
|--|--|
| <p>32. Within institutional equities, how adversely have the listed areas been impacted? Please assign a number to each of the listed areas, with 1 representing "little to no impact," 2 representing "medium impact," and 3 representing "high impact." You may repeat numbers as necessary.</p>       | <p>___ Clearance and Settlement<br/>                 ___ Statement Generation<br/>                 ___ Regulatory Reporting<br/>                 ___ Trading</p> |
| <p>33. Within fixed income, how adversely have the listed areas been impacted? Please assign a number to each of the listed areas, with 1 representing "little to no impact," 2 representing "medium impact," and 3 representing "high impact." You may repeat numbers as necessary.</p>                 | <p>___ Clearance and Settlement<br/>                 ___ Statement Generation<br/>                 ___ Regulatory Reporting<br/>                 ___ Trading</p> |
| <p>34. Within exchange traded derivatives, how adversely have the listed areas been impacted? Please assign a number to each of the listed areas, with 1 representing "little to no impact," 2 representing "medium impact," and 3 representing "high impact." You may repeat numbers as necessary.</p>  | <p>___ Clearance and Settlement<br/>                 ___ Statement Generation<br/>                 ___ Regulatory Reporting<br/>                 ___ Trading</p> |
| <p>35. Within foreign exchange, how adversely have the listed areas been impacted? Please assign a number to each of the listed areas, with 1 representing "little to no impact," 2 representing "medium impact," and 3 representing "high impact." You may repeat numbers as necessary.</p>             | <p>___ Clearance and Settlement<br/>                 ___ Statement Generation<br/>                 ___ Regulatory Reporting<br/>                 ___ Trading</p> |
| <p>36. Within Over the Counter (OTC) Swaps, how adversely have the listed areas been impacted? Please assign a number to each of the listed areas, with 1 representing "little to no impact," 2 representing "medium impact," and 3 representing "high impact." You may repeat numbers as necessary.</p> | <p>___ Clearance and Settlement<br/>                 ___ Statement Generation<br/>                 ___ Regulatory Reporting<br/>                 ___ Trading</p> |
| <p>37. What is the impact on your organization's ability to maintain minimum net capital?</p>  | <p>a. No issues<br/>                 b. Minimal<br/>                 c. Moderate<br/>                 d. Significant</p>   |

**Insurance Sector Questions** (Questions 38-61 are intended for organizations in the insurance sector)

These questions are organized into three sections based on three major insurance lines of business – health, life, and property/casualty. Skip questions or sections of questions that do not apply to your organization. Answer any questions that do apply to your organization.

**Health Insurance Business Line Questions**

- |   |  |
|---|--|
| 38. What is the extent of the impact of the 50 percent increase in claims and reduced value of investment securities in this scenario on your organization's ability to maintain minimum capital?             | a. No effect<br>b. Minimal<br>c. Moderate<br>d. Significant                      |
| 39. To what extent did your organization's financial risk management tools help to mitigate the risks associated with this scenario?  | a. No effect<br>b. Minimal<br>c. Moderate<br>d. Significant<br>e. Not Applicable |
| 40. To what extent have your organization's claims appeals processes been improved by the reduction in absenteeism?   | a. No effect<br>b. Minimal<br>c. Moderate<br>d. Significant                      |
| 41. To what extent have your organization's claims appeals processes been affected by the 50 percent increase in claims?  | a. No effect<br>b. Minimal<br>c. Moderate<br>d. Significant                      |
| 42. To what extent do the current conditions disrupt your organization's customer service functions for new policyholders?  | a. No effect<br>b. Minimal<br>c. Moderate<br>d. Significant                      |
| 43. To what extent do the current conditions disrupt your organization's policyholder services for existing policyholders?  | a. No effect<br>b. Minimal<br>c. Moderate<br>d. Significant                      |
| 44. In view of the potential surge in claims due to increases in hospitalizations and visits to doctors' offices, have procedures been established to handle the probable 50 percent surge in medical claims? | a. No<br>b. Yes  |

- 45. Is your organization able to meet prompt payment obligations given the current situation?
  - a. No
  - b. Yes
  
- 46. How adversely does your organization’s level of absenteeism affect pre-authorization policies internally and at the health-care provider’s end? Please assign a number to each of the listed areas, with 1 representing “little to no impact,” 2 representing “medium impact,” and 3 representing “high impact.”
  - \_\_\_ Internally
  - \_\_\_ At the health-care provider’s end

**Life Insurance Business Line Questions**

- 47. What is the extent of the impact of the additional claims caused by the increase of 7.0 deaths per thousand policies in-force and the reduced value of investment securities in this scenario on your organization's ability to maintain minimum capital?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  
- 48. To what extent did your organization’s financial risk management tools help to mitigate the risks associated with the circumstances presented in this scenario?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  - e. Not Applicable
  
- 49. To what extent have your organization’s claims appeals processes been improved by the reduction in absenteeism?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  
- 50. To what extent have your organization’s claims appeals processes been affected by the impact on claims caused by the increase of 7.0 deaths per thousand policies in-force?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  
- 51. To what extent do the current conditions disrupt your organization’s customer service functions for new policyholders?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant

- 52. To what extent do the current conditions disrupt your organization's policyholder services for existing policyholders?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  
- 53. Is your organization able to meet payment obligations given the current situation?
  - a. No
  - b. Yes

**Property/Casualty Business Line Questions**

- 54. What is the extent of the impact of the change in claims and reduced value of investment securities in this scenario on your organization's ability to maintain minimum capital?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  
- 55. To what extent did your organization's financial risk management tools help to mitigate the risks associated with this scenario?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  - e. Not Applicable
  
- 56. To what extent have your organization's claims appeals processes been improved by the reduction in absenteeism?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  
- 57. To what extent have your organization's claims appeals processes been affected by the change in claims?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  
- 58. To what extent do the current conditions disrupt your organization's customer service functions for new policyholders?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant
  
- 59. To what extent do the current conditions disrupt your organization's policyholder services for existing policyholders?
  - a. No effect
  - b. Minimal
  - c. Moderate
  - d. Significant

- 60. Is your organization able to meet payment obligations given the current situation?
  - a. No
  - b. Yes
  
- 61. Will you be able to address catastrophic losses arising out of a hurricane, earthquake, or other natural or man-made disaster during this stage of the pandemic?
  - a. No
  - b. Yes

**U.S. Treasury Auction** (Questions 62-69 are only for organizations that participate in U.S. Treasury bond auctions)

- 62. Is your organization able to participate in the U.S. Treasury's scheduled bond auction(s) (see auction information in the scenario)?
  - a. No
  - b. Yes
  - c. Not applicable

If no, please explain your response in the text box.

- 63. From what location is your organization participating in the auction(s)?
  - a. Primary site
  - b. Backup site
  - c. Overseas location
  - d. Home location
  - e. Not applicable

- 64. Has your organization's ability to submit bids on time for all scheduled auctions (see auction information in the scenario) been impacted as a result of the situation in Scenario Update 3?
  - a. No
  - b. Yes
  - c. Not applicable

If yes, please explain your organization's plans to fulfill your obligations as a Primary Dealer in participating in all scheduled Treasury auctions during this scenario update.

65. How has your organization been able to submit your bids given the situation in Scenario Update 3?
- a. TAAPS link 1
  - b. TAAPS link 2
  - c. Via telephone
  - d. Other
  - e. Not applicable

66. Is your organization relying on an out-of-region site to submit your firms bids in Treasury's scheduled and unscheduled auctions, and do you feel that your organization was fully prepared to do so (e.g. determined how it will work, who will submit, who will determine bid size(s), yield(s), and discount rate(s) to bid, as well as your net long positions)?
- a. No, we are not relying on an out-of-region site
  - b. We are relying on an out-of-region site but were not fully prepared to do so
  - c. Yes, we are relying on an out-of-region site and we feel that we prepared fully to do so

67. If Treasury has a pressing cash need to conduct several unscheduled cash management bills (CMB's) at the time of this scenario update, is your organization prepared to participate in these unscheduled CMB's?
- a. No
  - b. Yes

If no, please explain in the text box.

68. If the regular bill trader(s) is/are unavailable because of illness, is there another employee in your organization who will have the authority to formulate and submit bids and net long positions for unscheduled CMB's?
- a. No
  - b. Yes
  - c. Under consideration

If yes, from what location?

69. Was your organization able to calculate and report your net long position for each auction as a result of the situation in Scenario Update 3?
- a. No
  - b. Yes

If yes, did your organization encounter any problems in aggregating and reporting your net long position? Please explain in the text box.

**Post-Exercise Questions**

- 70. Based on lessons learned from the exercise, how effective are your organization's business continuity plans for a pandemic?
  - a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable
  
- 71. Based on lessons learned from the exercise, how effective are your organization's plans to address power service interruptions and/or failures?
  - a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable
  
- 72. Based on lessons learned from the exercise, how effective are your organization's plans to address telecom service interruptions and/or failures?
  - a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable
  
- 73. Based on lessons learned from the exercise, how effective are your organization's plans to address public transportation system interruptions and/or failures?
  - a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable
  
- 74. Based on lessons learned from the exercise, how effective are your organization's plans to address other key dependencies, e.g. IT suppliers, building services suppliers, departments in your organization, and other outsourced or internal entities (call centers, help desks, etc.)?
  - a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable

75. Based on lessons learned from the exercise, how effective are your organization's plans to utilize telecommuting capabilities in the event of a pandemic?
- a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable
76. Based on lessons learned from the exercise, how effective are your organization's Human Resources (HR) pandemic policies/plans to meet the needs of your workforce?
- a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable
77. Based on lessons learned from the exercise, how effective are your organization's internal communications plans to communicate with employees during a pandemic event?
- a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable
78. Based on lessons learned from the exercise, how effective are your organization's public relations plans for a pandemic event?
- a. Not at all
  - b. Minimally
  - c. Moderately
  - d. Very
  - e. Not applicable
79. Was this exercise useful to your organization in assessing your pandemic business planning needs?
- a. No
  - b. Yes
80. Did the exercise allow your organization to identify critical gaps, seams, and dependencies that warrant additional attention?
- a. No
  - b. Yes
81. Did the exercise meet its stated objectives?
- a. No
  - b. Yes
82. Will your organization initiate additional all-hazard plan refinement based upon your organization's lessons learned during the exercise?
- a. No
  - b. Yes

83. What comments would you like to provide the exercise sponsors? Please use the text box.

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### SCENARIO UPDATE 3 DISCUSSION QUESTIONS

The following questions are provided as optional discussion questions for your institution’s internal deliberations. The answers will not be collected as part of the exercise questionnaire.

1. Based on what you learned during this pandemic wave, what guidance would you provide on individual preparedness for the next wave? (FAQs, website referrals, etc.)

2. What follow-up sessions (e.g. mental health/grief counseling, death benefit/life insurance processing, etc.) does your organization or firm have planned during the recovery phase as the pandemic wave subsides?

3. To what extent are you satisfied that your existing Business Continuity Plans (BCPs) include provision(s) for the activities required to ensure a return to normal operations following a pandemic?

- a. No BCP in place specifically for a flu-related pandemic
- b. Under review
- c. Existing plans require further development
- d. Included in existing plans

4. To what extent has your organization/firm considered the impact on your own telephone needs if emergency management calls are the only ones being processed?

- a. We have completely addressed this
- b. We have partially addressed this
- c. We have not addressed this at all

5. Given the major internet problems that occurred, are you planning to adjust your emergency communications plans?

- a. Yes
- b. No
- c. Does not apply

- |     |   |   |
|-----|---|---|
| 6.  | Will you continue to evaluate the planning of future in-person conferences until the end of the pandemic?   | a. Yes<br>b. No<br>c. Does not apply  |
| 7.  | Has your organization planned and prepared public relations messages to calm the public and dissuade them from attempting to acquire extra cash?                    | a. We have completely addressed this<br>b. We have partially addressed this<br>c. We have not addressed this at all |
| 8.  | How will this be communicated to your employees?  | a. Web<br>b. Desk drop<br>c. Meetings<br>d. Teleconference  |
| 9.  | Given the major telecommunications issues that took place, are you planning to adjust your emergency communications plans?  | a. Yes<br>b. No<br>c. Does not apply  |
| 10. | Has your organization considered alternate means of communication besides the telephone (i.e. text messaging, instant messaging, Blackberry, mobile devices, etc.)? | a. We have completely addressed this<br>b. We have partially addressed this<br>c. We have not addressed this at all |
| 11. | Your plans include trigger points for determining the reintroduction of business travel.  | a. True<br>b. False   |
| 12. | Do you have instances that trigger a "return to normal" in your pandemic plans?   | a. Yes<br>b. No<br>c. Under review  |
| 13. | Have the triggers occurred by the end of Scenario Update 3?   | a. Yes<br>b. No   |
| 14. | Do your plans extend beyond the reopening of schools to encompass those too concerned about infections to send their children back?                                 | a. Yes<br>b. No<br>c. Under review  |

15. Given the current situation, to what extent are you interested in having staff, who during normal conditions would be supervised in the office, work from home?
- a. Not interested
  - b. Somewhat interested
  - c. Interested
  - d. Very interested
16. Will you revisit your plans to develop supplemental security in the event of a crisis?
- a. Yes
  - b. No
  - c. Under review
17. Has your organization been affected by additional absences from employees serving in the National Guard?
- a. No, little or no impact
  - b. Yes, impact was moderate
  - c. Yes, impact was significant
18. How long does your organization estimate that it will take to work through the backlog generated by the high absenteeism?
- a. No time. No backlog was generated
  - b. Less than 6 months
  - c. 6-12 months
  - d. Greater than 1 year