



Business Continuity Planning

A guide to loss prevention



HSB Engineering Insurance

There are many statistics quoted about the effect that a lack of planning for a disaster has on a business. What's certain is that any unplanned interruption can be devastating to a business, with loss of customers, market share and profit common place.

A guide to loss prevention

Events that interrupt a business carrying out its duties can come from many sources including weather related, fire and theft.

Whatever the cause, the failure to complete normal business operations can result in financial penalties, loss of customers and reduction in profit.

Our experience shows that in the event of a disaster, informed decisions and actions arising from such a plan can enable businesses to be back up and running within hours.

What is Business Interruption Insurance?

Loss of property is often negligible compared to the loss of income that ensues as a consequence. Business interruption (BI) insurance has been developed to help the Insured regain their predicted pre-loss trading position.

The intention of a BI policy is to maintain the turnover of the business during the indemnity period following an insured incident so that it can resume trading at its anticipated pre loss trading level. It follows that if there is no business to maintain (i.e. the insured ceases to trade or goes into liquidation) the BI policy is unable to respond.

What is Delayed Start Up Insurance?

Normally this covers the time element coverage for property under construction, also referred to as delayed or delay in start-up (DSU), delayed opening, soft costs, or advance loss of profits (ALOP) coverage.

Delayed completion coverage covers income loss or specified additional expenses (such as additional interest charges and advertising expenses) that result from a delay in the completion of a construction project when the delay is caused by covered property damage (PD). It is typically written as part of a builders risk or an erection risk policy.

The best way of ensuring your business can recover from an unforeseen event, is by developing, communicating and implementing a business continuity plan.

To ensure you can do this you need to:

- Identify potential threats**
- Take steps to reduce risks**
- Develop a plan**

Standard to follow: BS ISO 22301: 2012

The International Standard BS ISO 22301: 2012 Societal security. Business continuity management systems. Specifies requirements for setting up and managing an effective Business Continuity Management System (BCMS), based on the 'Plan-Do-Check-Act' model that seeks to improve continually the effectiveness of the organisation through proficient planning, implementation, supervision, review and maintenance.

Business Continuity Management Standard

A BCMS Emphasises the importance of understanding the organisation's needs and the necessity for establishing business continuity management policy and objectives, implementing and operating controls and measures for managing an organisation's overall capability to manage disruptive incidents, monitoring and reviewing the performance and effectiveness of the BCMS, and continual improvement based on objective measurement.

A BCMS, like any other management system, has the following key components:

- a policy;
- people with defined responsibilities;
- management processes relating to
 1. policy,
 2. planning,
 3. implementation and operation,
 4. performance assessment,
 5. management review, and
 6. improvement;
- documentation providing auditable evidence; and
- any business continuity management processes relevant to the organisation

Be prepared

In any economic climate, the loss of business because of interruption can be devastating to a company, with considerable disruption resulting from events such as, flood, freeze, power outages, snow, strikes, IT problems and supplier failure.

Working out what keeps a business running and who and what it relies upon is the first stage in developing a more resilient business. Developing and communicating a good business continuity plan on how to respond to disruption events is the next step.

Keep it simple

One reason that many companies don't undertake business continuity planning is that it can be seen as very complicated. As a broad guide there are six main areas to consider:

Customers

Businesses need to prove that they can operate in all circumstances. Business Continuity Management (BCM) provides an opportunity to promote a well managed business. Some organisations have gone further with independent audits of their business continuity management system.

Staff

Staff play a key role in recovering from a major disruption. Aside from a duty of care to staff, if you cater for your staffs' needs, then they can concentrate on keeping you in business when you need them most.

Supply Chain

In tougher times, reliance on a single critical provider can be a greater risk. Even in good times understanding how you would recover from disruption and where you feature in your provider's priorities is important.

Communications

The failure of IT and telecommunication systems is one of the most frequent disruptions experienced by companies. Critical information needs to be backed up and accessible.

Facilities

Many disruptions can lead to a loss of site/premises access and some companies have arrangements in place to move to a temporary site/premises during this disruption.

Reputation

To keep a businesses' reputation intact, handling a crisis competently and with confidence is important.

Thinking about these key areas can lead to a more prepared business should the worst happen.

Frequently asked questions

What is business continuity planning?

Put simply, business continuity is about anticipating the crises that could affect a firm and planning for them, to make sure that the business can continue to function in the event of an emergency.

What is a business continuity plan?

A Business Continuity Plan sets out clear roles and responsibilities, for example those assigned to manage all liaison with customers, employees and the emergency services. It lists a series of contingencies that enable key business activities to continue in the most difficult circumstances, such as when a vital computer system or other equipment is unavailable. Importantly, it also details clear emergency procedures to ensure that the safety of employees is a top priority.

Because it requires an assessment of all critical areas of a company, business continuity planning is a valuable management tool.

Why should small businesses care about business continuity planning?

Business success is as much about protection as growth. In an uncertain world, that means creating a business with the flexibility to prosper in changing conditions and strong enough to survive should a disaster strike. The ability to withstand serious incidents like flooding and fire, and quickly re-open for 'business as usual' is critical. There is also the commercial benefit to consider, as companies with business continuity plans are more attractive to do business with. For example, large businesses that rely on the outsourced services of third parties will prefer to work with suppliers who have a Business Continuity Plan in place.

How does business continuity planning differ from a disaster recovery plan?

Disaster recovery plans traditionally focus on the IT recovery of the business such as tape backup systems, storage systems, and hot sites.

A Business Continuity Plan will address all the requirements essential to keeping the business running and includes processes to keep disruption to customers and employees to a minimum. In short, it is about ensuring that a crisis is managed effectively before it escalates to a disaster.

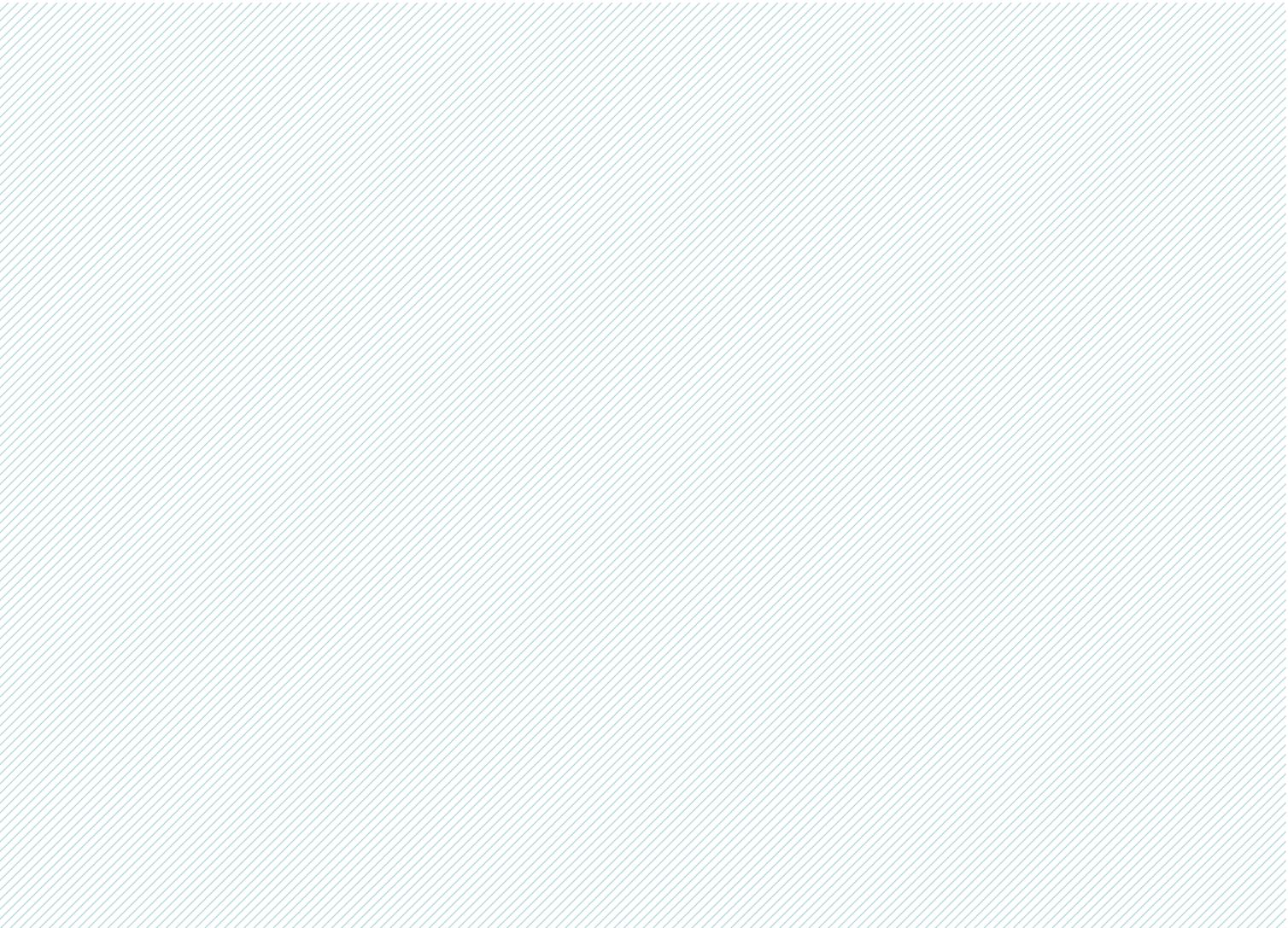
Isn't my business too small to have a business continuity plan in place?

Protecting the future of a business whatever the size has to be the number one priority for every business leader. The smaller your business the more important it is to have a contingency plan in place. Any incident, no matter how small is capable of impacting your business and profitability. The size of any continuity plan will depend on the risks facing each business – it will be as large or small as needed.

References

- BS ISO 22301: 2012 Societal security. Business continuity management systems. Requirements
- <https://robust.riscauthority.co.uk/>
- The Business Continuity Institute: <http://www.bci.com>

Disclaimer: The guidance in this document refers to industry best practice loss control advice. Adoption of the advice contained within this document does not imply compliance with industry, statutory or HSBEI guidelines, nor does it guarantee that related losses will not occur.



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