TECH TALK
Volume 23

ALLIANZ GLOBAL CORPORATE & SPECIALTY®

BUSINESS CONTINUITY PLAN

ALLIANZ RISK CONSULTING

This Tech Talk discusses the essential components of a Business Continuity Plan (BCP) and includes ARC recommendations for a successful Business Continuity Management System (BCMS).

AT-A-GLANCE

- The Business Continuity Plan (BCP) objective is to minimize the potential impact of threats on business operations.
- The BCP is a holistic approach that considers essential operations, critical equipment, key personnel, functional vulnerabilities, supply chain exposures, and proposed solutions. The BCP requires top management commitment and buy-in for success as it is a top-down risk management approach.
- The BCP is a living document requiring repeated exercise and continuous improvement.
- An audit of the existing BCP can be performed by a certified ARC Engineer to insure it aligns with current best practices in the industry.

INTRODUCTION

Experience proves that major events, whatever the origin, can lead to a business failing in its objectives. It is also evident that the likelihood of recovery is greater for companies that:

- Assess the impact of potential events
- Prepare their response in advance
- Test their plan

More and more businesses are under pressure from their shareholders, clients, local regulators, business norms and insurance companies to implement a reliable BCP in their organization.

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A business is vulnerable to a variety of threats:

- Industrial events: fire, explosion, machinery breakdown, etc.
- Natural disasters: flood, earthquake, hurricane, tsunami, tornado, etc.
- Cybercrime
- Loss of key employees and specialty equipment
- Pandemic
- Terrorist attack
- Product defect/recall
- Supply chain disruption

HOW DOES IT WORK?

Be prepared, make a plan!

Preparedness is the key. An adequate BCP identifies potential threats to an organization and analyzes what impact they may have on operations and business objectives. It also provides a way to mitigate these threats and their consequences. It entails having in place a framework which allows key functions of the business to continue even if the worst case scenario happens.

The benefits of an adequate BCP are numerous and include the following:

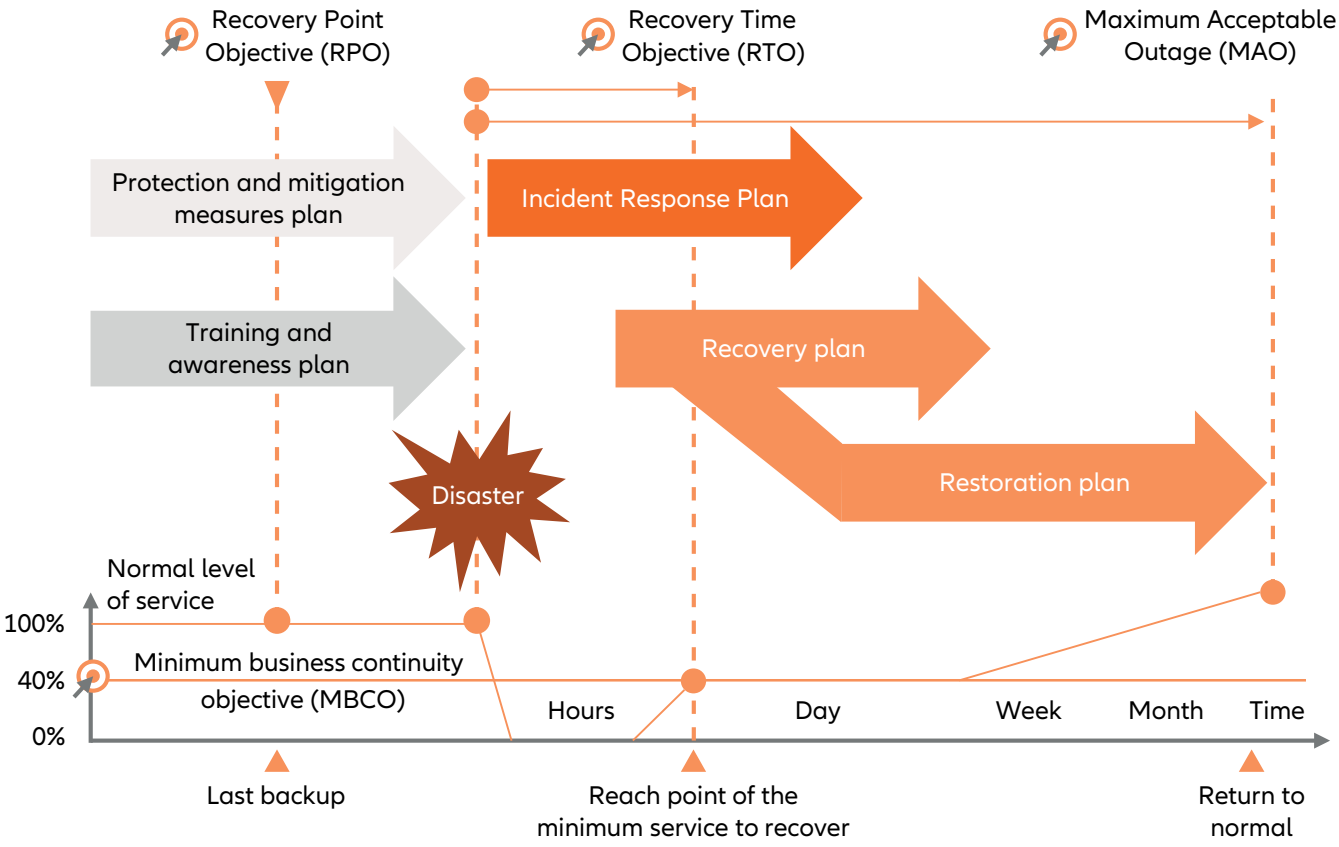
- Preserve client and shareholder trust
- Protect brand image and company reputation
- Limit financial loss by minimizing the extent of business interruption
- Prepare and train employees to fight against a crisis
- Obtain commercial advantage over those competitors without a BCP
- Gain new markets and bolster existing customer base
- Identify contingent business interruption and interdependency issues
- Identify supply chain risk and vendor qualification exposures
- Identify potential insurance gaps not previously recognized

If a company or organization is prepared for the 'worst case scenario', disruptions will be reduced and the resilience will increase accordingly.

MAIN COMPONENTS OF THIS SYSTEM

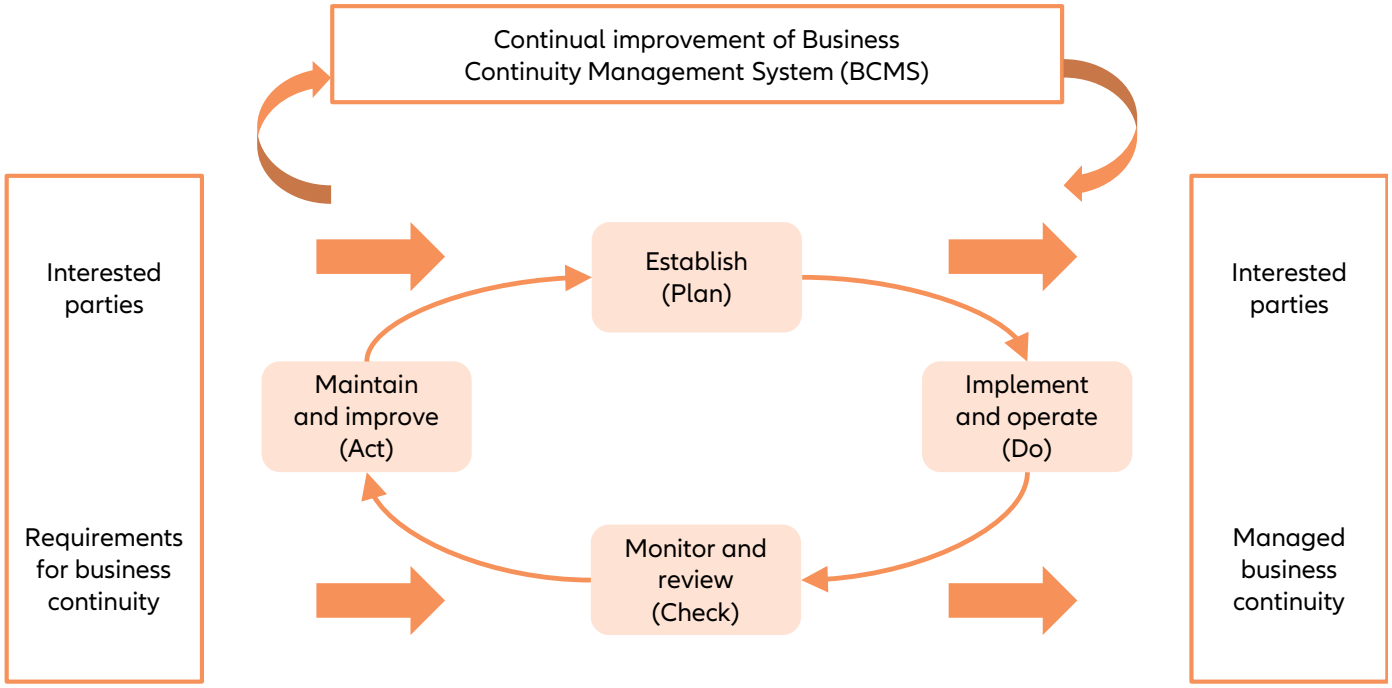
Best practice in business continuity is built on the stages of the **Business Continuity Management System (BCMS)** lifecycle. This process guides organizations in identifying threats, designing responses, implementing a plan and measuring effectiveness. It's an ongoing process to continually build and improve organizational resilience.

1. Top management commitment and setting expectations
   A corporate business continuity policy should be clearly established by management that includes the scope, objectives and expectations of the BCMS project. At the initial stage, the organization determines the requirements and expectations of the interested parties (stakeholder, clients, local authority, etc.); develops a corporate mission statement; communicates effectively throughout the organization; empowers employees to take ownership in the process; and provides the support (time and money) to ensure success.
2. Business impact analysis
   Conduct a **Business Impact Analysis (BIA)** for each vital process. Every functional area with key processes considered vital to ongoing operations is interviewed. The purpose of a BIA is to gather information and determine recovery requirements for each functional area in the event of a crisis. It identifies the resources required to support each activity and captures the impact of ceasing to perform these activities.
   As part of your BIA, the recovery priorities are established in terms of the following:
   - **Recovery Time Objective (RTO)** refers to the target time set for the recovery of your IT and business activities after a disaster.
   - **Maximum Acceptable Outage (MAO)** is the maximum amount of time a system can be unavailable before its loss will compromise the organization's objectives or survival.
   - **Recovery Point Objective (RPO)** focuses on the company's tolerance in terms of data or production disruption before the business suffers an unacceptable loss.
3. Response and recovery plan development
   Each response and recovery plan is tailored to the business operation, and addresses redundancies and flexibility built into the operation. Resources needed to expedite recovery are also identified. Plans usually detail the following:
   - The response deals with the crisis organization and includes actions designed to ensure that control systems remain functional during the event. Initial impact assessments and communication methodologies are included.
   - The recovery and resumption involve critical record retrieval and resumption of critical operations, services, data, and IT operations. The restoration and return entails restoring conditions and profit margins to that which existed prior to the event.



4. Maintenance, tests and continuous improvement

   To ensure the reliability of the BCP, routinely test and maintain the plan with the intent of learning from the experience, identifying deficiencies, taking corrective measures, and updating the plan accordingly. For continuous improvement, apply the "Plan-Do-Check-Act" (PDCA) model to your BCMS.



Plan-Do-Check-Act model adapted to BCMS

ARC RECOMMENDATIONS

The following recommendations are based on best engineering practices and should be discussed with your ARC representative.

1. Designing process
    - Choose a recognized standard as a reference for the BCP.
    - Select experienced and recognized experts to assist with BCP development, e.g., choose experienced employees and/or a certified external consultant.
    - Involve, in all cases, key personnel for each critical functional area, head of departments, and site management in the BCP process. It is important that employees facilitate, understand, and take ownership of the BCP process and plan implementation for the site.
    - Document the BCP process for development and audit purposes.
2. Business impact analysis
    - Involve the "risk owners" whatever their position (i.e. CEO, industrial director, vice-president, financial director, marketing director...).
    - Use the ARC Risk Analysis reports, including the loss scenarios.
3. Response and recovery plans
    - Identify BCM corporate policy within the plan.
    - State when and how the BCP will be initiated.
    - Describe the crisis management and Business Recovery Team (i.e. the team members , roles and responsibilities).
    - Establish protocols for plan development, changes to the plan, distribution, and testing of the plan. Identify the command center location.
    - Define communication protocols, e.g., designate individuals for employee communication, media spokesperson, customer contact, shareholder communication and public relations.
    - Include the Business Impact Analysis findings. Each functional area continuity task list based on the approved recovery strategy. The task list addresses people, facility, equipment, vendors, and technology recovery / continuity processes. Include alternate suppliers, back-up locations, facilities and processes. Do not forget to detail the resources engaged.
4. Maintenance, exercising and testing
    - Update the BCP when important changes are made to the business or within the organization. The maintenance of the BCP should include all outcomes of any previous tests.
    - Test the BCP on a regular basis (at least annually) to prove it is workable and viable. Exercising the plan is useful for training purposes and provides an important tool for embedding Business Continuity Management in the organization's culture.
5. ARC engineers
    - ARC engineers are trained and certified to audit the BCMS according to ISO 22301, the standard for Business Continuity Management Systems.
    - ARC engineers are available to support the different phases of a BCMS lifecycle.

ISO 22301:2012 BUSINESS CONTINUITY MANAGEMENT LIBRARY

Certified ARC engineers support clients with the BCP development process (issuance of specifications, project follow-up, attendance to the tested exercises, ISO 22301 audit services).

REFERENCES

ISO 22301, *Societal security - Business continuity management systems - Requirements*

NFPA 1600, *Standard on Disaster/Emergency Management and Business Continuity/Continuity of Operations Programs*

NIST 800-34 – *Contingency Planning Guide*

USEFUL LINKS

The Business Continuity Institute (BCI) based in the United Kingdom: http://www.thebci.org

International Organization for Standardization – ISO 22301:2012: https://www.iso.org/standard/50038.html

Disaster Recovery Institute International (DRI) based in the United States: http://www.drii.org

QUESTIONS OR COMMENTS?

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Tech Talk is a technical document developed by ARC to assist our clients in property loss prevention. ARC has an extensive global network of more than 100 property risk engineers that offers tailor made, customer focused risk engineering solutions.

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