

BUSINESS CONTINUITY MANAGEMENT RISK MANAGEMENT ADVICE NOTE

Introduction

The implementation of a pre-planned, considered approach to minimise impact on business if 'disaster' strikes involves several stages of development. Each business is unique and by its very nature is exposed to physical, financial and other risks. Even though insured, no amount of insurance can possibly allow for all contingencies and, even when insurance ultimately provides financial compensation, the long-term impact on the business due to loss of customers and reputation can be major. **This is extremely important when Business Interruption forms part of the business insurance covers, as it may speed up recovery from a major setback. This is not solely restricted to large business operations and can benefit any trading entity.**

The Development Process

The following key steps need to be considered before a written plan can be developed.

- (a) Establish a consensus view on the business' key business continuity priorities amongst the executive management team through a formal risk assessment process. (Sometimes referred to as a 'business impact analysis'.)
- (b) Develop risk mitigation options (strengthening and/or contingency plans) in light of the conclusions drawn from the assessment.
- (c) If expertise is required, it may be worth bringing in an experienced outside party, appropriately qualified to evaluate and identify areas where improvements are required.

The business' vulnerability to disruption risks needs to be assessed by:

- (i) agreeing on the business' goal(s);
- (ii) defining those core business activities that support the business' strategic and emerging markets;
- (iii) determining the tolerance of these markets to disruption or lack of supply of the business' products and services;
- (iv) identifying those business functions (including assets, systems and resources) that are used to support the core business activities;
- (v) identifying those conditions or circumstances where disruption to business functions and hence core business activities could exceed tolerable limits;
- (vi) considering viable options for reducing the probability and/or duration of such disruption, and identifying areas where specific contingency plans are warranted (or may need upgrading if they already exist).

For example, it may be identified that a specific contingency plan is needed to assist in swift resumption of the I.T. function, or that the company needs to identify an alternative raw material supplier as an important component is sourced from a single plant.

It can be advantageous to conduct this assessment (phases i – v) in a workshop forum because it allows individual views to be contested by informed peers where differences in opinion or gaps in knowledge exist. It is not uncommon to see the level of knowledge and understanding of the business at the executive level generally increase following this type of facilitated process.

Disclaimer

The purpose of this Risk Management Advice Note is to assist you in minimising potential loss from exposures which need prompt consideration.

The Advice Note does not imply that all other exposures were under control at the time of inspection.

The options contained in this Advice Note are not intended to be a substitute for appropriate professional advice in relation to any matter. In achieving compliance with these items, fire protection equipment and systems should be installed to comply with the requirements of the relevant local, and/or Government authority. Any equipment installed should also comply with the requirements of the relevant New Zealand Standards and Codes.

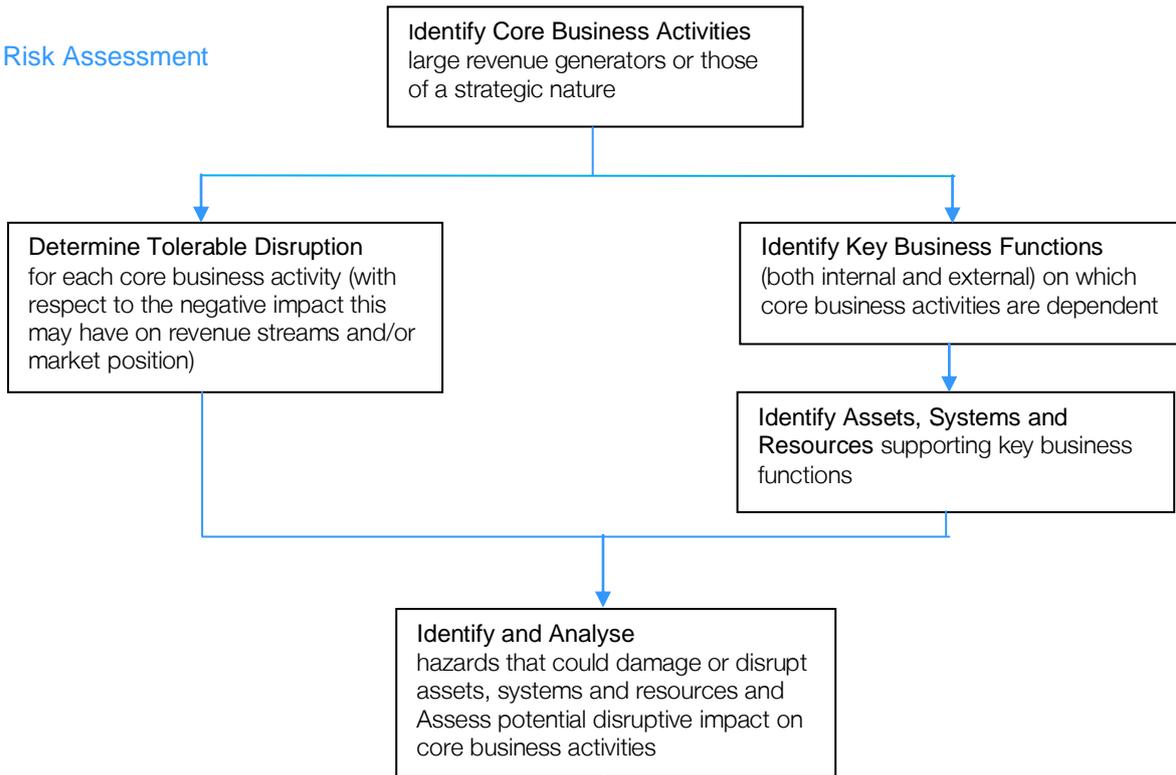
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THE PROCESS OF PLAN DEVELOPMENT

(a) Risk Assessment



(b) Risk Mitigation

