

Chubb Risk Bulletin: Business Continuity Planning

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Disasters come in many forms — some are imposed by nature and are regional in scope such as hurricane, flood, ice storm, pandemics, or earthquake; and some occur within a facility such as fire, mechanical failure, dust explosion, or toxic chemical spill. Some events occur because of intentional acts including workplace violence, cyber-attacks or civil unrest. A business continuity plan (BCP) helps make your company less vulnerable to these events.

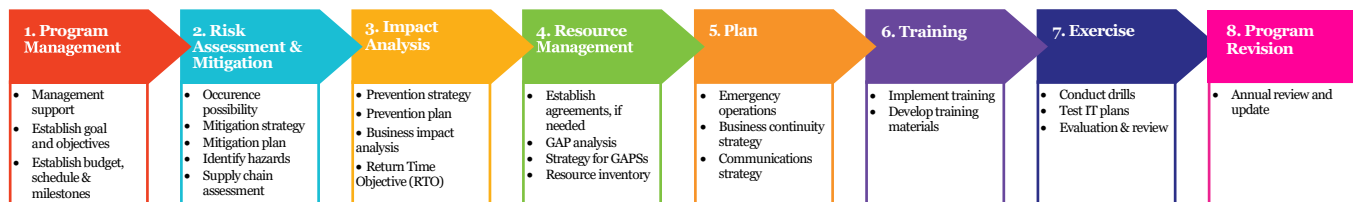
Components of a Business Continuity Plan

A business continuity plan provides a framework for returning to normal. The planning process identifies hazards associated with a disaster and mitigates the devastating effects should an event occur. The plan includes three components, each addressing a specific planning phase: risk assessment and mitigation, emergency response, and business recovery.

Risk Assessment and Mitigation planning considers the types of events that might compromise your business, assesses the hazards facing your company, and identifies steps to eliminate or minimise the impact of those hazards. Taking measures to prepare for a disaster improves your ability to protect employees, safeguard assets, and minimise financial consequences.

Emergency Response planning develops procedures that enable you to respond to a disaster. The emergency response plan is activated when an unexpected event occurs (such as a fire or workplace violence) or when a forecasted event (such as a hurricane or flood) is imminent. The plan responds until people are safe and there is no further threat of property damage or bodily injury.

Business Recovery planning addresses your company's critical business functions and defines procedures that facilitate restoration of these functions (such as sales, production, and operations) to pre-disaster levels. If functions are disrupted for too long, the organisation may fail.



Eight Steps to a Plan

1 Program Management

All successful business continuity plans begin with commitment and support from top management, and a designated person responsible for overseeing the process. Developing the plan requires a core team of individuals from production, human resources, quality assurance, finance, and other critical business areas.

2 Risk Assessment and Mitigation

To protect your organisation, you must first understand what makes it vulnerable. A risk assessment identifies and ranks the types of events or hazards most likely to threaten your business. The categories addressed within this risk assessment include facility construction, fire protection, technology resources, staffing, past events, supply chain, specialised equipment, climate, security, and utilities.

By determining the likelihood, potential impact, and current resources related to disasters, the extent of vulnerability can be assessed. Immediate steps may be available to significantly reduce these vulnerabilities.

3 Impact Analysis

The philosophy of a business continuity plan is to recover the most critical functions first and then, over time, restore all business processes. A business impact analysis (BIA) allows you to rank functions from highly critical to less important. This step requires input from all areas of your business, including confirmation from top management.

Most business functions today rely heavily upon information technology (IT) resources. A strategy to replace the equipment and data should be spelled out within the business continuity plan. Your firm should review the possibility that replacement equipment could be quickly shipped from your IT vendor. Backup data files should be stored off site and accessible within a few hours.

4 Resource Management

It is vital that organisations determine the minimum number of resources they will need to perform the critical functions identified in the business impact analysis. These resources include staff, equipment, material and space. Determining what is available and what is needed based on the strategies that have been selected is crucial. Part of resource management is determining this gap and planning for future investments as needed to ensure resources are available in the event of a disaster.

The management of resources also involves setting up alternatives for the critical functions such as mutual aid agreements, identification of alternate sources of materials, and updating space requirements based on new processes within the organisation.

5 Plan

It is important to document systematic procedures. Most plans do not require expensive business continuity planning software—they can be written using basic word processing programs.

Once the critical functions and resources have been identified, business units need to recommend strategies that allow for the recovery of functions within a prescribed time frame known as recovery time objectives (RTO).

Top management should review these recovery strategies since they require a commitment of funding and staff.

Elements of the plan such as business impact analysis (BIA) should be verified on at least an annual basis.

6 Training

Training must be accomplished for all individuals involved in the business continuity process. It should also involve all staff members to some degree so that they are aware of the process and expectations of both themselves and the company.

This process also includes the distribution of the plan to stakeholders within the organisation and committee members to ensure that they understand their roles and responsibilities in the event of an incident. The material that is distributed should be concise and pointed to their role. Not all individuals within the company will need to have access to the overall plan, as sensitive material can be included.

7 Exercise and Test the People/Plan

To verify that your choices for recovery strategies are valid, testing the plan is essential. These tests may be as simple as a tabletop exercise where company staff discusses the steps required to respond to a disaster scenario. From these discussions, it may be apparent that prescribed strategies may not work. A testing timetable will help track the required testing.

For example, the main location is not available for a period of 30 days. With this assumption in place, can the BCP address steps to operate from a temporary or secondary location?

Staying viable after a disaster hinges on effective planning

It is better to assume a worst case scenario and be ready if something less severe happens.

8 Program Revision

The business continuity plan is a living document and must evolve to keep pace with the organisation. Revisions to the plan should be made at least annually to reflect any changes within the organisation. Additionally, after each test of the plan, staff suggestions, improvements, and critiques should be incorporated

A Worthy Investment

Business continuity planning is a cycle. It requires continual reviews, updates, and adjustments based on changes to your business operations. This may appear time-consuming and costly, but the investment is essential to maintaining a comprehensive, effective plan.

Once this process has been completed, your staff will better understand your company's vulnerabilities. Your company will have in place the tools needed to:

- Minimise lost revenue
- Control recovery costs
- Increase productivity during the recovery period
- Minimise regulatory impact
- Increase competitive advantage

How quickly a business can recover from a disaster hinges on effective planning and education of those involved before an event strikes. Businesses that do not consider this lesson remain exposed to substantial loss of life, physical assets, revenue, and reputation. Invest time in your business continuity plan now to preserve your company's standing when disaster strikes.

Chubb Risk Engineering Services

Chubb has a team of dedicated risk engineers who can assist clients with their risk exposures and BCP planning.

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