BUSINESS Continuity Coordination with Risk financing & Claims

MADRA
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BCP and Insurance

- Risk Appetite
- Business Impact & Risk Assessments
- Response and Mitigation Plans
- Test, Test, Test
- Communicate
- Refine After Implementing
- Communicate Success and Improvements

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**Risk Appetite**

- **BCP**
  - Drives tolerance for limits that a BCP professional uses to set parameters on the BIA (e.g., legal, revenue, people impacts)

- **Insurance**
  - Drives tolerance for deductibles, waiting periods, and policy limits/sublimits
BIA and Risk Assessment

- **Risk Assessment**
  - Traditionally done by Risk Management
  - Identifies major threats to insured locations/business units
  - Can be sophisticated enough to quantify interdependency risk

- **BIA**
  - Traditionally done by business units (or consultant) for BCP
  - Identifies impact within a specified timeframe of loss of people/place/IT regardless of cause
Risk Appetite

Business Impact & Risk Assessments

Response and Mitigation Plans

Test, Test, Test
Communicate

Refine After Implementing

Communicate Success and Improvements

BCP and Insurance
Response & Mitigation Plans

- BCP
  - Disaster Recovery Plans
  - Alternate Site
  - Desk Procedures
  - Backup personnel/cross training
  - Forward contracts with suppliers
    - Generators, emergency restoration companies, etc.
Response & Mitigation Plans

- Risk Management
  - Acceptance (no risk - no return)
  - Avoidance (don’t drive)
  - Risk Prevention (antilock brakes)
  - Risk Reduction (wear a seatbelt)
    - Forward contracts with suppliers (Generators, emergency restoration companies, etc.)
- Risk Transfer
  - Insurance
  - Other parties (hold harmless, hedging, etc.)
## Business Continuity Objectives

<table>
<thead>
<tr>
<th>Protect and Retain Key Employees</th>
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<tr>
<td>Preserve Key Assets</td>
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<tr>
<td>Identify and Qualify Back Up Resources</td>
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<tr>
<td>Map &amp; Understand Supply Chain</td>
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<td>Restore Operations</td>
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## Insurance Coverage

<table>
<thead>
<tr>
<th>Ordinary Payroll</th>
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<tr>
<td>Protection of Property</td>
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<tr>
<td>Extra Expense and Cost to Avert</td>
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<td>Contingent Time Element Extra Expense</td>
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<td>Coverage Endorsements</td>
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Critical Steps to Effective Response

- Account for everyone
- Leverage agreed to recovery plan
- Protect most crucial assets
- Assemble the teams
  - Claims and BCP Recovery Teams
  - Make sure the Claim Team builds BCP plan for response
  - Make sure BCP Recovery Teams include claim support in their plans (Finance, HR, Operations, Purchasing, etc.)
- Run parallel processes to complete business resumption and claim collection
Communicate early and often

Mitigate the loss

Document everything
  - Insurance / Regulatory / Compliance

Assess the plan during and after
Risk Appetite

Business Impact & Risk Assessments

Response and Mitigation Plans

Test, Test / Respond Communicate

Refine After Implementing

Communicate Success and Improvements

Business Continuity & Claims
Refine After Test/Event

- BCP - update
  - BIA
  - DR
  - Alternate Site
  - HR
  - Desk Procedures
- Risk Management - update
  - Risk Assessment
  - Mitigation plans
  - Risk Transfer – contracts and insurance language
Catastrophic Claims Survey

Ernst & Young and Risk & Insurance surveyed more than 300 risk and finance professionals to determine how companies plan for and respond to catastrophic events.

Here is a sample of those results...
Catastrophic Claims Survey

70

Percent of companies that have a comprehensive business continuity plan

10 YEARS

Over 80% of continuity plans are less than 10 years old

77

Percent of companies that reported they “Rarely” have to execute their BCP
Catastrophic Claims Survey

How would you characterize the ultimate resolution of your claim?

Companies with a Business Continuity Plan
- Successful / Very Successful: 80%
- Neutral / Dissatisfactory:

Companies with no Business Continuity Plan
- Successful / Very Successful: 58%
- Neutral / Dissatisfactory:

Will my business continuity plan really help with my insurance recovery?
How often did you receive advance payments on your claim?

- Provided Regular Claim Updates
- Provided Claim Once

Communication is key

How many advance payments did you receive?
- One or more
- No advance payments

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Questions?