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BUSINESS Continuity Coordination with Risk financing & Claims

MADRA

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BCP and Insurance



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

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.)



Aligning BCP and Property Coverage

Business Continuity Objectives

Protect and Retain Key Employees

Preserve Key Assets

Identify and Qualify Back Up Resources

Map & Understand Supply Chain

Restore Operations

Insurance Coverage

Ordinary Payroll

Protection of Property

Extra Expense and Cost to Avert

Contingent Time Element Extra Expense

Coverage Endorsements



Business Continuity & Claims





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



Critical Steps to Effective Response

- ▣ Communicate early and often
- ▣ Mitigate the loss
- ▣ Document everything
 - Insurance / Regulatory / Compliance
- ▣ Assess the plan during and after

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

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

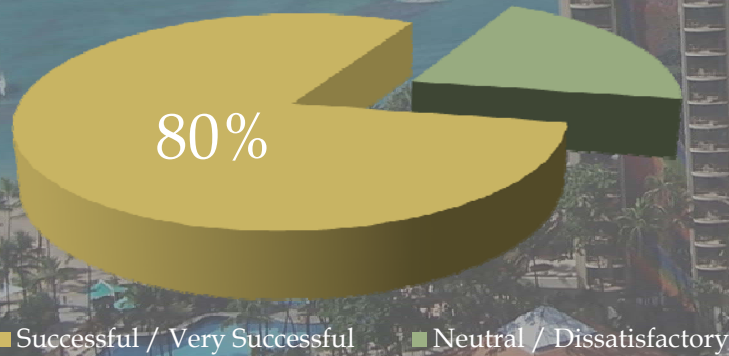
Percent of companies that reported they "Rarely" have to execute their BCP **77**



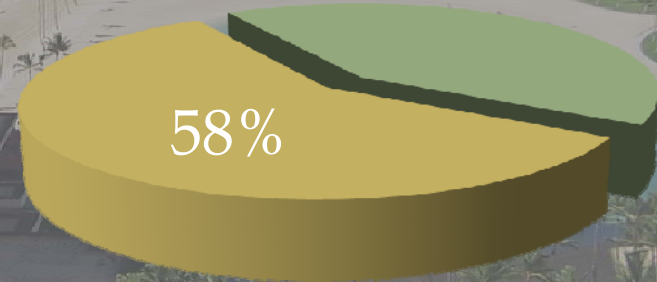
Catastrophic Claims Survey

How would you characterize the ultimate resolution of your claim?

Companies with a
Business Continuity Plan



Companies with no
Business Continuity Plan



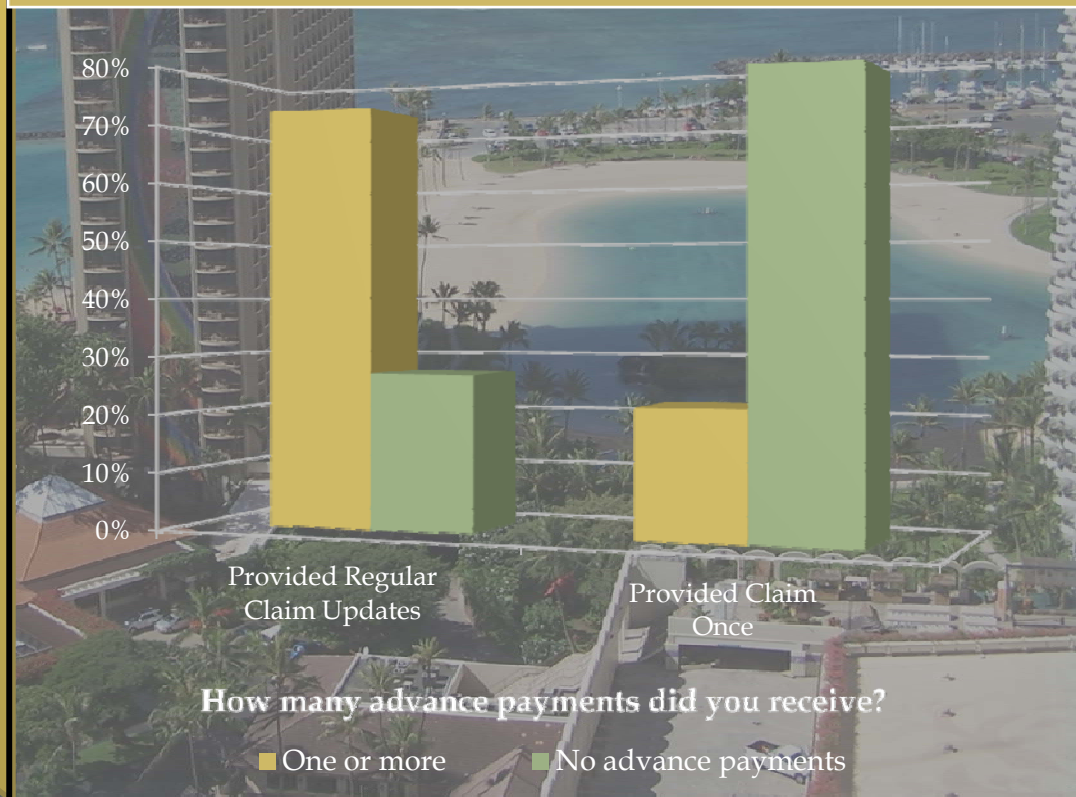
*Will my business continuity plan
really help with my insurance
recovery?*



Catastrophic Claims Survey

Communication
is key

How often did you receive advance payments on your claim?



An aerial photograph of a tropical resort. A tall, grey skyscraper stands prominently, featuring a large rainbow graphic on its side. The resort includes several buildings with terracotta roofs, swimming pools, and lush greenery with many palm trees. In the background, a blue ocean and a marina with sailboats are visible. The entire image is framed by a blue border with a water droplet pattern.

Questions?