

Don't Get Burned: Your Guide to Establishing a Business Continuity Plan



RISK INSIGHT

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So far, 2017 has been a year to forget in terms of natural disasters. Hurricanes, earthquakes, wildfires and everything in-between have wreaked havoc on businesses and supply chains throughout the world. These natural occurrences are not the only disasters that impact a company. Fires, explosions and other incidents can arise out of the normal operations of a business without warning. Unfortunately, developing a contingency plan for these disasters does not always take high priority. The effort to plan takes time and resources; both items that usually come at a premium during the whirlwind of daily operations. On top of that, trying to convince an organization to commit energy towards planning for an activity that may never actually occur can be a tough sell. M3 has seen the benefits of a formal, tested plan pay off after devastating fires and a plant explosion. These plans matter and make a significant difference in a company's ability to rebound from a very poor situation.

Business Continuity Planning can be defined as the formal effort of developing and testing a contingency plan to ensure that business operations can continue after a disaster. Selling this to your company's leadership is important. They will need evidence that the aforementioned time and resources are worth devoting towards the Business Continuity Plan (BCP). Getting their personal buy-in is crucial to drive the organizational effort from key individuals supporting the planning process. To answer the question of "why is this necessary?" consider the following benefits a BCP can provide:

- Protect the safety and health of employees and customers
- Ensure continued business operations in the event of an emergency or disaster
- Preserve shareholder value
- Mitigate insurance costs and create a level of comfort with underwriters

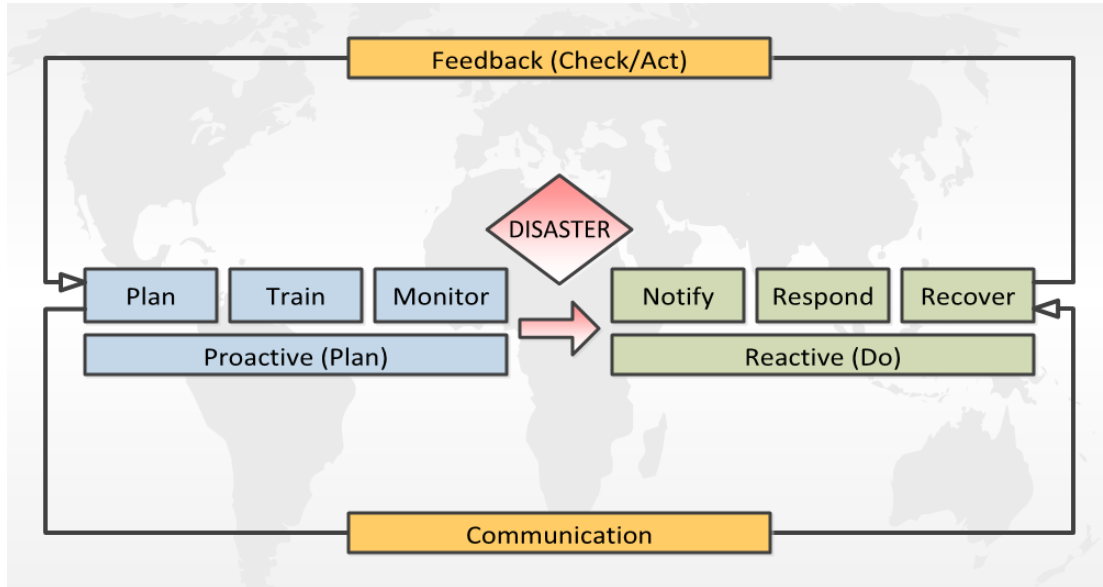
Emergency or Disaster?

In the scope of business continuity planning, an emergency is much different than a disaster. The two terms often get used interchangeably, but they focus on entirely different aspects of an incident. This is an important distinction to make when discussing the planning efforts with your company. An **emergency** is a short-term, dangerous incident that requires action. An **emergency response plan** should focus on the immediate reaction to the situation. This includes ushering employees and customers to safety via evacuation routes, triggering a call tree to inform necessary contacts of the event, and assisting local authorities as they arrive on-site. There should be a designated individual to inform the police, fire department and/or paramedics of the facility layout and important items such as the location of the utility shutoffs valves. A **disaster** is an accident or event that results in multiple days of significant physical damage, loss of goods, death and/or shutdown to an operation. A **business continuity plan** is meant to be an organization's formal response to a disaster and mitigate prolonged business interruption. The plan should focus on items such as the following:

- Communication plan to customers, families, community, investors, vendors, etc.
- Offsite temporary operations
- Facility/Equipment recovery
- Information Systems recovery
- Salvage/Assessment efforts
- Vital records recovery

How to Prepare

Continuity planning needs to be a group effort with various functional areas all providing feedback. If possible, try to establish a representative from each team within your company (e.g. facilities, finance, human resources, production, etc.). Each functional area should detail their essential actions and responsibilities in the event of a disaster. Once the initial plan is established, the information should be reviewed on an annual basis at minimum. The plan's effectiveness will only be as good as the information provided in the document and outdated data may cripple the recovery process if it is inaccurate.



One of the most effective ways to ensure your planning efforts are sufficient is to test the plan using a mock disaster scenario. With the functional areas present, introduce a hypothetical, yet realistic, scenario that disables certain areas of the facility. Each scenario should target different exposures (e.g. natural disasters, explosions, etc.) with varying levels of damage to the facility. It is important to note that the individual who owns the continuity planning process is the driver of efforts prior to a disaster occurring. After a disaster occurs and the plan is engaged, an identified Incident Commander should be responsible for overseeing the actions defined in the plan. Once the exercise has been completed, a lessons learned should be discussed as exposures are determined or identified. Following the Plan, Do, Check, Act (PDCA) methodology is a great way to continuously improve your Business Continuity Plan.

Items to Consider

- Do you have a realistic alternate location to establish a command center if the main building is compromised?
- Have you discussed outsourcing processes with vendors who could take on additional work to minimize production loss?
- Are there critical processes or equipment that would require a significant amount of lead time to restore to normal operations?
- Have you drafted a communications plan that addresses responses to customers, families, investors, media, etc.?
- Have you developed a relationship with a recovery vendor with agreed upon rates?

Consult your **insurance advisor** to learn more and obtain guidance, templates and other resources.

The information in this document should not be construed as legal advice. In all cases, consult with your own legal counsel.

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