

■ Business Interruption Risk

Identify

- Revenues streams / funding sources at risk of disruption

 - Actually, margins are what's at risk, i.e. profit/surplus + cost recovery

- Operational and support activities that are part of your supply-chain's critical path

 - Internal & External

Analyze / Assess / Evaluate

- Potential causes of disruption

 - Weather, etc.

 - Scenarios – MFL, PML, NLE, etc.

- Resilience – implicit & explicit

- Quantify: BI Exposure vs. Values/Worksheets

 - Revenues at risk – direct & interdependent

 - Seasonality

 - Duration, including: mitigation, restoration, and extended/market impacts

 - Lost margin + mitigation costs (extra expenses)

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Plan Response - Where do you invest resources?

- Avoid

 - Protections

- Reduce / Mitigate

 - BCP

- Share/Transfer

 - BI Values / Worksheets

 - Limits / sub-limits, exclusions, extensions

- Accept

 - Peril specific deductibles

 - Due diligence to manage shareholder value at risk

Implement Policies & Procedures

- Loss Control

- BCP

- Claim Procedures

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Inform/Communicate & Monitor

- Summarize findings for ERM

- Change management: locations & revenues, updatable BI models

- Claim resolution

 - Weather: coverage triggers & exclusions

 - Newer policy language excludes demand decrease due to same event

 - Loss of market exclusion for any policy without that wording

 - Other risks that transferring the risk may fall short of expectations

Conclusion

- BI values – an insurance requirement

- BI exposures – the actual risk being managed

- Risk transfer – Improve by quantifying and explaining BI exposures to brokers and insurers, addressing their concerns, and discussing appropriate policy terms & conditions. In other words, the BI worksheet is not enough.