

Insurance and Risk:

THE FOLLOWING ARTICLES HAVE BEEN PREPARED BY MARSH PTY LTD TO HIGHLIGHT VARIOUS RISK AND THIS ISSUE ARE QUITE TOPICAL IN RECENT TIMES AND INCLUDE COMMENTARY ON:

- BUSINESS CONTINUITY PLANNING AND SOME SENSIBLE TIPS ON HOW YOU CAN PLAN TO ENSURE YOUR BUSINESS CAN RECOVER FROM A MAJOR DISRUPTIVE EVENT
- PARTNERSHIP PROTECTION INSURANCE FOCUSSED ON EXPOSURES AND SOLUTIONS TO PROTECT YOUR BUSINESS
- CORPORATE FRAUD AND HOW TO MANAGE A FIDELITY CLAIM, INCLUDING IDENTIFICATION OF THE CRIMINAL PRACTICE

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Best practice business continuity planning



Recent natural disasters have placed business continuity planning front and centre for companies. So how should a business best plan to ensure it can keep going in the event of a crisis? Let's take a look.

What is it?

Business continuity planning provides a holistic view of the actions a business needs to undertake to prevent operations being overly impacted by a disturbance. It helps business owners to understand the critical parts of their business and how to keep them going if the enterprise is interrupted by an event. Plans do tend to be general in nature rather than based around a specific event, such as a fire, so they can be applied to a range of different situations.

Why is it important?

Business continuity plan is so

important because unfortunately, a large number of businesses simply don't recover from a major disruptive event if they have not pre-planned how to sustain critical aspects of their business.

Common situations that businesses face that can lead to business failure include loss of a building as a result of a natural disaster, the failure of a key supplier, the failure of a manufacturing facility or the loss of key people within the team.

But often, smaller businesses don't think they need a plan because it will just sit on a shelf. But business continuity planning is essential because whether the plan exists or not is immaterial if a peril does occur. People think they have their business risks under control, but what if their business premises burns down because the building next door is destroyed by fire? It's a mistake to think 'it won't happen to me'.

How should business continuity be addressed?

First, identify the aspects of the business that need to be protected so that it can continue in the face of a disaster. Let's say you run a small manufacturing business with one factory in one location, which houses all the business's key equipment, has a small workforce and uses a single distribution network.

In this case, each aspect of the business is a potential point of failure. The business owner needs to ask questions like "what would I do if the entire IT system went down for a number of days?" "How would I pay my staff, raise invoices or book deliveries?" "What would I do if the distribution network failed?"

The degree of formality of the plan is secondary to understanding the

Be alert, not afraid



AND INSURANCE ISSUES THAT COULD BE IMPORTANT FOR YOUR PRACTICE. THE AREAS OF FOCUS FOR

YOUR BUSINESS CONTINUES FOLLOWING A NATURAL DISASTER OR OTHERWISE;

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parts of the business that need to be protected. You need to understand what the key systems are and put in place mechanisms to ensure they can be replicated in the event of a disaster.

How can I address business risks?

As part of business continuity planning, the owner of the business described above might consider talking to other factory owners about the possibility of using their equipment in the event the business experienced a disaster. Another action could be identifying a secondary distribution network, as well as exploring manual processes for tasks such as booking orders and sending invoices.

It's also important that more than one person in the business knows what to do in the event of a disaster.

The process doesn't have to be

an expensive exercise; but the level of complexity of the plan should be aligned to the level of complexity in the business. If you operate in a regulated industry you will need to

develop more sophisticated plans and you may need external assistance to undertake the plan, which should be regularly reviewed, tested and communicated to key personnel. Ideally business continuity planning should be incorporated in day-to-day decision making.

For example, a business owner making a decision about acquiring additional factory space might choose a facility across the road to the existing facility, instead of

space next door. Although there might be a small loss of productivity due to the need for staff to cross the road, the business will be better protected in the event of a disaster such as a fire, which could destroy both premises if they are side by side.

In some instances business interruption insurance may be available to help manage costs associated with events that cause physical damage to a business, but it's essential these policies are properly thought out so that the business really is protected in the event of a disaster. ●

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