



A Failure to Plan is a Plan for Failure

On April 16th, 2011, one of 62 tornadoes rated at F4 strength touched down in Central North Carolina and plowed right through downtown Raleigh. The City of Raleigh lost more than twenty citizens, with 139 injured and millions of dollars in damage and losses. If the businesses impacted by the recent severe weather learned anything, it is that loss of business is an indirect cost that was never considered in their business risk model plan. Many businesses have learned the hard way, the importance of having a written contingency plan for dealing with disasters.

The written plan we are talking about is a Business Contingency Plan (BCP), a term that insurance carriers are very familiar with. In fact, an insurance industry views a company with a BCP as a lower risk than a company that has no plan at all. Your level of risk can translate into higher premiums and in the event of emergency, higher losses for you and your carrier.

In plain language, a BCP is working out how to stay in business in the event of disaster. Typical incidents may include fires, earthquakes or floods, or even pandemic illnesses. However, it is not limited to just these scenarios. Any event that could cause the potential for loss of business should be considered, including any part of your business where you place high dependency, such as loss of a supply vendor, loss of a critical infrastructure (such as a major piece of machinery or computing/network), or even the result of theft or vandalism. As such, many risk management aspects must be incorporated into every part of your company's BCP.

To develop your BCP, you have to ask the "What Ifs" identifying several key factors:

1. What types of events or conditions could potentially shut our business down?
2. What locations can accommodate our business during an event and for how long?
3. Who is responsible for managing the transition locations and infrastructures?
4. What redundant systems are already in place and what additional resources will we need?
5. What will our downtime be during the transition, in hours, days, or even weeks?
6. What are our limitations of using the transitional locations or redundant infrastructures?
7. Have we ever tested our plan to work out the bugs?

BCPs are sometimes referred to as Disaster Recovery Plans (DRPs) and while the two types of plans have much in common, there are some significant differences. A DRP should be oriented towards recovering after a disaster, whereas a BCP shows your insurance carrier how you plan to continue doing business until recovery is accomplished. Both are very important and are often times combined into a single document for convenience.

In summary, this recent severe weather has been a lesson learned for many of us. Having a robust and tested BCP and/or DRP can translate into significant savings for your company and your insurance carrier. If you have questions about developing a BCP for your company, contact East Coast Risk Management for assistance. Our professional risk management consultants can help you plan for the worst. When it comes to your business, failure should never be part of your business model.

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