



Colin Burtenshaw, senior manager in enterprise risk services, Deloitte



Chair: Stephanie Denton, supplements and online editor, Post



Steve Foulsham, technical services manager, British Insurance Brokers' Association



Tony Gimple, managing director, Crisis Survivor



Bill May, director of risk, Crisis Survivor

IN A recent survey, 98% of brokers questioned said that business continuity planning should be part of an insurance risk assessment. *Post*, in association with Crisis Survivor, therefore, gathered industry experts together at a round table event to find out why BCP is viewed as so important for risk assessments and how much effort it would take to make this an industry-wide achievement?

Stuart Williams, director of Cowens Survival Capability, started the debate by explaining that to be able to arrange an insurance programme to meet a firm's requirements, brokers have to fully understand the business: "You have got to drill down to it, get into their DNA; you have to understand their attitude towards risk and risk transfer. You have got to understand the structure of the business, and you have got to look at all these things."

And, once brokers have done this he believes insurers should recognise it. "If you can demonstrate that you have a customer that has got BCP and is fit for purpose in all other areas, such as health and safety, an insurer should understand they represent a different risk to the next man who hasn't," he explained. "And there should be a price differential between the two."

A win, win, win situation

Julian Rhodes, head of sales and marketing at RWA Group, agreed and added that this is good for all parties: "Everybody benefits from this; insurers, brokers and the end user, the customer. This is a win, win, win situation."

Bill May, director of risk management at Crisis Survivor, explained: "There is a benefit as far as the insurer is concerned, the broker will benefit because it means that his portfolio is better risk profiled. This makes his business more attractive to an insurer, which means that he should get better terms generally. And for the customer it allows them to tender for contracts that require this approach and it demonstrates to their client base that they are going to be there for the long run. It demonstrates to investors that this is a robust business."

And it is even good for the government, according to Steve Foulsham, technical services manager at the British Insurance

Preparation is only h

A recent survey found 98% of brokers would like to see business continuity planning as part of an insurance risk assessment. **Stephanie Denton** reports on a recent event where the possibility of this becoming a reality was debated.

Brokers' Association: "At small to medium-sized enterprise level it makes it easier for UK plc to operate following a disaster, because it is not in anyone's interest that at the moment 80% of companies are failing within 18 months of a disaster, it is in no one's interest if that happens."

And Stuart McEwan, director of the risk solutions division at James Hallam, had such faith in BCP that he explained: "One of the comments that we discuss with customers when we are talking about BCP and inter-allied with business interruption insurance is if you get it right and do it correctly, if you get 10 years worth of accounts out, you should not be able to see where there was an actual loss. And that is a really important thing."

So, it is a surprise that insurers are not fully behind this idea. "It is like pulling teeth to get insurers to appreciate the true value of it," said Mr Williams. "You speak to insurers and discuss BCP with them and they are all for it, they would like it, but they won't differentiate the quality of it. And even when you try to leverage this as a positive risk attribute, their understanding is not there."

Mr Foulsham agreed and added: "We need insurers to give better rates and better terms for businesses for those that do have robust BCP in place."

However, Mr Williams acknowledged that some movement is being seen for bigger risks: "That will become more prevalent in the hardening market. With larger risks, larger exposures, insurers will be asking about BCP. Whether they are geared to understand the true value of it, time will tell."

"Insurers are starting with big risks but you have got the propensity for loss across every business, and you can get comparable losses from effectively small premium spend as you can get from a large customer. To a degree, they are probably the ones that need it or deserve it more, because larger organisations have some level of management and understanding of their exposures."

Mr May supported this saying: "We shouldn't leave the SME sector behind, because they are the least advised."

While Mr Rhodes added: "I would go further and say there is a real need to look at the SME sector because the larger risks tend to get the attention from insurers, in terms of the survey, the risk management, and looking at that business in much more detail. At the smaller end, the SME market, which represents a considerable percentage of the overall UK gross national product, tends to be more price sensitive and is less likely to get the value added service. But, actually, there is a need for them to get that."

And the good news according to Tony Gimple, managing director at Crisis Survivor, is that although not much movement is being seen at the moment, insurers are becoming more interested in this idea. "A number of insurers, reinsurers and managing general agents have expressed rather strong interest in making this integral to the underwriting of their portfolio, ranging all the way through from commercial combined, up to business interruption — and even professional indemnity."



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Stuart McEwan, director of the risk solutions division, James Hallam



Julian Rhodes, head of sales and marketing, RWA Group



Anne Williams, general manager of partnership, Our Network



Stuart Williams, director, Cowens Survival Capability

Half the battle

And he believed the introduction of the first business continuity accreditation — British Standard 25999 — has spurred this all forward. “Suddenly, with the introduction of BS25999, the compulsion that all publicly funded work should have a continuity plan, at least at tender stage, started to introduce it into this to the supply chain,” he explained. “Banks are starting to make it a condition of lending in some cases. Where firms are putting in audited accounts, auditors are beginning to report on that, and that is something that has a direct impact on their credit rating. If the plan is mentioned and it is not up to scratch, it doesn’t please the analysts at all. However, if the plan does exist and it is up to scratch, Standard & Poor’s have said it will automatically increase the firm’s credit rating.”

Raising awareness

However, BS25999 is not an instant pill for the problem according to Mr Foulsham. “Biba recently commissioned some independent research in to the SME sector and one of the questions that was specifically asked was ‘are you aware of BS25999?’ And of the number of SMEs that were asked, only 15% had actually heard of it. So, there is a lot of work that still needs to be done,” he explained.

Mr Williams echoed this: “Customers are just not aware of it. We are in a flat market, the economy is low, and they are concentrated on other areas. They are focused on their business, on running it, making sure they are surviving. They are probably aware that there are a lot of compliance issues, and thinking about health and safety and legal and all sorts of other things, they know they should be taking care of but in essence they are not.”

And one of the reasons for this he believes is there is no requirement to achieve this standard. “Nobody is policing it, there is no disqualification, prosecutions — personal or any other.”

Colin Burtenshaw, senior manager in enterprise risk services at Deloitte, raised the point here that there are lots of standard out there: “There is a fair degree of overlap and you have your pick of standards. It is often a case of what certificate do you want on the wall? Big organisations, yes they have invested in it, they have to, they need to and they want to. It is the SME sector that is quite interesting because they are resource constrained, they can’t really afford resources to deal with this. And so they lack capability and they lack the knowledge and all they see is just this snowstorm of information out there and it is very difficult for them to make sense of it.”

So, which party should be responsible for driving this forward? Mr Williams firmly believed that the management of this should not be left to insurers. “The insurance industry has not yet managed to be uniform in any way,” he commented. “They never managed to get a common cover note out —

Brokers have got an important role to play in this — in educating customers and insurers. Williams

don’t leave anything to insurers to come on a uniform approach. This should be treated as best practice, it should be something driven from the top down. Brokers have got an important role to play in this — in educating customers and insurers.”

He also believed customers are in no position to do it: “Customers are stuck with the ostrich syndrome, left to their own devices they either don’t do it because they don’t know how to, or they don’t know who to go to, so consequently they do nothing.”

Mr Foulsham supported this: “When you consider that in excess of 80% of commercial business in the UK market is delivered through brokers, then they are the people to look at that and to drive that forward.”

Anne Williams, general manager of partnership at Our Network, believed the starting point has to be policies that are individually written to make insurers understand the value of this. She said: “Most of the SME market now is automated by web sites and trying to get an insurer to agree a question set is a nightmare. I personally have been involved in it and it is almost impossible. It has to start somewhere. I know I will certainly do my bit with the insurers within Our Network panel to promote it, once we have got people on board.”

Government role

Mr Gimple agreed with this but thought the government also had a role to play. “We believe there is actually a case for, by granting tax relief, encouraging people to become more resilient. It is one of the simplest things government can do to actually reinforce the UK economy. By keeping 80% of businesses in business, post disaster, you are going to bringing in corporation tax, income tax, national insurance, rather than paying out benefits. It keeps the supply chain going.”

Mr McEwan supported this: “There used to be a lot of the tax and investment relief for research and development and plant and machinery. We are not that type of country any more, we are now a service industry country. And to take some of the savings they have gained from not giving it to these types of industries, as they used to, and put them into something else would help everybody.”

However, Mr Foulsham was cautious about whether any government would do this with an election due next year. He said: “You have to remember that we are in a desperate state as an economy. And I don’t think either the existing government or any future government would have the appetite for tax relief on BCP, I am afraid.”

Yet Mr May stated that if it was suggested to the government in a positive light it may have more success: “What we should be looking to do is to say, the cost to UK plc of a failed business totally outweighs a small cost up front. And again, the loss of tax revenue from a failed business can be very significant.”

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<13 So, if BCP did become part of a risk assessment would brokers be best placed to provide that service to customers? Mr Rhodes said: "There has to be an element of practice what you preach in terms of selling this to customers. And, apart from that being right in itself, there is of course the regulatory requirement placed upon brokers to have arrangements in place to ensure that they can continue to function in the event of an unforeseen interruption to their business. So this is not something that they can choose to do or not choose to do, in terms of whether or not they are meeting Financial Services Authority requirements."

Tickbox special

And Mr Williams was first to admit that brokers are not perfect at their own BCP: "If I am entirely honest, I would say it has been a tickbox special. We are the first to recognise that what we had in place just clearly was not good enough. So, I can't go and tell somebody else to do it if I haven't done it myself. And ours is basically being pulled apart at the moment."

Ms Williams, therefore, said this was an ideal time for brokers to get their own houses in order. "Nobody is exempt from learning, however old you are, however much experience, you can't think of everything," she explained. "We are trying to sell this to brokers in that we view brokers need to use experts. They are bringing their clients in, and we are highlighting areas that they could be exposed to and then handing it over to the experts."

Mr McEwan added: "We get them to the stage where we give them risk scenarios, the loss scenarios, we try to get them to do as much risk improvement as they can. So that the plan they write is based on the best picture."

L-r: Gimple, McEwan and Burtenshaw debate business continuity planning.

However, it was acknowledged that just getting customers to start their initial BCP is not enough. Mr McEwan explained: "We are a growing company, we have made acquisitions and we've taken a new team on so the BCP changes, it is a living document as well. But trying to get that through to people is a challenge."

Mr Rhodes supported this: "It has to be regularly reviewed and it has to be tested and it has to work. So if brokers do that, which they have to, then it should be very easy for them to then talk to their clients about that and to promote the awareness of it as part of their overall value added service."

Mr Williams added: "The BCP needs to be fully owned at a senior level and then drilled down into the DNA of the business. People know they have a requirement for a BCP, so they get one of the internet, fill it out and say, 'yes, we have got one'. It goes on the shelf, it is not communicated, it is not discussed, and it is not delivered properly. It becomes 'oh, but we have got one. — what use is it?'"

"It is not about a document, it is about a

culture within an organisation to realise the value of business continuity, not as a project we do only now and then, but actually it is a business as usual component," added Mr Burtenshaw.

Decision support

And he believed technology does not help this view. "A lot of technology around is helping people to manage paper documents and it doesn't actually help people to keep it alive, keep it fresh and to use it in the event of an incident. They have become more about planning for an event at some time in the future. There is very little in there which is decision support. So you can't take your plan off the shelf, wipe the dust off it and then actually use it. I have yet to see any incident occur which exactly matches the, or one of the, scenarios on which the plan is predicated. No plan survives contact with the enemy as the saying goes.

"There is a lot of headroom there in the market for technology to assist people in the development, testing, and then the use of the plans that they have put in place."

And, according to Ms Williams, another big challenge are time limitations — but she believed brokers need to embrace BCPs and to realise that by running through their plan they will free up more time in the end: "We will be saying to brokers: have a review of your own strategy and BCP and then pass it on to somebody else. Because it will actually save you time. And it is such a barrier that we all face, time."

So, there is room for technology to develop and help, for brokers to advise their customers on this matter and for insurers to realise the value of BCP and start to price accordingly but where will it start.

"Anything that can be done is a start. You have got to start the ball rolling somewhere," concluded Mr Williams. "Customers will look at it along the lines of, 'what is in it for me?' They have got to understand the cost benefit, they have got to understand its value, and not just the price spend. The key is definitely education and it has got to be an industry driven approach." **POST**



The attendees debate who should be responsible for moving this forward.

All pictures: www.jmbphotographic.com

8 out of 10 businesses which lose access to business resources due to fire, flood or other disasters, go out of business within 18 months

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