

Business Interruption (BI) Modelling

All companies need a true understanding of their business interruption risks, and to be able to demonstrate the robustness of their business continuity plans for the benefit of the insurance market. The more complex the business, the more value there is in a detailed BI.



Business Interruption (BI) modelling assesses – in detail – the financial effects of possible scenarios that may threaten business continuity.

BI modelling not only takes account of direct effects but also, where applicable:

- Effects arising from interdependencies with other sites or suppliers.
- Likely management decisions arising as a result of the incident or risk.
- Existing proven mitigation or recovery plans, (eg. production transfer capability).
- Contingency plan/recovery costs.
- Key customer dependency.

Our approach

Zurich Risk Engineering's extensive experience of evaluating business interruption risks, combine insurance, business management and modelling skills into a unique offering.

Key stages of Zurich's approach to BI modelling.

1. Interrogates existing data.
2. Gathers financial information in an available format.
3. Defines the interruption scenarios to be modelled.
4. Builds an interdependency framework.
5. Assesses supplier and customer vulnerabilities.
6. Adapts model framework to base data.
7. Mimics, validates and develops existing BI analyses.
8. Defines further scenarios.
9. Assesses 'real' responses at sites.
10. Models the effects and produces recovery profiles.

Scope of service

BI modelling can take many forms, depending on the business size and complexity, including:

- A simple desk-top study to assess the effects of key risks.
- Construction of a spreadsheet model to make a full and detailed study of profit flows and site effects.

Features and benefits

Our BI modelling tool:

- Asks the right questions and gives an appropriate framework for the study of business interruption effects which is built around customer requirements and circumstances. This ensures a consistent, repeatable approach across all parts of the business.
 - Rigorously analyses all aspects of business resilience – for which a risk engineering property/business interruption survey rarely has the time or information.
 - Gives clear analysis allowing the customer to communicate risk issues in a more consistent and informed way. For example, better quality presentations to the insurance market or other stakeholders.
 - Assembles and presents profit exposure information in a single model to help data management and interpretation, creating the basis for more informed strategic decision making within the business (eg. targeting resources for business continuity planning linked to profit impact).
 - Supports risk transfer decisions and facilitates insurance premium allocation between lines of business.
 - Acts as a strategic link between business continuity management and financial business performance thereby enhancing operating efficiencies.
- In addition BI modelling can also improve the detail and clarity of business interruption underwriting submissions. It will provide information on;
- How business continuity plans impact on recovery period and gross profit.
 - The increased cost of working in the recovery period.
 - Business interruption interdependencies between sites and lines of business.
 - Integration and validation of site risk assessments with business continuity plans and recovery profiles.
 - Strategic business decisions regarding restructuring, outsourcing and expansion.
 - Improved understanding of indemnity periods.
 - The impact of interruption at suppliers or major customers.

Who will benefit?

All companies which need a better understanding of the potential effect of supply chain interruptions. The principles are appropriate in all sectors where value creation involves complex customer and supplier interfaces.

Issues such as interdependency and interchangeability, concentration or supply bottlenecks can all be evaluated using Zurich's experience in this area.

Not only does BI modelling produce information that can clarify decisions regarding risk transfer, it can also contribute to more efficient prioritisation and resource allocation within the business itself.

What's unique about Zurich's offering?

Zurich's unique perspective as an insurer of BI risks has enabled its consultants to develop extensive experience in this discipline.

- The level of evaluation is tailored to the customer requirements rather than offering a fixed solution, thereby optimising efficiencies.
- We structure the analysis to recognise the fact that data varies in format and availability. This avoids surplus effort and ensures most efficient use of resource.
- Zurich's insight highlights the importance of robust processes from the basis of properly understanding all risks and making the right risk transfer decision.

How much input is required?

The extent to which the benefits can be achieved depends fundamentally on the level of financial detail used as input. It is also necessary to match the degree of sophistication and complexity of the approach with the customer's own requirements and business structure.

The time and effort required varies from company to company. For example:

- 4 or 5 consulting days for a simple desk-top study, supported by 1 or 2 company man-days to compile relevant information.
- A company for whom the use of Zurich's proprietary modelling approach is appropriate would receive the software and a number of associated consulting days. The customer would decide how those days are used (eg. training, site visits, analysis).
- For a complex, multi-site organisation with extensive interdependencies, perhaps 30 to 50 consulting days divided between interviews, data gathering and modelling. Company time spent on this will typically depend on the availability of information, but would correspond to roughly one third of the overall consulting days.



For more
information on our
products and services
please call
0121 698 5867

Because change happenz™

