

(Source: Recap from NAIC 2015 Financial Condition Examiners Handbook, Section 1 – General Examination Guidance, III.D Business Continuity, page 71-72)

Business Continuity Key Elements

Basic steps that OCI expects all insurers should have in their business continuity processes consist of:

Step 1 - Understanding the Organization

- a) Understand its organization and the urgency with which activities and processes will need to be resumed in the event of a disruption.
- b) This step includes performing an annual business impact analysis and a risk assessment.
- c) The business impact analysis identifies, quantifies and qualifies the business impacts of a disruption to determine at what point in time the disruption exceeds the maximum allowable recovery time.
- d) This point in time is usually determined separately for each key function of the insurer.
- e) The risk assessment reviews the probability and impact of various threats to the insurer's operations.
- f) This involves stress testing the insurer's business processes and business impact analysis assumptions with various threat scenarios.
- g) The results of the risk assessment should assist the insurer in refining its business impact analysis and in developing a business continuity strategy.

Step 2 - Determining Business Continuity Strategies

- a) The insurer determines and selects business continuity management strategies to be used to continue the organization's business activities and processes after an interruption.
- b) Use the outputs of Step 1 to determine what business continuity strategies the insurer will pursue.
- c) This includes determining how to manage the risk identified in the risk analysis process.
- d) The strategies should be determined at both the corporate and key functional level of the insurer.

Step 3 - Developing and Implementing a Business Continuity Plan

- a) The *purpose* of the business continuity plan is to identify in advance the actions necessary and resources required to enable the insurer to manage an interruption regardless of its cause.
- b) The plan should be a formal documentation of the insurer's business continuity strategy and should be considered a "living document."
- c) Some basic elements that should be included in a business continuity plan include:
 - Crisis management and incident response
 - Roles and responsibilities within the organization
 - Recovery of all critical business functions and supporting systems
 - Alternate recovery sites
 - Communication with policyholders, employees, primary regulators and other stakeholders
- d) The business continuity plan should be written and should include a step-by-step framework that is easily accessible and able to be read in an emergency situation.

Step 4 - Testing and Maintenance

- a) The insurer's business continuity plan should be reviewed, tested, and maintained.
- b) The testing should be based on a methodology that determines what should be tested, how often the tests should be performed, how the tests should be run, and how the tests will be scored.
- c) It is recommended that key aspects of the plan be tested annually and that the test be based on clear objectives that will allow the results of the test to be scored to determine the effectiveness of the business continuity plan.
- d) In addition, the plan should be maintained and updated regularly to ensure that the organization remains ready to handle incidents despite internal and external changes that may affect the plan.