

BUSINESS CONTINUITY MANAGEMENT IN FOCUS

Liam Fleming, of Advantage International Management, reflects on business continuity management and its increased attention in light of a tumultuous hurricane season

Those of us lucky enough to call the Cayman Islands our home enjoy a high standard of living, sunshine, secluded beaches and a finely tuned financial services industry all year round. However, the recent trail of devastation across the Caribbean and the United States caused by hurricanes Harvey, Irma and Maria has brought business continuity and disaster recovery planning for our industry into sharp focus.

Severe operational disruptions pose a material threat to an insurance manager's operations and particularly so in situations where multiple operating units could potentially be impacted by one catastrophic event. As an industry so intently focused on delivering quality, responsive and value added service to our captive insurance clients it seems imperative that operational continuity remains front and centre at all times.

Insurance managers with operations in jurisdictions like Puerto Rico and the British Virgin Islands now know how their respective business continuity and disaster recovery plans have fared under extreme pressure this hurricane season, and for those who have not been impacted it seems an optimal time to revisit continuity and recovery strategies to ensure that personnel and assets are protected and continue to function during and after catastrophic events.



Liam Fleming

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The Cayman Islands government and business community have shown tremendous support and solidarity to our neighbours in the Caribbean at their time of need. A large number of evacuees have been provided refuge in the Cayman Islands with the assistance of the Department of Immigration which has facilitated business continuity efforts for organisations with operating units in impacted areas.

From a regulatory perspective there's likely to be heightened awareness and renewed interest in business continuity management across the Caribbean region. The Cayman Islands Monetary Authority (CIMA) recently issued a notice to licensees under supervision, recognising the need to support its licensees and regulatory

counterparts in their disaster recovery initiatives and requesting that licensees with operations across the region who activated some aspects of their business continuity plan to provide an update including:

- Details of operations being relocated to the Cayman Islands as part of business continuity efforts
- The number of foreign office staff being accommodated
- The expected duration of temporary arrangements to support impacted operating units
- Consultation on any potential business plan changes as a result of continuity and recovery efforts.

Licensees under supervision need to ensure that their operations continue to be conducted in compliance with all of the laws and regulations of the Cayman Islands, particularly the regulatory laws as defined in the Monetary Authority Law (2016) when activating their business continuity and recovery plans.

The cost of catastrophe

The insurance industry continues to assess the losses associated with the recent catastrophes that decimated several Caribbean Islands and had a major impact on the United States. One need look no further than AIG, who recently announced it expects to incur losses in the region of \$3bn mainly related to hurricanes Harvey, Irma and Maria.



Recovery initiatives should require a detailed expert analysis of insurance policies in place. Claims for losses caused by hurricanes present significant challenges for policyholders who may have little or no coverage in certain circumstances.

Poor planning coupled with a major operational disruption can not only impact captive management operations but can also affect the ability of other financial services providers to continue their normal operations. Insurance managers should perhaps be cognizant of how a disruption to their day-to-day business operations impacts other captive industry service providers with a nexus to their own operations and vice versa.

What good planning looks like

Comprehensive continuity and recovery plans provide a blueprint for continued operational functionality and the restoration of mission-critical captive management functions. The plans should be clear, exhaustive in terms of scope and logical with buy-in from senior management. CIMA's statement on business continuity management encourages licensees to adopt a process-orientated, risk-based approach incorporating all of the following:

Business impact analysis

The business impact analysis stage is concerned with the identification of potential impacts of uncontrolled, non-specific events on business processes and client service. The process should identify those components of the business that may be vulnerable, yet potentially critical to the continued functioning of the business in the event of a disruption.

Risk assessment

The risk assessment stage involves stress testing various business processes with identified threat scenarios. The probability of occurrence of different disasters should

be evaluated and rated on a scale of high, medium or low. The safety of critical processing documents and vital records and the loss impact on systems, personnel and facilities should be considered.

Risk management stage

The risk management stage involves the establishment of the business continuity plan itself. The business continuity plan should be written and disseminated so that various groups of personnel – particu-

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larly senior management – can implement it on a timely basis. It should be specific with respect to the conditions that would prompt the implementation of the plan and with respect to the immediate plans in respect to a disruption. The board of directors and senior management of licensees are collectively responsible for business continuity and for developing appropriate polices to promote resilience to and continuity in the event of a disaster.

Risk monitoring and review stage

The business continuity plan should be tested regularly, subject to independent audit if necessary and updated upon changes to internal and external environments.

Mobility through cloud-computing

Perhaps one of the most significant contributions an organisation can make towards business continuity initiatives is a move to

a cloud-based IT environment. The cloud utilises a network of remote servers hosted online to warehouse, manage, and process data as opposed to a physical local server. The introduction of cloud-based computing allows captive insurance professionals the flexibility to access their remote desktop and client files from any geographical location and provides a boost to continuity efforts during and after an event in situations where key employees have been successfully relocated from the threat zone in advance of a disaster.

Communications

Communications during and after a disaster represent a challenging proposition. Business continuity plans can quite easily become rather redundant without the inclusion of a realistic and extensive emergency communications plan. The plan should be logical, well organised and outline a step-by-step approach for internal and external communications post disaster. The plan should be stress-tested regularly to ensure it remains current and makes sense.

Final thoughts

Inadequate business continuity and disaster recovery planning can be fatal. The Federal Emergency Management Agency has previously estimated that 40% of businesses fail to reopen after a disaster, and another 25% close within 12 months. The underlying problem is a lack of preparedness and perhaps in some instances a basic misunderstanding of the scope of insurance coverage.

From a purely Cayman perspective, licensees under supervision should adopt a risk-based and process-orientated approach to business continuity management to ensure minimal disruption to client service when disaster strikes.

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