“Maturing” Your Business Continuity Management Program

Presented by
Kenneth Otis, CBCP
Director, Business Continuity & Physical Security
Agenda

- Background Information
- Scope of Maturity Program
  - Emergency Action
  - Crisis Management
  - Business Continuity
- BCM Program Elements
- Compliance Requirements
- Detailed look at the BCP Component
- Go Forward Plans
Background Information

• Initial corporate BCM Program established in 1998
  – Domestic Operations

• Current Scope
  – Domestic operations
  – Office Emergency Action Plans for offices with 3+ staff
    ~580 EAPs
  – Crisis Management Plans for larger offices with multiple business units and/or functions
    ~105 CMPs
  – Business Continuity Plans for all functions
    • BIA incorporated into BCP development in 2008
    ~810 BCPs

• Compliance Requirements
  – Annual Exercises & Plan updates
Scope: LMG Organizational Structure

Global Operations:
- Over 45,000 employees
- 600 offices – US
- 300 offices non-US
- Offices in 26 countries
Scope: US Office Portfolio
BCM Program Elements

Planning

Emergency Action Plans
LERT / Crisis Management Plans
Business Continuity Plans
Disaster Recovery Plans

Emergency Response
Crisis Management
Business Continuity (recovery)

IT Disaster Recovery

Phase 1
Phase 2
Phase 3

Immediate
Short term
Longer term

Business Workarounds
BCM Phase 1: Emergency Response (Minutes to Hours)

**Objectives**

- Contain the incident
- Minimize:
  - injury (life safety)
  - property damage
  - overall event impact
- Coordinate with responding public agencies
- Communicate with other departments and site leadership

**Elements**

- Formal ER Plan & Teams
- Tested evacuation & response plans
- Communications plan
- Adequate emergency supplies
- Coordinated on-site activities and interaction with responding public agencies
- Escalation assessment
- Training
BCM Phase 2: Crisis Management
(Hours - Days)

**Objectives**

- Provide Leadership/Guidance
- Assess the damage:
  - Department, Line, Site level
  - Division or Corporate impacts
- Set recovery priorities
- Allocate resources, i.e., staff, equipment, & services
- Effective communications
- **Restart** Operations as quickly as possible

**Elements**

- Crisis Management Leadership Team
- Critical business processes identified
- Notification procedures
- Team meeting space
- Subject Matter (Function) Teams
- Team Roles and Responsibilities
- Resources (Vendors, records, critical equipment, etc.)
- Training
BCM Phase 3: Business Continuity/Recovery (Days - Months)

**Objectives**

- Restore operations to pre-incident levels as efficiently as possible
- Provide Leadership/Guidance
- Align all recovery activities
- Ensure recovery plans stay on track
- Coordinate key services
- Maintain communications with employees, customers, Corp Offices

**Elements**

- Function Specific Business Continuity Plans & Teams
- Plans developed at Function Level (vs Department)
- Clear assignments / responsibilities by process
- Business workarounds for critical business processes
- Clear escalation paths
- Communications plan
- Training
Incremental Program Changes

Using compliance requirements to influence changes

- **Office Emergency Action Plans (OEAP):**
  - updated 2008

- **Crisis Management Plans (CMP):**
  - updated 2009

- **Business Continuity Plans (BCP)**
  - updated 2009-2011
Compliance Requirements


- Required for any office with 3 or more employees
- Standardized OEAP Template (New)
- Each office has a designated Office Operation’s Manager (OOM)
- OOM Responsibilities
  - Office operations - mail, notifications, invoices, including BCM Programs
  - Populate OEAP template with site specific data
  - Forward completed OEAP to the Corp BCP group shared folder (New)
    - Accessible to all local and visiting employees
  - Update OEAP annually or when team members change
    - Annual updates due by June 30th (New)
  - Communicate the plan to his/her office annually
- OEAP drills 2x per year
  - 1 drill in Q1/Q2; 1 drill Q3/Q4
    - No more than 6 months apart;
    - No less than 3 months apart from previous drill
  - At least one drill must be an evacuation drill
    Alternatives such as shelter-in-place drill
Compliance Requirements

Crisis Management Plans:
- Critical Sites must develop and maintain a Crisis Management Plan
  - Defined by Strategic Business Units

Guidance for determining a Critical Site:
- One or more critical functions* are performed at the site
- A large number of personnel assigned to the site
- A multi-SBU location performing critical functions
- The location has a high, visible profile in the community
- An owned building or campus location
- Location is remote from other company facilities (100-200+ miles)

*Critical function is comprised of a business process or group of processes critical to the survival of business operations and whose interruption, over time, would seriously impact:
  - Delivery of core products and customer services
  - Cash flow and financial liquidity
  - Competitive market position and image
  - Function RTOs are typically < 15 business days (updated 2009)
Compliance Requirements

Crisis Management Plans: *(continued)*

- Critical Sites must use the Standard CMP Template *(new 2009)*
- Plans must be updated and exercised annually or as significant organizational changes occur
- CMP updates / exercises are schedule between April 1 and November 1, based on anniversary date or risk alignment
- Compliance requires submission of a completed Exercise After Action Report form; now a web form *(new 2010)*
- Compliance requires an emergency notification to all employees on site, using mass notification tool *(new 2010)*
Compliance Requirements

**Business Continuity Plans:**
- Required for Business Functions with a Tier 1 – Tier 4 RTO *(new 2009)*
  - Tier 1 RTO: <1 day
  - Tier 2 RTO: 1 - 3 days
  - Tier 3 RTO: 4 - 15 days
  - Tier 4 RTO: 15 - 30 days
  - Tier 5 RTO: >30 Days *(optional)*

- Implemented new version of BCP Software *(updated 2009)*
- All BCPs are to be updated annually by November 1
- Plan Builders guided by BCP Software Navigator
- All BCP plan owners are to exercise BCPs annually & submit an After Action Reports *(AAR web form – new 2011)*
  - Real events, will count in place of annual exercises, if AAR form is submitted and approved by Corp BCP
BCPs Updates

- **BCP Program Enhancements**

  - Function based plans vs Cost Center based plans
  - Function BCPs based on robust BIA with defined RTO tiers
    - Plans required for Tier 1-4; Tier 5 optional
    - Aligned RTO Tiers with IT Disaster Recovery *(new 2009)*
  - One function BCP per site; site may have many BCPs
    - BCP Owners ensure site specific plan data are kept current
  - New BCPs developed with new version of BCP software *(new 2009)*
  - Increased BCP Software training for plan builder and owners
  - Additional exercise scenarios provided to BCP Plan Owners
  - After Action Reports required following exercises and activations
The Business Continuity Planning Program Lifecycle has 6 steps, guiding coordinators through their planning efforts:

1. Initiate Business Continuity Program
2. Conduct Business Impact Analysis
3. Develop Recovery Strategies
4. Document Business Continuity Plan
5. Test Business Continuity Plan
6. Update Business Continuity Plan

The methodology follows industry best practices as described by DRII, NFPA 1600, and BCI.

Business Continuity is not a one-time project; it is an ongoing program that will mature over time.
Step 1 – Initiate Business Continuity Program

- Obtain executive sponsorship
  - Educate management & stakeholders on BC
  - Gain approvals and support
  - Review roles and responsibilities
    - Plan Owner
    - Plan Coordinator
- Understand the Market’s current state of BC readiness and prior work efforts
- Create BC Project Charter
  - Scope
  - Timelines
Business Unit BCP Support

- Executives – SBU Presidents & Direct Reports
  - Provide executive sponsorship for the program
  - Appoint BCP Council Members
- SBU BCP Council
  - Identify business functions
  - Identify Subject Matter Experts (SME) per function
  - Identify an I.T. SME who will report function dependencies once applications have been identified
- Subject Matter Experts (SME)
  - Attend required Step 2, BIA meetings
  - Attend required Step 3, Recovery Strategy meetings
  - Attend required Step 4, Plan development meetings
Step 2 – Conducting the BIA

- **BIA Objective**
  - Identify the potential impact of interruptions to critical business functions and processes over a period of time
    - Financial
    - Operational

- **Identify Dependencies on**
  - Location
  - Equipment
  - Applications
  - People
  - Records

- Use data to assign Recovery Time Objectives to functions and processes

- **Deliverable**
  - BIA Summary Report for Market Leadership
    - Containing areas of risk, dependencies, and prioritization of functions and processes.
This chart is a sample of the SBU Function data. It summarizes each function’s financial and operational impacts, the level of personnel concentration associated with each of those functions, and the reliance on personnel.

- **Bubble Size** - process conducted in few/many locations
- **Bubble Color** - if Red, few staff who know this job; or if Blue, staff easily cross-trained ( Licensing; training; etc.)
The table below identifies the financial and operational impacts that a business interruption would have on each Market-critical function.

<table>
<thead>
<tr>
<th>Sub-Group / Market</th>
<th>Function</th>
<th>Financial Impacts</th>
<th>Operational Impacts</th>
<th>Risk Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Estimated Daily Expense Impact</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Step 2 – BIA Report Summary Data

Location Analysis

- The following table lists the offices with their critical business functions and the percentage of employees located in each office.

<table>
<thead>
<tr>
<th>Office #</th>
<th>Name</th>
<th>Location</th>
<th>7%</th>
<th>1%</th>
<th>13%</th>
<th>29%</th>
<th>12%</th>
<th>19%</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>047C</td>
<td>IL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.1%</td>
</tr>
<tr>
<td>0949</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7%</td>
<td></td>
<td>7.8%</td>
</tr>
<tr>
<td>0001</td>
<td></td>
<td></td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.7%</td>
</tr>
<tr>
<td>0505</td>
<td></td>
<td></td>
<td>7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.6%</td>
</tr>
<tr>
<td>0555</td>
<td></td>
<td></td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6.6%</td>
</tr>
<tr>
<td>0390</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6.5%</td>
</tr>
<tr>
<td>0648</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6.2%</td>
</tr>
<tr>
<td>0608</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1%</td>
<td></td>
<td></td>
<td>6.0%</td>
</tr>
<tr>
<td>0471</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.0%</td>
</tr>
<tr>
<td>0961</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.0%</td>
</tr>
<tr>
<td>0205</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.8%</td>
</tr>
<tr>
<td>0100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.3%</td>
</tr>
<tr>
<td>0220</td>
<td></td>
<td></td>
<td></td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.9%</td>
</tr>
<tr>
<td>0670</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.5%</td>
</tr>
<tr>
<td>0096</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td></td>
<td>2.0%</td>
</tr>
<tr>
<td>0202</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9%</td>
<td></td>
<td>1.5%</td>
</tr>
</tbody>
</table>
### Step 2 – BIA Report Summary Data

**Application Analysis**

- The chart summarizes the IT System RTO* vs. Business Process RTO. The business RTO is based on function BIA data, IT system RTO based on requested recovery times.

<table>
<thead>
<tr>
<th>System Name</th>
<th>Business Critical</th>
<th>Business Workaround?</th>
<th>System RTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application 1</td>
<td>6 days</td>
<td>No</td>
<td>3 days</td>
</tr>
<tr>
<td>Application 2</td>
<td>30 days</td>
<td>Yes</td>
<td>Vital</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>System RTO</th>
<th>System Dependencies Input System</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-30 days</td>
<td>A1, A2, A3, A4, A5</td>
</tr>
<tr>
<td>3 days</td>
<td>B1, B2, B3, B4</td>
</tr>
<tr>
<td>4-10 days</td>
<td>C1, C2, C3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>System RTO</th>
<th>System Dependencies Output System</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-30 days</td>
<td>D1, D2, D3, D4, D5</td>
</tr>
<tr>
<td>3 days</td>
<td>E1, E2, E3, E4</td>
</tr>
<tr>
<td>4-10 days</td>
<td>F1, F2, F3</td>
</tr>
</tbody>
</table>

*IT System RTO refers to the recovery time for the IT systems, while Business Process RTO refers to the recovery time for the business processes.
Step 3 – Develop Recovery Strategies

- Identify process recovery strategies based on the BIA
  - What to do if you lose your:
    - Location
    - Critical Applications
    - Telecom
    - Equipment
    - Staffing
    - 3rd Party Vendor

- Identify alternative strategies to meet the Market RTO/RPO requirements

- Present to Market Leadership for approval and signoff
Step 4 – Document Business Continuity Plan

- Document recovery strategies & procedures in BCP Software
  - Define roles & responsibilities
  - Develop scripts and checklists

- Create activation procedures
  - Detail Communication / Notification procedures
  - Establish command and control requirements
  - Escalation procedures
Step 5 – Test
Business Continuity Plan

- **NO** Business Continuity Plan should be considered complete, unless tested
- Testing Objectives:
  - Assess the Business Continuity Team’s ability to respond
  - Clarify roles and responsibilities of Team members
  - Ensure Business Continuity Plan contains appropriate information and instructions
- Conduct post-exercise evaluation to identify and share lessons learned & opportunities for improvement (using AAR web form)
Step 6 – Update & Maintain Business Continuity Plan

- Business Continuity Plans are updated as appropriate based on lessons learned from exercises, real events requiring plan activation, business process changes and team member updates.

- Republish and distribute updated Plans to appropriate stakeholders

- Regular awareness training for stakeholders
Business Continuity Maturity Program Lifecycle

- The Business Continuity Planning Program Lifecycle has 6 steps, guiding coordinators through their planning efforts.
- The methodology follows industry best practices as described by DRII, NFPA 1600, and BCI.
- Business Continuity is not a one-time project; it is an ongoing program that will mature over time.
Summarizing

- Office Emergency Action Plans
  - Updated template - 2008
  - Annual updates due July 1 - 2009
  - Posted to shared drive, accessible to employees - 2009

- Crisis Management Plans
  - Updated template - 2009
  - Additional exercise scenarios provided - 2009
  - Web based After Action Report form - 2010

- Business Continuity Plans
  - Function specific plans based on BIA - 2009+
  - New version of BCP Software - 2009
    - All new BCPs developed
    - BCPs required for functions with RTO Tiers 1-4
  - Aligned BCP & IT DR Recovery Tiers - 2009
Going Forward & Adding Value!

- Power backup systems standards
- Rolling out to international operations
- Vendor assessment program
- Developing a BCP maturity model
- Expanding recorded BCP software training sessions
- Other Business Units to use emergency notification tool to operations
- Provide greater support for exercises & events
  - Corporate Emergency Response Team
  - Local Crisis Management Teams
  - Local Business Continuity Teams
Questions

Contact Info:
Kenneth Otis, CBCP
Kenneth.Otis@LibertyMutual.Com
617-654-3995