

# BUSINESS INTERRUPTION INSURANCE REVIEW



Business interruption insurance provides compensation when an insurable event prevents a business achieving its financial targets and can provide a lifeline to help a business survive after a catastrophic event. When combined with effective business continuity planning, properly structured business interruption insurance is a cost-effective solution that goes a long way to mitigating the effects of a major business disruption. We don't wait until a claim happens before testing the policy and considering exposures. Our pre-loss BI insurance review process is an essential step towards understanding BI exposures and achieving efficient and effective risk transfer.

## KEY QUESTIONS

Business interruption insurance reviews provide answers to key risk management questions that will ensure insurance programmes are tailored to the needs of your organisation:

- Do you and your insurers have a clear idea of your business interruption exposures?
- What is the value of the maximum foreseeable loss (MFL) that your business could sustain?
- What is the cost of the normal loss estimate (NLE) (MFL after taking into account all mitigation actions)?
- How long will your business take to recover from a major loss?
- What key policy extensions should be considered given your organisation's risk profile?

## METHOD

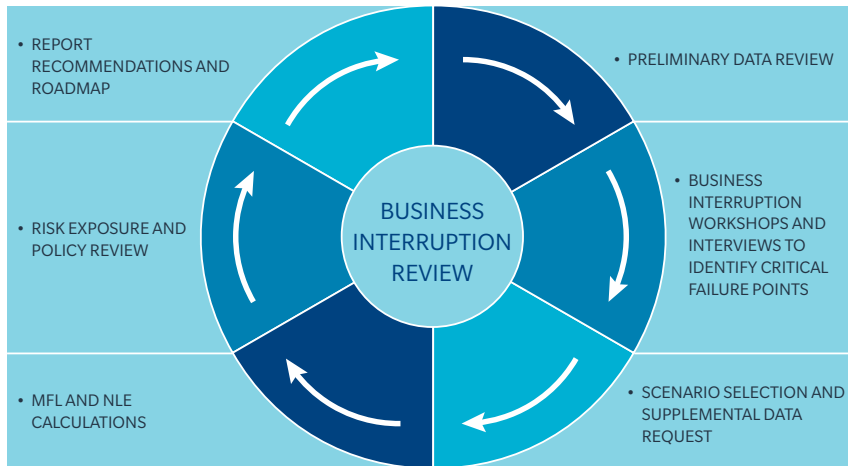
Our approach involves an in-depth assessment of both the operational and financial dimensions of your business. This will typically involve a combination of structured interviews, workshops, and a desktop review of documentation to examine existing risk mitigation and transfer needs. Once the critical failure points within your business are identified, this is then overlaid with potential loss of revenue/insurable gross profit using a pre-agreed range of locations/scenarios.

Our methodology provides validated calculations that both informs your decision making and can provide underwriters with critical data that allows for more efficient pricing of risk transfer.



## PROCESS

The review will identify any amendments to improve your insurance cover and provide a greater understanding of your quantified exposure. Our Forensic Accounting and Claims Services (FACS) team brings together project management, claims, and forensic accounting expertise built upon the experience of managing major business interruption claims, in multiple industries and global geographies.



## GLOBAL FRAMEWORK

We recognise that property damage events are not the only threats that you face. A natural catastrophe event could still represent the worst loss scenario for many, so it's a good place to start, but non-damage events, such as cyber attack or an interruption to your supply chain, are increasing in frequency and severity. We can create a global framework for quantifying business interruption that can be applied to any major event.

## OUTPUT

We will always look to tailor our output to your needs, however, a typical summary report will include:

- An executive summary of our key recommendations.
- A summary of the organisation and key financials (if the output is being shared with insurers).
- Outline of agreed scenario(s) considering mitigation efforts with calculated impacts and recovery periods.
- Financials flows, impacts, and external dependencies. Optional commentary on existing business continuity plans.

- Policy wording critique and recommendations.
- Appendices with all calculations.

## TEAM

Marsh Risk Consulting (MRC), a business unit of Marsh Ltd., is a global consulting organisation comprised of more than 800 specialists in over 40 countries dedicated to providing clients in all industries and all geographies with strategic advice and innovative solutions across a comprehensive range of insurable and non-insurable risks. Business interruption reviews are led by our FACS team supported by specialists from across MRC and our Business Interruption Centre of Excellence (BICoE).

We work with your Marsh team and placement colleagues to test your policy in a controlled (pre-loss) environment. We introduce other stakeholders where possible, including insurer representatives (underwriting and claims) and nominated loss adjusters to help avoid surprises and ensure the process in a real claim runs as smoothly as possible.

The information contained herein is based on sources we believe reliable and should be understood to be general risk management and insurance information only. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such.

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