Group Risk Consulting Ltd.
Governance. Risk. Compliance.

Non-Damage Business Interruption (NDBI) Risk Management

Anything that prevents a business or organisation from delivering a benefit (monetary or otherwise), can be classed as Business Interruption (BI).

As the global operating environment changes due to climate, technology, and geopolitical events, so are the types and behaviour of BI risks. Company asset structures and valuations have also changed and now contain an increasingly large proportion of *intangible* assets, as opposed to the more traditional *tangible* asset (property based) class.

No longer can BI risks be solely categorised as property or asset related, i.e. Property Damage Business Interruption (PDBI), rather, companies must also consider the use of Non-Damage Business Interruption (NDBI). The non-damage element helps account for any potential losses that may result from intangible assets being affected and that may result in financial loss. Consider the assets vs the risks of modern tech based companies such as Uber and Air BnB, where the assets they use to create profit (cars and property), are not owned by them. These companies' assets are largely intangible (data, electronic processes, intellectual property, contracts, etc.).

Most business processes today are technology enabled in one way or another (IT infrastructure, systems, data, firewalls, internet platforms, processing hubs etc.). Thus, we need to consider the complexity and severity of the risks arising from this, many of which are highly interconnected, and intangible.

Intangible risks are by their nature are more complex and difficult to identify. But once identified, they are not necessarily more difficult to manage or insure.

Can you answer any of the following questions?

- What would it take to disrupt your business's profit generating process (es)?
- Do you know which of your critical assets are tangible and intangible and their values?
- Do you know what your critical processes are, and are they prioritised?
- Do you have adequate control over these processes to be able to respond efficiently if one is interrupted?
- How long would it take to recover a critical process and return to Business as Usual (BAU)?
- Is Business Interruption the risk or the effect of a risk's impact?
- What are the causes of a Business Interruption?
- How do you reduce the likelihood of Business Interruption occurring?
- What is the true cost of a major business interruption event and how do you calculate this?
- Does your current business continuity strategy take into account intangible risks and if so, when was it last tested?
- Do you have confidence in your understanding of your company's Corporate Governance and Compliance responsibilities in relation to business interruption and economic sustainability?

GRC

If you have trouble answering some of these questions, Group Risk Consulting can help you;

- Gain a better understanding of your Business Interruption (NDBI and PDBI) risk profile, by conducting a comprehensive BI risk assessment exercise that is tailored to your company
- Identify the gaps in your current BI strategy and risk management programme
- Assess your ability to respond and recover from a range of serious BI events
- Understand the true potential cost of such an event
- Design improvement measures to help improve your sustainability / recovery capability in the event of such events
- Determine if your current BI insurance programme would adequately mitigate your intangible BI risks
- Identify the opportunity to insure any identified NDBI risk exposures
- Improve understanding in relation to your regulatory /compliance requirements in relation to BI.

Some key benefits of conducting such a review include:

- Increased levels of business continuity risk (tangible and intangible) resilience
- Reduced probability of loss
- Greater confidence in your existing response and recovery plans
- Increased assurance that key suppliers/partners understand their role in your business interruption risk management programme
- More confident board and senior management team and confident workforce
- Identification of most critical and value adding processes (not always the same)
- Identification of redundant or inefficient processes
- Greater levels of regulatory compliance
- Optimised business interruption insurance programme
- Potential cost savings
- More complete enterprise risk management framework
- Improved levels of corporate governance
- More confident management team / suppliers / partners and investors
- More robust and sustainable organisation.

For more information in relation to how to identify, manage and optimally insure PDBI and NDBI risks, and improve your business interruption resilience please contact:

Michael Porteous
General Manager, Group Risk Consulting Ltd
Email: michael.porteous@groupriskconsulting.com
Tel: +44(0)7710194472