



INSURANCE REGULATORY AUTHORITY



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**GUIDELINE TO THE INSURANCE INDUSTRY ON THE
BUSINESS CONTINUITY MANAGEMENT**

SEPTEMBER 2014



**To Insurance Companies
Reinsurance Companies**

GUIDELINE ON BUSINESS CONTINUITY MANAGEMENT

This guideline on business continuity management of insurance companies is issued pursuant to section 3A of the Insurance Act for observance by Insurance and Reinsurance companies.

The guideline aims to ensure that companies implement a whole-of-business approach to business continuity management that is appropriate to the nature and scale of its operations.

Business continuity management increases resilience to business disruption arising from internal and external events and may reduce the impact on the regulated institution's or group's business operations, reputation, profitability, depositors, policyholders and other stakeholders.

To this end, the Insurance Regulatory Authority issues this guideline on Business continuity management effective from **31st December,**

SAMMY M. MAKOVE
COMMISSIONER OF INSURANCE & CHIEF EXECUTIVE OFFICER



THE INSURANCE ACT (CAP 487)

IRA/PG/

**GUIDELINE TO THE INSURANCE INDUSTRY
ON BUSINESS CONTINUITY MANAGEMENT**

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1.0 AUTHORIZATION

IN EXERCISE of the powers conferred by sections 3A (a), (b) and (g) of the Insurance Act, the Insurance Regulatory Authority (herein referred to as Authority) issues the guideline set out here below, for observance by all insurers registered under the Insurance Act Cap 487, in respect of business continuity management.

2.0 INTRODUCTION

- 2.1 This guideline requires insurers to implement a whole-of-business approach to business continuity management that is appropriate to the nature and scale of its operations.
- 2.2 Business continuity management increases resilience to business disruption arising from internal and external events and may reduce the impact on the regulated institution's or group's business operations, reputation, profitability, depositors, policyholders and other stakeholders.
- 2.3 The ultimate responsibility for the business continuity of an institution rests with its Board of directors.

3.0 OBJECTIVE

The objective of this guideline is to ensure that an insurer has an effective business continuity management capable of identifying, assessing, managing, mitigating and reporting on potential business continuity risks to ensure that the insurer is able to meet its financial and service obligations to its policyholders, depositors and other creditors.



4.0 KEY REQUIREMENTS

4.1 The key requirements of this guideline are that:

4.1.1 an insurer must identify, assess and manage potential business continuity risks to ensure that it is able to meet its financial and service obligations to its depositors, policyholders and other creditors;

4.1.2 the Board of the insurer must consider business continuity risks and controls as part of its overall risk management systems and approve a Business Continuity Management Policy;

4.1.3 an insurer must develop and maintain a Business Continuity Plan that documents procedures and information which enable the regulated institution to manage business disruptions;

4.1.4 an insurer must review the Business Continuity Plan annually and periodically arrange for its review by the internal audit function or an external auditor; and

4.1.5 an insurer must notify the Authority in the event of certain disruptions.

5.0 THE ROLE OF THE BOARD AND SENIOR MANAGEMENT

5.1 The insurer must identify, assess, manage, mitigate and report on potential business continuity risks to ensure that it is able to meet its financial and service obligations to its depositors, policyholders and other creditors.



- 5.2 The Board is ultimately responsible for the business continuity of the regulated institution.
- 5.3 The Board remains responsible for business continuity management (BCM) whether or not business operations are outsourced or are part of a corporate group.
- 5.4 The Board may delegate day-to-day operational responsibility for BCM to a responsible committee. The operational responsibility must be clearly expressed in the charter of the committee and/or in the performance objective of the responsible senior management
- 5.5 The Board must approve the insurer's Business Continuity Management Policy.
- 5.6 The Board must ensure that the insurer's business continuity risks and controls are taken into account as part of its overall risk management systems.

6.0 BUSINESS CONTINUITY MANAGEMENT

- 6.1 Business Continuity Management (BCM) is a whole-of-business approach that includes policies, standards and procedures for ensuring that critical business operations can be maintained or recovered in a timely fashion, in the event of a disruption. Its purpose is to minimise the financial, legal, regulatory, reputational and other material consequences arising from a disruption.
- 6.2 Critical business operations are the business functions, resources and infrastructure that may, if disrupted, have a material impact on the regulated institution's business functions, reputation, profitability, depositors and/or policyholders



- 6.3 An insurer's BCM must, at a minimum, include:
- 6.3.1 a BCM Policy;
 - 6.3.2 a business impact analysis (BIA) including risk assessment
 - 6.3.3 recovery objectives and strategies;
 - 6.3.4 a business continuity plan (BCP) including crisis management and recovery
 - 6.3.5 programs for:
 - 6.3.5.1 review and testing of the BCP
 - 6.3.5.2 training and ensuring awareness of staff in relation to BCM.

7.0 BCM POLICY

- 7.1 An insurer must develop an up-to-date documented BCM Policy that sets out its objectives and approach in relation to BCM.
- 7.2 The BCM Policy must clearly state the roles, responsibilities and authorities to act in relation to the BCM Policy.

8.0 BUSINESS IMPACT ANALYSIS(BIA)

- 8.1 A BIA involves identifying all critical business functions, resources and infrastructure of the insurer and assessing the impact of a disruption on these.
- 8.2 When conducting the BIA, the insurer must consider:
- 8.3 plausible disruption scenarios over varying periods of time;



- 8.4 the period of time for which the insurer could not operate without each of its critical business operations;
- 8.5 the extent to which a disruption to the critical business operations might have a material impact on the interests of policyholders and/or depositors of the insurer; and
- 8.6 the financial, legal, regulatory and reputational impact of a disruption to an insurer's critical business operations over varying periods of time.

9.0 RECOVERY OBJECTIVES AND STRATEGIES

- 9.1 Recovery objectives are pre-defined goals for recovering critical business operations to a specified level of service (recovery level) within a defined period (recovery time) following a disruption.
- 9.2 A regulated institution must identify and document appropriate recovery objectives and implementation strategies based on the results of the BIA and the size and complexity of the insurer.

10.0 BUSINESS CONTINUITY PLANNING

- 10.1 An insurer must maintain at all times a documented BCP that meets the objectives of the BCM Policy.
- 10.2 The BCP must document procedures and information that enable the insurer to:
 - 10.2.1 manage an initial business disruption (crisis management); and
 - 10.2.2 Recover critical business operations.
- 10.3 The BCP must reflect the specific requirements of the insurer and must identify:



- 10.3.1 critical business operations;
- 10.3.2 recovery levels and time targets for each critical business operation;
- 10.3.3 recovery strategies for each critical business operation;
- 10.3.4 infrastructure and resources required to implement the BCP;
- 10.3.5 roles, responsibilities and authorities to act in relation to the BCP; and
- 10.3.6 communication plans with staff and external stakeholders.

11.0 REVIEW AND TESTING OF THE BCP

- 11.1 An insurer must review and test its BCP at least annually, or more frequently if there are material changes to business operations, to ensure that the BCP can meet the BCM objectives.
- 11.2 The results of the testing must be formally reported to the Board or to delegated management.
- 11.3 The BCP must be updated if shortcomings are identified as a result of the review and testing.

12.0 AUDIT ARRANGEMENTS

- 12.1 An insurer's internal audit function must periodically review the BCP and provide an assurance to the Board or to delegated management that:



12.1.1 the BCP is in accordance with the regulated institution's BCM Policy and addresses the risks it is designed to control; and

12.1.2 testing procedures are adequate and have been conducted satisfactorily.

12.2 The Authority may request the external auditor of the insurer, or another appropriate external expert, to provide an assessment of the regulated institution's BCM arrangements.

13.0 NOTIFICATION REQUIREMENTS

13.1 An insurer must notify the Authority as soon as possible and no later than 24 hours after experiencing a major disruption that has the potential to have a material impact on the insurer's risk profile, or affect its financial soundness.

13.2 The insurer must explain to the Authority the nature of the disruption, the action being taken, the likely effect and the timeframe for returning to normal operations.

13.3 The insurer must notify the Authority when normal operations resume.

14.0 EFFECTIVE DATE

14.1 The effective date of this Regulation is 31st December



15.0 ENQUIRY

Enquiries on any aspect of this guideline shall be referred to;

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