

# Business Continuity – Business Impact Analysis and Risk Assessment

Effective business continuity planning enables organisations to resume operations swiftly following a disruptive event.

This Loss Prevention Standard is part of a series focused on business continuity and emphasises the critical role of impact analysis and risk assessment in understanding the potential impacts of a loss event.

# Business Continuity – Business Impact Analysis and Risk Assessment

## Introduction

Unplanned disruptions, such as fires or escape of water incidents, can have serious consequences for organisations.

A Business Impact Analysis (BIA) can significantly reduce these impacts and strengthen an organisation’s ability to recover quickly, by examining key business functions and assessing the effect that a disruption may have upon them.



This document explores the key elements of BIA and provides guidance on the essential steps actions that support effective planning.

**Note:** This Loss Prevention Standard relates to business continuity planning and is focussed on business interruption loss prevention/mitigation and related risk management guidance. It is not intended to address liability exposures. The presumption is that any regulatory requirements relating to business continuity have, or will be, met.

## Understanding the Risks

Loss events can occur without warning. Completing a BIA enables an organisation to identify and understand the potential risks it faces and determining how long a disruptive event can continue before it affects the organisation’s ability to recover. The purpose of this is to strengthen resilience and help mitigate the consequences of any disruption.

Common risks/exposures/issues include, but are not limited to:

- **Extended Downtime.** Without clear BIA, the recovery of critical processes or services may be underestimated or delayed, leading to prolonged disruption.
- **Financial Loss.** Uncoordinated responses can result in slow or poor decision making, errors and significantly higher losses.
- **Reduced Recovery Capability.** Delays may negatively impact recovery efforts, slowing down the return to normal operations.
- **Reputational Damage.** Delays in returning to normal operations can damage relationships with customers, suppliers and other stakeholders.
- **Regulatory Non-Compliance.** Many industries require documented and tested business continuity plans. Poor management may lead to breaches of legal or regulatory obligations, resulting in fines or sanctions.

## Managing the Risks

### Business Impact Analysis

A BIA reviews each product and service within the organisation to understand its importance, and to determine recovery timeframes and minimum resource requirements.

This enables the organisation to determine the **Maximum Tolerable Period of Disruption** and a **Recovery Time Objective**.

The Maximum Tolerable Period of Disruption (MTPD) is how long an organisation can withstand a disruption to an activity before it becomes unacceptable.

The Recovery Time Objective (RTO) is the time frame within the MTPD for resuming disrupted activities at a specified minimum acceptable capacity.

With this information, the organisation then needs to assess whether to reduce recovery timeframes that are deemed unacceptable.

Refer to the Aviva Loss Prevention Standard **Business Continuity - Solutions Design and Implementation** for further guidance.

To understand the effect of a disruptive event, the organisation needs to understand:

- What are the key business and service objectives of the business?
- What are the key products and services required to meet these objectives?
- What are the processes required to provide these products and services?
- What resources and activities are required to provide these processes?
- When do these objectives need to be met by?

A key product and service is the output or outcome provided by an organisation to interested parties. This could reflect the revenue that is generated from sales of the product, or the need to provide a service to meet wider organisational objectives.

An example BIA Matrix has been included as an appendix at the rear of this document.

### Risk Assessment

A Risk Assessment is carried out following the BIA. Its purpose is to rank the incidents that may disrupt your organisation's key products or services.

This assessment should include any risks that could potentially disrupt your operations, based on likelihood and severity. These risks could be identified through the BIA process, previous incidents or through industry reports.

Each identified risk should be scored based on its likelihood of occurring and the severity of its consequences to the organisation.

An example Risk Assessment matrix has been included as an appendix at the rear of this document.

## Stage 1: Scope and Framework

**Purpose.** To set the scope and framework for the specific BIA to follow.

### Process

1. Identify key products or services, including those that can be grouped together to simplify information gathering and analysis.
2. Identify processes and process owners that deliver products and services, ensuring all steps of their process are included from start to finish.
3. Identify the impacts to the organisation, should products or services not be delivered, including, but not limited to, the following:
  - a. Financial.
  - b. Reputational.
  - c. Regulatory.
4. List any products and services, or the processes thereof, that have been excluded from the BIA, and the reasons for this.

The organisation should then pick the type of BIA that is most appropriate for their business. For example, a manufacturing business creating a product may choose a Product BIA. Whereas a hotel business may choose a Service BIA.

Larger or more diverse organisations may need to complete multiple BIAs, because they provide both products and services.

## Stage 2: Product/Service Business Impact Analysis

**Purpose.** Prioritises products and services based on the critical need to the organisation.

### Process:

1. Collect and analyse data, including:
  - a. Mission, objectives, strategic position of the organisation.
  - b. Legal and regulatory requirements.
  - c. Contractual requirements and potential penalties.
  - d. Expectations of customers and other interested parties.
  - e. An assessment of the impacts of failing to deliver the product/service/activity.
  - f. Lessons learnt from past disruptions/exercises.
  - g. Potential impact of other significant developments within the organisation.
2. Identify and breakdown resources and requirements for delivery of the product/service/activity following a disruption. This could include, but is not limited to:
  - a. People.
  - b. Information and data.
  - c. Buildings and work environment.
3. Identify dependencies, including suppliers, partners and other interested parties.
4. Identify interdependencies of prioritised products/services/activities.
5. Estimate the MTRD and RTO for each of the analysed products and services.
6. Based on information collected, prioritise the organisation's products and services in ascending order based on duration of the MTRD and RTO.
7. Obtain approval from the owner of the product and service or top management for the results and accuracy of the information collected.
8. Validate the results against the original BIA scope, completed in Stage 1.

A review of the BIA should occur within set periods, or when significant change occurs within the organisation.

Whilst a Product and Services BIA will likely be sufficient for the majority of organisations, more diverse and complex organisations may need to further complete a Process or Activities BIA, which are included below:

## **Stage 2A: Process Business Impact Analysis**

**Purpose.** Determines the process or processes required to deliver the organisation's prioritised products and services. Process-driven organisations will typically perform this BIA. If an organisation is less process driven, it may not be needed and move on to the activity BIA.

**Process:**

1. Identify and document the dependencies for the processes that deliver the prioritised products and services. This could be across many departments, inter-departmental or organisation wide.
2. Identify how disruption to processes would impact the ability to provide the prioritised products and services and ascertain the point at which this impact becomes unacceptable (MTPD).
3. Consider lead times for restoring processes, the recovery process after an incident, capacity and backlogs.
4. Set relevant RTOs for the above processes.

## **Stage 2B: Activities Business Impact Analysis**

**Purpose.** Identifies and prioritises the activities that deliver the most urgent products and services, as well as determining the resources and dependencies required for the continuity of these activities.

**Process:**

1. Analyse the people, information and data, buildings and work environment, IT systems, transport, finance, partners, sub-contractors and suppliers needed for the activities that support the processes.
2. The RTOs, and how the business will achieve recovery at that point is the focus of the Activity BIA, therefore consider other activities that may need to be undertaken to support this, such as clearing backlogs.
3. Determine the MTRD and RTO for each activity, which will provide a clear timetable, and from this a list of resources required to achieve recovery.
4. Consider and set the Recovery Point Objective (RPO), e.g., the point at which the IT and information used by an activity must be restored to enable the activity to operate on resumption.

## Stage 3: Risk Assessment

**Purpose.** To identify and evaluate the risks or threats to day-to-day operations. Risks should be scored based on the likelihood and consequential severity of the risk the occurring.

The Risk Assessment is effective for analysing known or anticipated sources of risks. However, organisations should also remain alert to emerging risks, which may be more difficult to assess due to limited or incomplete data.

The sources of risk could be identified through the above BIA process, in previous exercises, or recorded in previous incidents within the industry or geographical region.

### **Process:**

1. List known and anticipated risk sources for each of the prioritised products and services, which could include, but are not limited to:
  - a. Loss of Premises.
  - b. Product Recall.
  - c. Regulation Changes.
  - d. Seasonality.
  - e. Supply Chain Disruption.
  - f. Pandemic.
2. Estimate the impact to the organisation, should the risk materialise into an incident.
3. Assess the likelihood of that risk occurring.
4. Plot assessed risks on a Likelihood vs Severity matrix.
5. Identified risks should then be evaluated to review whether a risk needs to be treated or mitigated to reduce its likelihood or severity.

For further information on risk treatment or mitigation, please refer to the Aviva Loss Prevention Standard **Solutions Design and Implementation** .

## Key Actions

- Agree the scope and group key products and services, confirm process owners, and define potential impacts.
- Document excluded products and services and maintain clear justification for transparency.
- Review the most appropriate BIA type based on the organisation's operating model, likely starting with a Product and Service BIA.
- Determine priority of key products and services.
- Analyse dependencies, interdependencies, and resource needs.
- Determine Maximum Tolerable Period of Disruption (MTPD) and Recovery Time Objectives (RTO) for each key product and service.
- Validate and approve BIA findings with product and service owners or senior management.
- Review and update the BIA periodically or when major organisational changes occur.
- Carry out a risk assessment to identify risks that could disrupt priority products and services.
- Score each risk based on likelihood and severity, and plot on a risk matrix.

## Appendices

Sample generic Business Impact Analysis and Risk Assessment Matrices are presented in Appendices 1 and 2.

## Specialist Partner Solutions

Aviva Risk Management Solutions can offer access to a wide range of risk management products and services at preferential rates via our network of Specialist Partners.

- Business Continuity - [Horizonscan](#)

For more information please visit: [Aviva Risk Management Solutions - Specialist Partners](#)

## Sources and Useful Links

- [The Business Continuity Institute](#)

**Note:** Whilst UK standards and legislation are referenced in this document, other international standards and legislation should be referenced where applicable.

## Additional Information

Relevant Aviva Loss Prevention Standards include:

- **Business Continuity Planning**
- **Business Continuity - Roles and Responsibilities**
- **Business Continuity - Incident Management Plan**
- **Business Continuity - Communications Plan**
- **Business Continuity - Solutions Design and Implementation**
- **Business Continuity - Policy**

To find out more, please visit [Aviva Risk Management Solutions](#) or speak to one of our advisors.

Email us at [riskadvice@aviva.com](mailto:riskadvice@aviva.com) or call 0345 366 6666.\*

\*The cost of calls to 03 prefixed numbers are charged at national call rates (charges may vary dependent on your network provider) and are usually included in inclusive minute plans from landlines and mobiles. For our joint protection telephone calls may be recorded and/or monitored.

# Appendix 1 - Example Business Impact Analysis Matrix

Impact Categories	Financial	Reputational	Regulatory
Low = 1	Small, easily absorbed financial loss (e.g., <£5,000). No impact on revenue targets. Temporary delay but no permanent cost.	Issue only known internally. No customer or media awareness.	No breach. Internal policy deviation only. Quickly correctable.
Moderate = 2	Measurable financial impact (e.g., £5,000–£50,000). Minor overtime costs or small penalties. Short-term slowdown in output.	Some customer complaints. Minor negative sentiment on social channels. No long-term damage.	Non-reportable regulatory failure. Minor audit findings. Corrective actions required but no penalties.
Significant = 3	Revenue loss or increased cost (e.g., £50,000–£250,000). Impacts monthly financial performance. Delays in customer delivery.	Local/regional attention, customer dissatisfaction, impact on service trust.	Reportable to regulator but low severity. Increased scrutiny or temporary restrictions.
Severe = 4	Substantial losses (e.g., £250,000–£1M). Breach of contractual SLAs leading to penalties. Medium-term revenue disruption.	National attention, negative press coverage, senior stakeholder concern, risk of losing major clients.	Enforcement action possible. Large fines. Mandatory reporting and deep regulator involvement.
Critical = 5	Multi-million pound loss (>£1M). Significant operational shutdown. Long-term financial damage threatening sustainability.	Widespread national/international media coverage. Severe trust erosion. Long-term customer/partner loss.	Criminal liability, removal of licences, shutdown orders, major fines. Threat to organisation's operating ability.

Product/Service	0-4 Hours Impact	4-24 Hours Impact	1-3 Days Impact
Manufacturing Line A	3	4	5
Payroll Services	1	2	3
Order Processing	3	4	5

# Appendix 2 – Example Risk Assessment Matrix

Score	Severity Level	Description
1	Low	Minor disruption, quickly recoverable, no regulatory or financial impact
2	Moderate	Noticeable disruption, small financial loss, minor customer dissatisfaction
3	Significant	Service delays, moderate financial loss, reputational impact
4	Severe	Major operational disruption, large financial loss, regulatory concerns
5	Critical	Business-threatening impact, legal breaches, sustained loss of service

Score	Likelihood Level	Description
1	Rare	Unlikely to occur, has not occurred before
2	Unlikely	Possible but not expected
3	Possible	Could occur at some time
4	Likely	Has occurred before and expected again
5	Almost Certain	Expected regularly or imminent

Risk Source	Severity	Likelihood	Risk Rating (S x L)
Loss of Premises	5	2	10
Supply Chain Disruption	4	3	12
Pandemic/Staff Shortage	3	3	9

Risk Score	Risk Level	Action Required
1-5	Low	Monitor, minimal mitigation needed
6-10	Medium	Mitigation recommended; monitor trends
11-15	High	Mitigation required; develop Business Continuity Plan
16-25	Critical	Immediate mitigation; senior leadership oversight

## **Please Note**

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