



# How would your business survive a natural catastrophe?

With just a sideways glance at the nightly news, you'd be forgiven for assuming that natural catastrophes are occurring at an alarming frequency. Between hurricanes, cyclones, flooding and bushfires, it seems not a day goes by when one part of our world isn't impacted by a natural disaster.

While data from the Bureau of Meteorology shows that recent catastrophes are not vastly unusual in the cyclical nature of extreme weather, statistics do show that the impact of these catastrophes is becoming increasingly significant. In fact, Aon's Global Weather, Climate & Catastrophe Insight Report – released in January this year – showed that 2017 was the costliest year ever recorded, with global economic losses from natural catastrophes totalling approximately AUD 426 billion.

What's more, Cyclone Debbie, which struck Eastern Australia at the end of March 2017, was the country's second-costliest cyclone with insured losses of AUD 1.66 billion.

The increased impact of these catastrophes can be attributed to a range of factors, with perhaps the most notable being our expanding population, which has started spreading beyond previous borders. With property and businesses now being built on urban bush interfaces, in the tropics and on flood plains, natural catastrophes now threaten more highly populated areas.

Another consideration is the increasingly global nature of business. With highly inter-connected supply chains, businesses are more exposed to the impacts of global catastrophes than ever before.

So, how can your organisation appropriately prepare for what appears to be the inevitable?

## Understand your risk

Regardless of the nature and location of their business, all companies need a rigorous plan to help prepare for worst case scenarios. This begins with identifying key threats and potential impacts.

The natural instinct may be to identify the finite, physical impacts, for example, damage or loss of property and stock. However, perhaps more notably – and more challenging to quantify – is the impact to business continuity. In a natural disaster, staff may have difficulty returning to work, offsite centres may face excess demand, and tradespeople will likely be at a premium. Even with agreed fixed prices and service level agreements, in a time of disaster, essential services become hot property, and so access to them can become a challenge. Claims may also take longer than anticipated to be paid, thanks to pressure and demand on the insurers.

In other words? Your organisation needs to be prepared to manage through these business disruptions by developing a solid business continuity plan, to not only survive a natural disaster, but to thrive. Because if one thing is for certain, it's that your competitors will be doing their best to be the first on their feet to secure the business of your customers in this volatile time.

So how can you ensure your organisation is at the top of the pecking order with access to facilities, the sharpest response times, and minimal business disruption?



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## Plan and insure appropriately

Perhaps the biggest task in preparing for a catastrophe is identifying the various scenarios that could play out, and the impact they could have on your business. To understand potential impacts, your organisation will need to ask questions like:

- What happens if we have a loss of power, damage to our site or lost access?
- What if we don't have access to a critical supplier?
- Have we looked at every potential catastrophe? Have we prepared flood response plans, bushfire response plans, and cyclone response plans? Are there other catastrophes we need to consider? Do we have protection and business response plans for bushfires, cyclones or floods?
- If we can't get our business back up and running quickly, what will it cost for us to regain any market share lost in this time?
- Have we valued our property appropriately? What is our insurance response for bushfires, cyclones and floods?

With a robust Business Continuity Plan, backed up by appropriate levels of insurance, you can ensure your business will be back up and running before your market share is compromised.

## Enlist the help of professionals

Like most risks, understanding the impact of various potential catastrophes can be as difficult as determining the length of a piece of string. Therefore, it pays to enlist the help of professionals who are experts in identifying and managing these risks.

Aon provides this unique service to organisations – to create bespoke, site-by-site plans that show how exposed your business may be to natural catastrophes, what risks exist, and most importantly, how to identify how much cover you require in the instance of a crisis. With a rigorous, tested plan in place, you can ensure that your business is prepared to manage the impact of natural catastrophes, and to be safely back on your feet, building your business as quickly as possible.

For more information on how Aon can help your organisation to manage natural catastrophes, please contact us.

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