

RESILIENCE TO THE IMPACTS OF EXTREME WEATHER


A STRATEGIC DISCUSSION GUIDE FOR BUSINESS OPERATORS, MANAGERS & OWNERS

OCTOBER 2009


Extreme weather in Australia accounts for 19 of the 20 largest catastrophe events in the previous 40 years. There is little that individuals can do to stop extreme weather occurring in their location. However, controlling the level of damage that a business suffers and how the business recovers from such an event is entirely in the hands of directors and management of business operations. Failure to prepare for probable disaster events, to ensure that recovery from the most likely impacts can occur, is planning to fail. Regardless of the size of a business there are some basic principles that can be followed in order to increase the resilience of a business operation to extreme weather events. The following discussion guide provides a starting point for consideration of business exposures and recovery.

1  **Who is responsible to ensure the business continues to function?**


Nominate a company officer or director to be responsible for risk management and continuity planning. This company officer should have sufficient knowledge regarding the business to enable a thorough understanding of business functions, critical supplies, assets and resources. Particularly complex business operations often form a committee comprising representatives of each of the functional areas of the business, in order to form a comprehensive view of the businesses requirements, vulnerabilities and to formulate robust continuity plans.

2  **Who can help?**

For complex or high value operations consider seeking specialist risk management advice. There are many specialist services in Australia that will assist in developing continuity plans for your business or assist by coaching your own business managers to formulate a continuity plan. Some Insurance companies specialising in commercial insurance will also offer advice on continuity planning and risk management strategies.


3  **What does our business own or operate?**

Build & maintain an inventory of current assets & resources, or apply these considerations when considering purchase of a new asset that forms a part of your business operation.


4  **What are our critical business functions?**

Identify any critical business functions that must be maintained in order for your business to continue to operate:


- What is the financial impact of losing the function?
- What is the operational impact of losing the function?
- Is there a regulatory or compliance obligation that relies upon the function?

5  **What assets, supplies and resources do our critical business functions need in order to operate?**

For each business function identified, list the resources relied upon. For example, critical plant and machinery, buildings, vehicles and staff. For each business function identified, list the resources relied upon. For example, critical plant and machinery, buildings, vehicles and staff.


6  **How long will our business last without each critical business function?**

Referring to the financial costs and operational impacts, calculate maximum tolerable downtime each of these functions without the identified assets, supplies and resources; and then prioritise them.

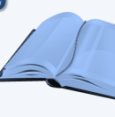
7  **What are the hazards that could impact on our assets, supplies and resources, leading to a failure of a critical business function?**

Identify the weather hazards that resources may be exposed to:

- Hail
- Fire
- Storm, Cyclones
- Floods & Stormwater Inundation

8  **What is already in place to protect our assets?**


Identify the mitigation that already exists for your resources or in your area to prevent these hazards causing damage. For example, flood levies, cyclone warnings, hail resistant roofing, window shutters, fire suppression/sprinklers, alternative staff, maintenance programs for mitigation infrastructure (gutter cleaning, sprinkler testing, roof repairs etc?)

9  **Is existing protection up to standard?**


Older buildings and assets may sometimes not be constructed in accordance with modern day standards and may in some cases be at greater risk to hazards. For example, for buildings the business should examine if there are modern and cost effective solutions for ensuring that roofs, walls, windows, interiors are built from hazard resistant material in a manner sympathetic with known risks in the area, including where applicable, flood barriers, hail and wind resistant roofs and windows, robust fire protection consistent with the risk and operations being carried out in the building.

10  **Is there a residual risk to business assets, supplies, resources?**


Determine what the residual risk to your resources may be after examining the present hazards and the mitigations in place. What is the residual risk and how will you protect your business?

11  **Are there supplies and assets beyond your control that are critical to business functions?**

Also consider what impacts may arise to your business if extreme weather related events impact on resources that are beyond your control. For example, failure of electricity and water supplies in the local area, road closures or a loss of attraction to the area that drives customers away. Do you have guaranteed supply? Do you have plans to maintain your business in these instances? Does your insurance cover these risks?

12  **Does the business have a comprehensive plan for maintaining or recovering critical business functions if assets, supplies and resources are impacted?**

Develop and maintain a Business Continuity Plan to assist in recovering your critical business functions after an extreme weather event within the downtimes that you have identified. Each critical business function should have a clear recovery strategy in place, with required resources pre-identified and trained staff to implement the plan.

13  **Is the business properly insured?** Determine what insurances you need to maintain in order to help protect the business from the residual risks you have identified. The market for business insurance is highly competitive and there are a range of products available, shop around and compare products in order to make sure the cover best suited to your circumstances is held. For example, consider issues such as:

- The replacement and repair costs of critical assets that may be damaged – many policies will require equipment to be identified up front when the policy is taken out.
- Any stipulated limits on cover or exclusions for particular types of plant and equipment.
- The requirement in most policies to ensure that plant, equipment and buildings are properly maintained and protected.
- The potential costs of business interruption and cash flow to your business that can arise from damage to your critical business functions
- Costs associated with finding replacement or temporary staff.
- The costs involved if a critical supplier is damaged or suffers an impact and can no longer supply your business. For example, electricity, fuel, food
- The impacts on cash flow if customers can no longer access your business due to road closures or other obstacles
- The potential interruption to cash flow if customers no longer visit your area due to a loss of attraction. For example, tourism businesses that rely upon visitors to an attraction in an area.