THE CASE FOR ADAPTATION: HELPING UK BUSINESSES AND GOVERNMENT PREPARE FOR EXTREME WEATHER

INTRODUCTION
We have all experienced the harsh realities of extreme weather in the UK in some form. As a global insurer, Zurich has first-hand experiences of how costly severe weather such as snow, flooding and storms, can be on various elements of a business; from disruption of a company’s supply chain through to property damage.

Merely reacting to instances of extreme weather is not enough; all businesses - whether a small business in a rural area or a larger company in the heart of the city - must prepare and adapt ahead of future weather extremes. Furthermore, it is a joint responsibility of the Government and local authorities to share knowledge, collaborate and provide advice where possible, in order to help businesses across the UK.

This ‘Green Paper’ is based on insight from senior officials in business and environmental organisations. Collectively, our aim is to safeguard the future of UK businesses and the economy - this Green Paper is a prominent step in that direction.

THE WEATHER, THE COST, THE CASE
Changing weather patterns in the UK

There is considerable uncertainty in projecting climate change and extreme weather. While the experts can be confident that over time average temperatures will increase, the effects on certain elements, such as rainfall, are less easy to predict. Climate change and extreme weather projections from the Met Office and UK Climate Impacts Programme (UKCIP) suggest that on average, the UK will experience warming temperatures and changes in seasonal precipitation patterns, while overall extreme weather events are likely to be more common and more intense.

Interestingly, the UKCIP shows that the duration and intensity of very cold events is expected to persist into the future, though their frequency could decline and that these extremes may have significant impacts if people lose the capacity to deal with spells of extreme cold.

If the frequency of these extremes can be clearly conveyed, businesses and local authorities may gain a better understanding of the impact and therefore be better prepared in the future.

Defra, the Environment Agency and insurance bodies such as the ABI work on assessing the weather patterns and what the impact may be, bearing in mind geographical location, predictability and probability. These bodies agree that extreme weather is an issue that needs to be addressed immediately, and specifically that persistent freezing and flooding, affecting both city and rural areas, means that businesses should be preparing now, not in the future.
The cost of extreme weather on businesses

A recent survey Zurich conducted in association with the Business Continuity Institute, the Institute of Purchasing and Supply and DHL, showed that 64 per cent of UK businesses have suffered a supply chain disruption due to extreme weather conditions (see graph).

The London Chamber of Commerce and Industry (LCCI) has shown concern that only half of SMEs have business continuity plans in place. This issue was highlighted during last year’s snowfall, when the ONS stated that it resulted in a 0.6 per cent fall in Q4 GDP.

The snowfall is a good example of how extreme weather can significantly affect businesses – according to the ABI, insurers dealt with £900m in property damage claims during the winter months and according to a Chartered Management Institute (CMI) report, 93 per cent of managers suffered disruption in their organisation as a result of last winter’s harsh weather.

Extreme weather affects all areas of a business and will continue to do so – a CBI report claims that annual flood damages in the UK could total £22bn by 2020. The organisations who contributed to this Green Paper are unanimous in the need to emphasise that extreme weather can have a serious impact on the markets businesses work in; the regulation and compliance they have to abide by; their operations and logistics; finance; people – both consumers and employees, reputation and, of course, business premises.

However, it is important to remember that it is not just the large organisations with long supply chains that are affected by adverse weather. 99 per cent of all businesses in the UK are small and medium sized businesses and they easily suffer significant disruptions when their local transport network and communications infrastructure are hit by intense weather extremes.

The case for adaptation

Extreme weather affects both the financial and physical aspects of a business and there is no doubt that it can culminate in a much greater impact on the economy – the challenge therefore lies in making the case for business adaptation ahead of extreme weather.

In a recent survey by the LCCI, only half of SMEs had a business continuity plan in place and interestingly, the figure is similar for mid-corporate and larger companies across the UK. It therefore appears there is a ‘false hope’ amongst businesses in the UK. Believing that a bout of extreme weather will pass quickly, many companies consciously decide not to put comprehensive continuity plans in place, as they may not have time or money and may have other worries requiring attention. These businesses may have miscalculated the risks and are not fully prepared for extreme weather.

However, it is just as important to spot any possible opportunities that such extremes present to small, medium-sized and larger companies. Opportunities may emerge in a more resilient business sector or increased profitability in a region, due to tourism, for example.

Furthermore, businesses tend to give efficiency precedence over resilience. For example, a manufacturer may be more cost-effective by receiving supplies on the morning of production and distributing the final product at the end of the day. However, this ‘just in time’ model of production does not provide the necessary buffer if, for example, snow prevents suppliers from transporting raw materials to their factory. What must be achieved is a balance between efficiency and resilience and a review from both government organisations and businesses as to what successful adaptation really is.

The causes of supply chain disruption in the UK: Adverse weather, Unplanned outage of IT or telecoms system, Transport network disruption, Volcanic ash cloud, Insolvency.
**Recommendations: To UK Businesses**

As we have seen in Section 1, the case for extreme weather adaptation is evident. Snow and frost, flooding and storms, and bouts of intense heat have caused property damage to businesses, disrupted both their operations and supply chains and in some cases have resulted in businesses shutting down.

In order to collectively safeguard the economy, businesses need to start assessing their risks and vulnerabilities, ensuring that they have simple contingency and continuity plans in place, so that they are prepared for, not just reacting to, extreme weather.

If you are the owner of a business it does not have to be an arduous or costly process to ensure you are prepared. For example, have you considered how access to stores and stock may be affected by severe weather? What could be the implications of changing customer demands, such as differing packaging requirements for chilled goods? If your most profitable product was affected, how would that impact your bottom line?

If you can pinpoint where you have influence on your own premises, you can start to identify areas that you can change; trade associations and community groups such as flood forums, can help to increase influence and optimise resource.

Reports show that business continuity plans can help organisations return to normal operations far more quickly than otherwise would have been possible and often putting these plans in place can be ‘cost neutral’ – a CMI report showed that around three quarters of managers agree that it enabled their organisation to continue to deliver key products and services in the face of disruption.

It is therefore important for businesses to consider what are the best, most cost effective methods to be resilient against future weather extremes. This is why we have created the Zurich ‘Five Point Plan’, to help UK businesses be better prepared.

---

**ZURICH’S ‘FIVE POINT PLAN’ FOR UK BUSINESSES**

1) **ASSESS THE RISKS AND ACT ACCORDINGLY** – how have past weather events affected your business and your region? What are your vulnerabilities? Think market; regulation and compliance; operation and logistics; finance; people – consumers and employees; premises; reputation of your business.

2) **IF YOU ARE UNSURE ABOUT RISKS/ADAPTATION/WEATHER, USE FREE RESOURCES AND ONLINE TOOLS** – there are a number of bodies that provide free and helpful information including the Met Office, Environment Agency and UKCIP. Your insurer may also be able to offer risk management advice.

3) **REVIEW YOUR OWN AND YOUR SUPPLIERS’ FINANCIAL AND PHYSICAL SUPPLY CHAIN ISSUES AND ADAPT YOUR BUSINESS CONTINUITY STRATEGY ACCORDINGLY** – look at all areas of your business and make changes where necessary.

4) **ENSURE YOU HAVE A PLAN B** – do you have remote access to e-mails, stocks, reports, financials, contact details etc.?

5) **SHARE RESOURCES AND CONCERNS WITH LOCAL GOVERNMENT AND BUSINESS COMMUNITY** – working collaboratively with Government, local authorities and your fellow businesses will help you prepare ahead of weather extremes.
Recommendations: To Government
Accountability and responsibility must be considered when adaptation is discussed, policies developed and advice given. It is not just the responsibility of businesses to prepare ahead of extreme weather but a necessity of Government, both central and local, to support businesses, communicate clearly and provide advice.

The organisations that contributed to this this Green Paper are clear about the need for collaboration, ‘helping businesses to help themselves’, through four key areas:

Simplification of language: In order to communicate to businesses, information on how to prepare for extreme weather must come in the form of simple and easy to understand language. Although terms such as ‘risk analysis’ and ‘weather modelling’ can be crucial to a business, jargon-free advice is better respected and understood. Messages need to be clear and action-orientated, moving out of the sustainability realm and into risk and finance.

A reduction in bureaucracy: Government and local authorities must work together with businesses to understand the time and cost implications of assessments and paperwork, in order to run an efficient business.

Apply more focus to each business: It is essential for authorities to be proportionate, taking into consideration that businesses will have different requirements depending on their size, sector and geographical location.

A joined-up approach: It is up to industry bodies and local government to promote active debate about how new initiatives and policies can help UK businesses become more aware of the impact of severe weather and how they should act on that advice. New technology and innovation will help us to prepare ahead of weather extremes but it is also necessary to formulate easily digestible action plans for businesses in order to achieve successful adaptation.

Conclusion
There is no doubt that extreme weather events will continue and they have proven to be detrimental to the UK economy, having the worst effect on those businesses that are the least prepared.

Businesses should consider today what plans they need to make. If unsure, they should perform simple research and enter into dialogue with industry bodies and local communities. Simultaneously, Government should continue to make the case for adaptation while providing guidance to businesses, encouraging them to make their own decisions, in a jargon-free manner.

Ultimately, a joined-up approach between Government and businesses will ensure that we can increase our resilience to extreme weather, something that is essential to the health of the UK economy.