

Businesses Underestimate Disaster Risk

By GreenBiz Staff
Published August 7, 2008

JOHNSTON, R.I. -- Many large North American corporations operate in areas prone to floods, earthquakes and hurricanes, yet a large slice admit they aren't prepared for a natural disaster.

Climate change holds the potential to cause more extreme weather events, such as hurricanes and floods. But business property insurer FM Global found in a recent survey a majority of firms aren't very concerned about the possible business impacts that could arise from natural disasters. Many companies, FM Global said, underestimate their supply chain's risk exposure.

"The findings reveal a surprising and concerning gap between the levels of natural catastrophe exposure among North America's largest companies and their level of preparedness, especially given that, in the first half of 2008, there were about 400 natural catastrophes worldwide with overall losses expected to top \$50 billion," Ruud Bosman, FM Global's executive vice president, said in a statement.

Only 100 financial executives participated in the survey, but the findings point to larger trends, said Wendy Rose, spokeswoman for the Institute for Business and Home Safety.

"Business owners often think within their four walls," Rose said. "They don't understand the ripple effects a disaster can have."

Larger companies can more likely afford to hire staff to prepare natural disaster contingency plans, but small- to medium-sized business often don't have the luxury. An Office Depot Survey released Thursday found that nearly 40 percent of small businesses haven't spent any time preparing for a natural disaster. Seventeen percent said doing so was too expensive.

But a company's inability to receive supplies -- or get its goods and services to the market -- can cripple the bottom line. Businesses with contingency and disaster plans stand a better chance of keeping operations flowing.

"They are the ones that survive," Rose said.

