

## Volcanic ash: business continuity, supply chain and insurance implications



As businesses assess the impact of the eruption of the Eyjafjallajökull volcano in Iceland and subsequent ash cloud covering European airspace, Marsh has outlined the following checklist to help clients determine the key areas and required actions that businesses need to focus on.

### Business continuity implications

While many firms in the UK have business continuity plans to deal with a wide range of potential disruptions, they still may not be adequately prepared for this unusual event.

As part of a business's overall risk and resilience planning framework, it is sensible to plan for the effects of staff being absent from work as they are unable to travel back from an overseas location.

To address this risk, firms should monitor the situation very closely, and businesses should examine and possibly amend their existing business continuity plans accordingly.

Despite the fact that closures of air transport have now been lifted, there may still be serious implications to your supply chain. Organisations that depend upon the supply of perishable goods that arrive by air transport may be more directly affected.

Marsh recommends that management should review their firm's risk management controls and communications capabilities, and update them based on lessons learned from the air transport crisis, as such an event could mean having fewer people, losing the ability to conduct face-to-face business as planned and an inability to deliver/receive goods.

To reduce the impact on businesses due to airport closures, Marsh recommends the following:

- Review your Business Continuity Plan.
- Make sure you have up to date contact details for all staff.
- Encourage key staff to plan their continued availability for work in the event that their travel plans are disrupted.
- Ensure that HR policies for dealing with temporary staff absences are in place and well understood.
- Ensure that you track the whereabouts and welfare of all affected staff.
- Issue clear instructions to staff that are stranded overseas or about to travel from the UK.
- Think about how you'll best be able to service your customers, suppliers and key stakeholders if your business is disrupted.
- Give early warnings of any problems to your customers and suppliers.
- Review any possibilities for the temporary switching of some activities to other sites that may be less impacted and/or who have suitably experienced staff available.
- Work with your IT department to enable wherever possible, meetings via teleconference facilities.
- Provide regular updates to staff and any other impacted stakeholders.
- Investigate the opportunity to utilise alternative transport methods.
- Revisit your business impact analysis (BIA), particularly the risk assessment of critical activities – consider underpinning resources, such as availability of transportation systems, routes and suppliers.

## Supply chain implications

- Seasonal exporters and those handling perishable goods should consider alternative routes to market if goods cannot be moved to planned purchasers in a timely manner.
- Ensure plans include provision for the additional storage of excess products.
- Discuss contingency planning with air cargo handlers and ensure they have contingency plans for handling goods.
- Plan for disruptions affecting a large region – if one local airport is unavailable following a major incident, chances are that others will be affected.
- Plan for alternative ground transportation well in advance via contractual agreements, remembering that following wide spread air carrier disruptions, alternatives will be in high demand.
- Be familiar with the contingency plans of suppliers and related business that impact upon your supply chain.
- Know the origin of your goods and services.
- Review your suppliers' contractual obligations relating to the delivery of goods and services.

## Insurance implications

All risks property insurance policies, which provide cover for 'all risks' detailed in the policy except those explicitly excluded, are in general not currently set up to respond to the type of losses arising from the volcanic eruption. As a result, very few insureds – including airlines – will be able to make a claim unless physical damage to an insured property can be demonstrated.

- **Property damage** – Volcanic eruption is part of the earthquake peril in an 'all risks' policy. Typically, under a standard all risks property insurance policy, physical loss, destruction or lasting damage to a property is required before the policy is triggered.
- **Denial of access (non-damage) extensions** – This extension is unlikely to provide cover, as it requires that access to the insured premises be prevented or hindered. The insured's premises would also be required to be in the vicinity of the emergency or a specified distance from it. Deliveries may be delayed and this may have an impact on turnover, but this indirect loss is not covered unless a specific supply chain policy is in place for non-damage events such as transport delays.

Organisations should review the terms and conditions of their insurance policies to determine what coverages may apply under these circumstances. Additionally, they should closely document all related financial losses to support any claims to be made under their applicable policies.

## More information

Marsh has a range of experts that can help you understand and manage natural catastrophe. For further information, please contact your client service team. Alternatively contact:

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## Sources of additional information

For the latest travel news, visit:

Foreign and Common Office Travel Advice

<http://www.fco.gov.uk>

World Health Organization

<http://www.who.int>

Association of European Airlines

<http://www.aea.be>

NATS

[www.nats.co.uk](http://www.nats.co.uk) (UK)

EUROCONTROL

[www.eurocontrol.int/](http://www.eurocontrol.int/) (Continental Europe)