

IF'S RISK
MANAGEMENT
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Risk Consulting

Insights into risk management and loss prevention

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Editorial

Navigating in an ever-changing risk landscape



As the risk landscape is dynamic, new threats continue to shape the world around us. Emerging risks such as cybersecurity threats, critical infrastructure blackouts, climate change and PFAS are just a few examples of the complex challenges we are facing. In order to succeed, we will all be required to adapt and remain flexible through continuous and proactive engagement. These challenges will require increased co-operation.

With this rapidly changing risk landscape, we focus on giving our clients the confidence and support to overcome obstacles and move forward in turbulent times. The stability we provide enables our clients to navigate uncertainties and concentrate on their core objectives and growth initiatives.

Across the Nordic countries, we want to give our clients reliable advice in the area of risk management and loss prevention. Through our competence centres, we share expertise and knowledge in various industries to help provide our clients with optimal solutions that best suit their needs and requirements.

We are proud to have these competence centres to study the development of risks connected to energy, forest and natural hazards. We continue the good and important work we have done for many years, as it is crucial for us as an insurer and for you as a client. Consequently, we are ready to share knowledge, learnings and insights on recent research and provide guidance on risk mitigating factors.

In this first issue of Risk Consulting magazine in 2024, you can read more about emerging risks and our insights on the current risk landscape. Turning the pages, you will read articles about personnel risk exposures, lithium-ion batteries, and learn lessons from losses. □



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Emerging risks in focus

The world is ever-evolving and new unexpected challenges, often referred to as “emerging risks”, have surfaced, posing significant threats to businesses and society at large. Climate change, cybersecurity issues, and supply chain disruption stand out as the top three emerging risks in If Insurance’s emerging risk work, reshaping the landscape for companies and insurers.

By Matti Sjögren and Vilma Torikko, If

GETTY IMAGES

The risks relating to climate change were identified decades ago. However, its consequences remain, to some extent, unknown, while extreme weather phenomena for example continue to increase. It is expected that the likelihood of severe impacts on businesses and society alike will continue to grow in frequency over the coming years. The changing climate is causing companies to re-examine the most fundamental elements of their existing businesses and ways of working. For instance, a factory constructed decades ago may need to be assessed for new risks as a result of heavy rain, flooding, or increased snow loads.

Numerous legal theories are applied in the rising tide of climate litigation. By July 2023, the Sabin Centre for Climate Change Law had listed over 2.341 cases globally, of which 1.557 had been filed after the Paris Agreement. The rise in climate change litigation highlights a growing focus on corporate accountability for environmental issues.

The surge in litigation cases reflects a heightened willingness among stakeholders to seek legal remedies for climate-related concerns.

According to Matti Sjögren, Nordic Liability Risk Management Specialist at If, “Climate change adaptation will increasingly impact how we manage insurance in the future as the changing climate will continue to cause more extreme weather-related disasters. Climate change litigation represents another view on the development of climate change-in-

fluenced phenomena, including liability claims. Viewing these cases shows us that they are not always directly related to the insured values or risks.”

CYBER RISKS ARE HERE TO STAY

According to ENISA (the European Union agency for cybersecurity) the top emerging cybersecurity threats for 2030 are related to dependencies, disinformation and human error, among other threats. The evolving threat landscape poses risks to affirmative products and conventional ones such as property and liability insurance.

Top emerging cybersecurity threats:

- Supply chain compromise: Cyberattacks targeting software dependencies, including those in ports and harbours.
- Advanced disinformation campaigns: Involving the abuse of artificial intelligence and e.g. the creation and utilisation of deepfake videos.
- Rise of digital surveillance authoritarianism: Threatening privacy through the misuse of data from mobile phones, surveillance cameras, and computers.
- Human error and legacy system exploitation: Vulnerabilities within cyber-physical ecosystems.
- Targeted attacks leveraging smart device data: Exploiting the interconnected nature of smart devices for enhanced cyber threats.

Similarly, the Allianz Risk Barometer ranks cyber risks such as IT outages, ransomware attacks, and data breaches as the most significant global risks for the second consecutive year. Geopolitical tensions, exemplified by the conflict in Ukraine, are reshaping the cyber risk landscape, increasing the likelihood of large-scale cyber-attacks. The frequency of ransomware attacks remains high, with losses increasing as criminals hone their tactics to extort more money, while the average cost of a data-breach is at an all-time high. Attacks are not just affecting large corporations, but also smaller and mid-size businesses. Additionally, a shortage of cybersecurity professionals within companies adds an extra layer of complexity to the challenges.

SUPPLY CHAINS DISRUPTED

Supply chain disruption emerges as a critical concern, with volatility in prices and temporary disruptions unable to be fully addressed through insurance pricing. Geopolitical conflicts, inflationary pressures, climate change events, and cyber threats contribute to disruptions in the flow of goods, causing port delays, reducing freight availability, and contributing to surging prices.

The KPMG Global Operations Centre of Excellence predicts key supply chain trends, including scepticism about cross-border trade cooperation, increased cybercriminal activity, changing manufacturing footprints, rapid shifts in retail and distribution supply chains, accelerated technology investments, and heightened scrutiny of Scope 3 emissions on the environmental, social, and governance (ESG) front.

WHAT IS THE NEW ASBESTOS?

This rhetorical question is often quoted in risk management circles. It refers to the asbestos-related liability and occupational disease cases for which the insurers have paid 100-200 billion euros across many decades. The reasons for these extremely wide-reaching injuries and fatalities and their compensations were due to the extensive use of asbestos materials in buildings and various industries before the health hazard was fully understood. The asbestos fibers cause serious illnesses often decades after the exposure.

Could nanotechnology, which is widely used in everyday consumer products but may have unknown effects, be the 'next asbestos'? Nanotechnology involves manipulating substances at the atomic and molecular levels to create innovative materials and processes. This not only impacts the development of computers, phones, and devices but also influences equipment that improves health and is placed inside the human body. The challenges arise in assessing and insuring against the practical application risks, similar to other technologies integrating new materials within the human body. If the materials developed would be hazardous, they might cause occupational injuries at the manufacturing sites and product liability claims from the users of the products.

The chemical industry, crucial for making and handling nanomaterials, presents potential risks to workers. Industries incorporating nanomaterials in production may encounter class action claims from consumers alleging damages. The transportation of nanomaterials could unintentionally lead to pollution and subsequent claims. Nanoparticles from fertilisers, animal medicine, or pollution might impact the agriculture and food industry, accumulating and increasing hazards for crops, livestock, and humans. Human health may face challenges due to nanoparticle accumulation through the air and food chain. The current evidence is inconclusive, prompting the development of various risk assessment models and frameworks to understand and evaluate the available data on the health effects of nanomaterials. Compared to asbestos, it might be difficult to prove the causal link between a particular nanomaterial and a certain illness.

History shows that technologies once thought of as major advancements can later be seen as highly risky. For example, chlorofluorocarbons made refrigeration, air conditioning, and aerosols possible but consequently harmed the earth's protective ozone layer. Lead additives improved paint durability but have increased the risk of poisoning for future generations. Asbestos, while providing insulation, caused severe damage to human respiratory systems. Research suggests that specific carbon nanotubes may pose health risks similar to asbestos, though not all nanotubes carry the same level of danger. The latest candidate for the "next asbestos" are the PFAS added to If's Emerging Risk Radar. They are man-made per- and polyfluorinated alky substances used in consumer and industrial products, especially for their stain and grease resistance properties since the 1930s. They are very long-lasting and, thus, called forever chemicals. PFAS migrate in the environment and accumulate in human bodies and are suspected of causing various serious illnesses (see our article in Risk Consulting magazine 2/2023). The still evolving research results and rapidly increasing claims around the world for environmental contamination and health issues make PFAS risk unpredictable to industries and insurers.

THE NATURE OF EMERGING RISKS

Few could have predicted the impact of COVID-19, when knowledge of the outbreak was first reported. Despite the best efforts to uncover potential emerging risks, in the year's prior to COVID-19 few companies considered that a pandemic was going to unfold and significantly disrupt their operations, societies and economies on a fundamental level.

Whether it is war, climate change, or a pandemic – the world continues to change at a rapid pace. The best way to face emerging risks is to understand what threats lie on the horizon, include these in your business continuity planning, and be prepared to act swiftly if they materialise. □

What to watch out for with lithium-ion batteries?

Lithium-ion batteries (Li-ion) are widely used in various devices and machinery today, powering the way we live, work, and connect. The number of devices using Li-ion batteries in households and businesses worldwide is enormous, since they are used everywhere, regardless of the industry.

By Tuomas Kaleva, If

Rechargeable
fire or burning

请勿拆解, 刺破, 挤压, 高温
标准电压和额定容量/值
A2171 充电锂离子电池
锂电池 3.7V 2000mAh

Li-ion Battery Mod
Do not disassem

They are found in laptops, mobile phones, backup power systems, electric bikes, and scooters. On a bigger scale, electric cars, forklift trucks and energy storage systems (ESS) are also utilising Li-ion technology. The demand for lithium-ion batteries has been projected to increase seven-fold between the years 2022–2030.

While we rely on the convenience and power of lithium-ion batteries, how aware are we of the risks they bear? In this article, we explore the risks to watch out for with lithium-ion batteries, mainly the fire hazards in their use, and the key role of risk awareness, preventive measures, and immediate fire suppression in minimising damage.

LITHIUM-ION BATTERY HAZARDS

There have been several occurrences highlighting the risks associated with lithium-ion battery fires: Cases have been reported where everyday devices such as laptops and mobile phones have caught fire while charging or during use, resulting in bodily injuries and house fires. Electric vehicle (EV) fires have gained significant public attention in recent years.

If a lithium-ion battery in a forklift, for example, is on fire, it can develop and pose a substantial fire hazard for the whole industrial site or warehouse. Such

fires can cause extensive property damage, especially when they develop near combustible fire load, and are anything but easy to extinguish, even for the most experienced firefighters. The bigger the battery, the greater the potential fire.

Understanding of the most suitable firefighting techniques for larger-scale lithium-ion battery fires has evolved over the years, but there are still challenges due to the complexity and variability of these types of fires.

In 2022, the New York City Fire Department responded to more than 200 e-scooter and e-bike fire incidents, which unfortunately resulted in six fatalities. Furthermore, Li-ion battery fires make up a shocking 48% of all waste fires that occur in the UK each year. The economic impact is significant, with a cost of £158 million.

UNDERSTANDING THE SCIENCE BEHIND THE RISK

Why are these types of fires so aggressive?

Lithium-ion batteries are vulnerable to a phenomenon called thermal runaway, which may cause the battery to catch fire.

One of the most common reasons for lithium-ion battery fires is an internal short circuit within the battery.

These internal short circuits can occur due to

- external mechanical damage (e.g., dropping, crushing or penetration)
- external overheating of the battery
- chemical contamination
- incorrect charging
- mismatched parts
- neglected maintenance.

When the short circuit occurs, the internal chemicals within the battery can react vigorously, resulting in a fire. This fire can quickly spread beyond the device or machinery. Lithium-ion battery fire gases, such as hydrogen fluoride (HF) and smoke, can be life-threatening.

Aside from the fire risk, devastating vapour cloud explosions (VCE) must be considered as well. In some battery chemistries, there is a lower risk of fire but a higher risk of VCE – or the other way around. Fires and explosions do not, however, exclude each other.

A thermal runaway in a battery system generally originates from a single cell, which then causes a chain reaction. When cooling is not applied, this process may continue until all cells in a battery system are involved.

RESPONSIBILITY FOR LITHIUM-ION BATTERY SAFETY

Prevention of lithium-ion fires concerns both the manufacturer and the user.

Manufacturers play a pivotal role in ensuring product quality and safety through testing, which assesses various aspects, including product evaluation, component examination (e.g., battery and casing), inspection of any integrated elements, and the scrutiny of battery chargers.

In cases of suspected battery defects leading to fires, battery suppliers may be liable. However, identifying the precise fire source and assigning any liability to the supplier becomes extremely complex when a product is consumed or severely damaged in a fire. Still, even if the original source of the fire is somewhere else, lithium-ion batteries will accelerate the fire.

It is important to note that the responsibility for lithium-ion fire safety does not rest solely on the shoulders of manufacturers. Their users, too, share a responsibility when they use products equipped with Li-ion batteries. Just like in many other electronics, there is always a risk of a fire in their use, which will increase when using the products incorrectly.

FIVE POINTS TO CONSIDER WITH LITHIUM-ION BATTERIES

1. Fire safety awareness and training

- It is important to educate all employees on the risks of lithium-ion batteries, both in industrial sites and in office environments.
- Lithium-ion fire safety training is highly significant for any business but especially for those using larger scale lithium-ion battery-powered devices.
- Personnel should also understand when it is safe to start trying to extinguish a starting fire, how to do it safely, and in which cases to evacuate immediately.

2. Comply with the manufacturer's instructions

- Ensure that the batteries have the appropriate CE marking and accompanying documentation, demonstrating conformity with relevant national and EN standards for all components.
- Batteries and devices should have a Battery Management System (BMS) responsible for averting operation beyond established safety limits.
- Utilise the manufacturer's charger, cords, and power adapters exclusively for the device. Avoid the use of third-party accessories – they may not meet the required safety standards.

3. Safe storage and handling

- Place batteries away from any combustible materials and high-heat environments.
- Do not store any fire load, especially flammable liquids or gases, near a rechargeable battery or the device.
- The charging surface should be non-combustible material.
- Refrain from leaving the battery on a charger continuously to prevent overcharging situations.
- Prevent direct sunlight exposure for lithium-ion batteries. This applies to mobile phones as well.
- When storing the equipment for a longer period of time, remove the battery to prevent potential electrical issues and overheating.
- Larger Li-ion systems, such as EV and forklift charging stations, should be positioned clear of fire escape routes or combustible materials.
- The charging areas for EVs and forklift trucks should comply with relevant standards, have their own fire-resistant compartment, and have automatic fire detection and sprinkler protection.
- Therefore, larger EVs such as cars and forklift trucks should be parked and charged in a place where they can burn out in the event of a fire without any further fire spreading.

4. Be vigilant for malfunction

- The condition of the equipment should be inspected and monitored on a regular basis.
- The battery becoming hot to touch can indicate malfunctioning.
- A lithium-ion battery may swell due to overcharging, over-discharging, or exposure to higher temperatures.
- Any liquid leaking from the battery or strange smell can be a sign of a problem.
- If the battery is not holding a charge as long as it used to, it could be nearing the end of its life.
- Any visible damage to the battery, such as dents or punctures, is a cause for concern.

5. In case of a fire

- Sometimes, even the most efficient preventive measures fail. Proper and early fire suppression efforts are essential to minimising the damage caused by any fire.
- Traditional firefighting methods, such as water suppression by drowning the device in a water container and using ABC extinguishers, are mostly applicable to smaller lithium-ion batteries.



If Insurance lithium-ion battery fire tests

- At the moment, there are no suitable extinguishing agents available to handle large-scale lithium-ion battery fires.
- In the event of a fire, avoiding inhalation of smoke and promptly evacuating the area to a safe location is crucial.

AWARENESS OF RISKS MUST FOLLOW GROWING POPULARITY

In general, lithium-ion battery fires are luckily quite rare, but when they do happen, they tend to have severe consequences. In the ever-expanding landscape of lithium-ion battery applications, it is imperative to recognise both the immense advantages and potential fire hazards these power sources entail. While they offer high energy density and rapid charging, mitigating their risks demands comprehensive risk management and firm commitment to fire safety.

At If Insurance, we promote the cause of safe lithium-ion battery development through proactive engagement in research endeavours and dialogues with key stakeholders. These include firefighters, academic researchers, reputable manufacturers, and our in-house risk specialists.

As the popularity and use of lithium-ion batteries continue to soar, it is paramount that our awareness follows. Only through effective and proactive risk management can we substantially diminish the likelihood of fire-related damage, safeguarding personnel and property alike. □



Meet our expert

Tuomas Kaleva
Development Specialist

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Scan the QR code to access the Property hazard info sheets.





Lessons from a factory fire

On 5 July 2022, a fire broke out in Swix's factory in Lillehammer, Norway. The fire started in a boiler that supplies the factory with hot oil to produce ski wax and glider. Production was interrupted and the warehouse was at risk of burning down.

By **Caroline Bødkerholm, If**

Before the fire, there had been a fault in a relay, which meant that the system was not getting any heat. The production of glider and other products must have this heating system. Therefore, the relay was rewired, pending the delivery of a new one", explains Fredrik Skaug Jensen, Senior Claims Advisor at If.

"However, there was an unknown fault in another relay, which caused the heating elements to stay on too long. This led to the melting of the heating element, which in turn ignited the oil in the heating system."

REACTING TO THE FIRE

Torbjørn Haugen, Operation Manager at Brav Norway AS, which owns the Swix brand, was working from home on the day of the incident.

"First, I thought this was a false alarm. I always get a call from the alarm centre when the alarm has gone off and if I am not on the location when this happens, I tell them to go there, to be safe. This decision turned out to be vital in this case. As soon as I realised the alarm was real, I made the two-hour drive from my home to the factory. Meanwhile, my colleagues on-site were doing everything they could, just as we had



practiced. They went to the central panel to locate the area of the fire, they detected the reason of the fire, and then provided firefighters with needed information upon their arrival, making it possible for them to extinguish the fire swiftly”, Haugen says.

“In the hours following, we focused on minimising the impact of the fire, for example by keeping the factory gates open. This required security staff to watch the gates during the night. We saved as much equipment and material as possible, carrying these out of harm’s way. To get an overview of the magnitude of the loss, If Insurance sent a Loss Adjuster who was given the mandate to take decisions and act quickly. This was a huge advantage, allowing us to be able to move forward with vital steps in the rebuilding phase. Our focus was also to provide the necessary support to our colleagues who were emotionally impacted by this fire event.”

THE LOSS

A fortunate twist came with the timing of the fire, occurring in the month of July, as the factory was about to be shut down only a few days later for the summer holidays. Therefore, despite the damage, no downtime occurred in production. During the summer holidays, a provisional heating system was installed.

After the fire was extinguished, there was significant smoke and soot damage on the premises. Although some smoke had entered the warehouse, causing damage to goods, the fire did not spread further. This was also very fortunate, as high-value goods were stored in the warehouse.

LESSONS LEARNED

1) SELECT A SAFE LOCATION FOR CRITICAL EQUIPMENT

When the incident happened, the boiler was in the middle of the building on the 2nd floor, making it difficult for firefighters to extinguish the fire. This central

location also increased the possibility of additional losses as materials and equipment were stored close to the boiler.

“Since the incident, we have invested in moving this heating plant to the ground floor with easy access for fire services”, Torbjørn Haugen emphasizes. “It is now placed in an actual fire cell, which was done in close cooperation with the fire department. If a similar incident occurs, the fire department can quickly locate the boiler and fill the entire room with foam and extinguish the fire immediately.”

2) BUSINESS CONTINUITY TRAINING PAYS OFF

After the incident, the fire department confirmed that the employees on site had done a tremendous job when the fire started.

“Without their prior training and preparation, the factory could have been lost completely. It has been a huge learning for us that having a business continuity plan and conducting training on a regular basis really pays off”, Torbjørn Haugen says.

3) COORDINATE YOUR FIRST POINT OF CONTACT

Knowing who to contact from your insurance company should be part of the business continuity plan. The plan should be updated on a regular basis, for example if there are any changes in the organisation and a new contact should be listed instead.

According to Torbjørn Haugen, it took some hours before the company reached the right person at If. “We were frustrated, as we needed support immediately and were in a critical situation. However, once we got hold of the right person, we were very satisfied with the support and guidance we received from If. A learning from this experience is that we have to have this dialogue with our insurance provider in advance and know who to call in case an incident occurs.”

Recurring floods at High Chaparral

In January 2023, large areas of High Chaparral, a wild west theme park in Sweden, was under water. In this article, we dive into the learnings from this flood event, the risk management plan put forward, and how the park was restored in time for the start of season on the 18th of May 2023.

By **Caroline Bødkerholm, If**

This is not the first time the park has been impacted by flooding. In February 2020, the park faced a similar situation, as water flooded several areas of the theme park due to rain and snow that melted quickly. Since this incident, Underwriters and Risk Engineers from If have monitored the risk in close cooperation with the client.

Mathias Bergendahl, CEO of High Chaparral Sweden, has been working with several authorities, including the municipality and other stakeholders to tackle the problem. As the park is situated along a river that stretches for more than 40 kilometres before it passes High Chaparral theme park, the cause of the flooding was soon uncovered. With a better understanding of the underlying problems, Bergendahl worked together with local political leaders to find alternative solutions, as a similar flood event was likely to occur again in either the near or distant future.





Specifically, High Chaparral is working to raise awareness among national, regional, and local government agencies about the heavy and time-consuming permit-related processes that hinder the possibility to construct, or make changes to, structures and areas that are in dire need of rebuilding due to changing climate conditions. To be even more effective in seeking help from authorities, High Chaparral has teamed up with If's Head of Sustainability to enable changes to these bureaucratic procedures.

FLOOD EVENT IN 2023

Another flood event occurred in January 2023, this time devastating in comparison to the flooding in 2020. The water level rose by 14 centimetres in less than one day, allowing water to quickly spread to several places due to melting of snow coupled with heavy rains.

Senior Claims Engineer at If in Sweden, Magnus Johansson, took contact immediately and visited the site the following day. Magnus explains, "Together with the client, we established an overview where all stakeholders involved had access to progress in real-time. Especially, the employees at High Chaparral benefited from this, as they were able to manage the online booking process for different buildings as the rooms became ready."

SIGNS THAT A FLOODING IS COMING

"With the 2020 flooding fresh in our memory, we were relatively quick to secure power boxes in the park and a few spots we knew might come in harm's way. There are several similarities between the two events, and we learned in 2020 where to look for signs as to whether a flooding is near and if the park will be heavily impacted," noted Mathias Bergendahl.

"As I was abroad at the time ahead of the flooding, I received daily updates from a colleague on site. As we learned that the water was rising to high levels, I ordered the start of preparations, which at that time specifically focused on power boxes in the park as well as on the campground."

“ Together with the client, we established an overview where all stakeholders involved had access to progress in real-time.



Mathias Bergendahl, CEO of High Chaparral



“Both the flooding in 2020 as well as in 2023 followed the same patterns. To understand the water level, we can quickly make an assessment simply by visiting a lake further up the river, where we can usually see if the water level is rising. That’s our first indication that the conditions for a flood event are heightened. Next, water usually first approaches the park by entering the nearby pastures and farm areas. When that happens, we can safely expect that we may be a few days away from a flood event. Additionally, we have an area next to the river adjacent to the campsite that confirms the flood warning. When water rises to the nearby pasture and walkway, we’re in for a challenge. The good thing about having these concrete locations as indicators for an upcoming flood event, is that they enable us to have a few days warning, providing us with the opportunity to gather our resources and prepare as much as we can.”

OUR BUSINESS CONTINUITY PLAN

“On the 16th of January 2023, staff quickly rushed to the park to immediately assess the structures and areas that had been severely damaged. In the cottages used for both staff and guests, staff began to remove items such as beds, refrigerators, etc.”

“The 2023 flooding came as a surprise and we were not as prepared and ready to act, as we should have been. Before 2020, the last flooding was in 2004, so most people in the region regarded it as unlikely



to occur again, especially not three years after the previous flood incident. Now, we know better, and we acknowledge the increased risk for flooding, which requires that we are much more prepared for future incidents. In fact, ahead of winter this year, we have already raised many of the cottages to higher platforms, formed a more comprehensive action plan, as well as lifted all furniture and items in cottages up on beds and tables, thus minimising the risk of damages, should the water levels rise even further.”

A POSITIVE REBUILDING PHASE

Prior to the initial rebuilding phase, important milestones were defined in dialogue with the client. Magnus Johansson, Senior Claims Engineer at If, recalls “I especially remember one important conversation with our client in the first days after the incident. Together, we defined some important milestones for the next period of rebuilding. The most important milestone was to be ready for the season’s start on the 18th of May 2023. This required that all staff buildings should be prioritized. It was a tight schedule, but we managed to do it, just in time.”

“It may sound a bit strange, but the rebuilding of our site was truly a very positive period. One would think, it would be stressful, but due to the very positive teamwork with If and the suppliers If contracted, it was never a question of whether we would be able to open in time. If and others enabled us to continue our usual launch plans for the season, and in that way, we could focus solely on getting the park ready for first our employees and next our guests.”

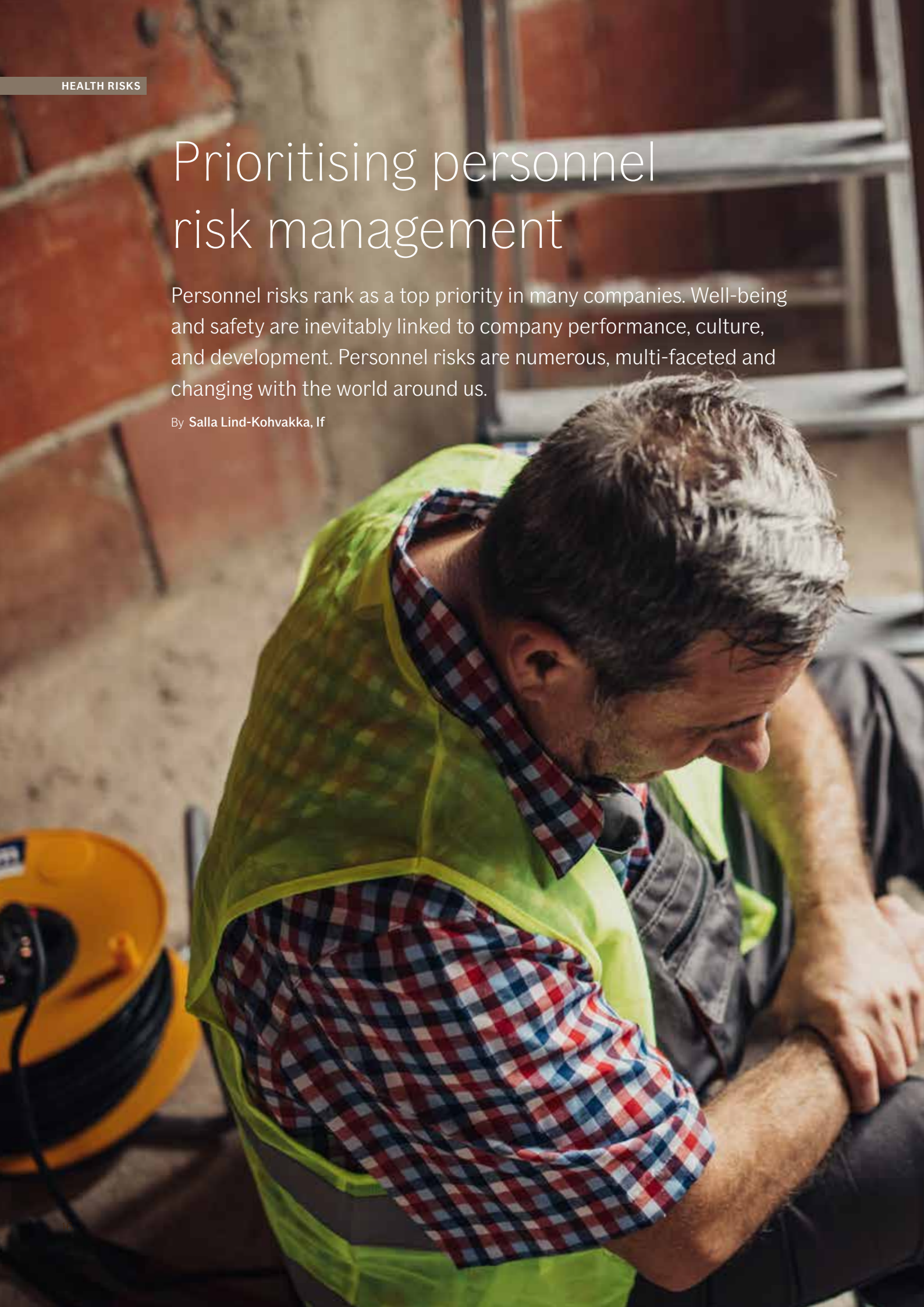
THE POTENTIAL RISKS THAT REMAINED

“High Chaparral was built in the 1960s, at a time when building permits were not a high priority. Equally, drawings, plans, and our knowledge about the grounds beneath the surface, not the least along the river, was and still is limited if not non-existent. After the flooding, we had to restabilise a bridge and make additional changes to limit damages to structures such as a restaurant. In late 2023, we hired a consultant to do a full scan of our grounds with the help of geotechnology. With that project, we hope to eliminate estimations and rather base our further mitigation work on knowledge.” □

Prioritising personnel risk management

Personnel risks rank as a top priority in many companies. Well-being and safety are inevitably linked to company performance, culture, and development. Personnel risks are numerous, multi-faceted and changing with the world around us.

By Salla Lind-Kohvakka, If





Accidents or health risks relating to individuals may occur during work or free time. As a result, the person's ability to work may decrease leading to permanent or temporary loss of work ability.

These risks can be managed through hazard identification as part of a risk assessment, eliminating risks or minimising the probability and/or consequences of risks. Numerous methods have been developed for identifying and managing accident risks, which examine the specific task and work environment. Correspondingly, risks relating to work ability and well-being can be identified and managed systematically.

Some learnings from the recent pandemic include understanding that external factors can disable an entire team from completing their responsibilities. From a business continuity perspective, key personnel risks need to be managed carefully to prevent business interruption. In addition, many companies in the Nordics may find it difficult to find skilled personnel. As the workforce is aging and experts retire, recruiting capable persons to take care of critical tasks is a common challenge.

At If Insurance, we offer a variety of personal insurances and support our customers through different life stages.

Let's take a look at how various personnel risks manifest to the employer.

“ *The purpose of our personal insurance products is to provide more security to individuals, families, and businesses.* ”

UNDERSTANDING OCCUPATIONAL DISEASES

Occupational diseases are often a complex challenge, as the consequences of risks can materialise immediately or over time, and the risk may realise differently between individuals. The diseases can also start with mild symptoms and increase in severity if the exposure continues. From the employer's point of view, personnel risks are therefore multidimensional, both in terms of hazards, consequences, and responsibilities.

MAPPING PERSONNEL RISKS

In addition to the health and safety risks to individual employees, there are personnel risks that can influence the employing company. These risks include a wide range of factors, such as labour shortages, lack of skilled personnel, key personnel leaving or long sick leaves.

The European Commission's Employment and Social Developments in Europe (ESDE) report from 2023 concludes that labour shortages across various sectors, occupations, and skill levels are expected to increase even further in the coming years. Two main drivers arise from the creation of new jobs and the

need for replacing workers who are retiring in the near future.

According to the ESDE report, labour shortages will especially affect sectors such as construction, healthcare, STEM (science, technology, engineering, and mathematics) and ICT (information and communications technology). The lack of skilled personnel in these sectors is expected to increase with the decline in the working age population from 265 million in 2022 to 258 million by 2030.

DO YOU KNOW THE KEY PERSON RISKS?

Have you mapped the key persons in your company? What happens if they leave the company or will be on sick leave for a longer while?

Because of the difficult replaceability of key personnel, the company should, in addition to good management of well-being at work, minimise the risks associated with key personnel by transferring their knowledge to others and ensuring that the undocumented, tacit knowledge and working practices they possess are transferable to others. In this way, the company is less vulnerable when business continuity does not depend solely on one key person. Good risk



management prepares the company, not only for sick leave, but also for when key personnel retire.

In addition, the workload of key personnel is often heavy and the role stressful, increasing the risk of fatigue and mental health issues, so sharing information with others will also help to reduce the burden. For example, a person close to retirement age may have accumulated a huge amount of knowledge and have valuable contacts in their networks that may not be documented at all. Systematic efforts should be made to transfer this knowledge to younger employees to minimise any negative impact on the company's business after a key person has left.

When there is a lack of skilled personnel, the risk of recruitment errors arises, as sometimes candidates may not in actuality have the necessary skills to succeed in the specific position. This is a risk both for business operations and the individual.

Successful management of personnel risks demands that company management and leaders are focused on the well-being and health of their employees. Early identification of risks relating to personnel can help improve productivity and overall well-being in the company, and even prevent accidents. It will also support business continuity.

Ongoing monitoring and regular updates to human resources processes and company safety guidelines will also help to give management the tools they need to maintain a healthy workplace for their employees. With the right processes in place, managers can intervene and support their team members early, assist them in securing treatment and help them recover so that they can return to work.

Among all personnel groups, changes in an employee's personal life often carry over into the workplace. Therefore, it is important to be aware of

“ *Employee benefits can be a valuable tool in keeping existing employees and attracting new talent.* ”

HEALTHY EMPLOYEES DRIVE SUCCESS

Managers play a critical role in recognising an employee's ability to work and any issues in their workload. Managers should also implement processes that support mental health as part of their everyday management. Therefore, manager training should comprehensively cover topics related to promoting mental health and supporting mental work ability. Making this training mandatory for managers ensures its integration into their management responsibilities. Supporting open dialogue with employees will make it easier to identify the early signs of any personnel-related risks, such as those relating to health and well-being or near misses of an accident.

signals that may indicate an increased risk. Employee well-being is the cornerstone of success, involving everyone from the factory floor to the top management.

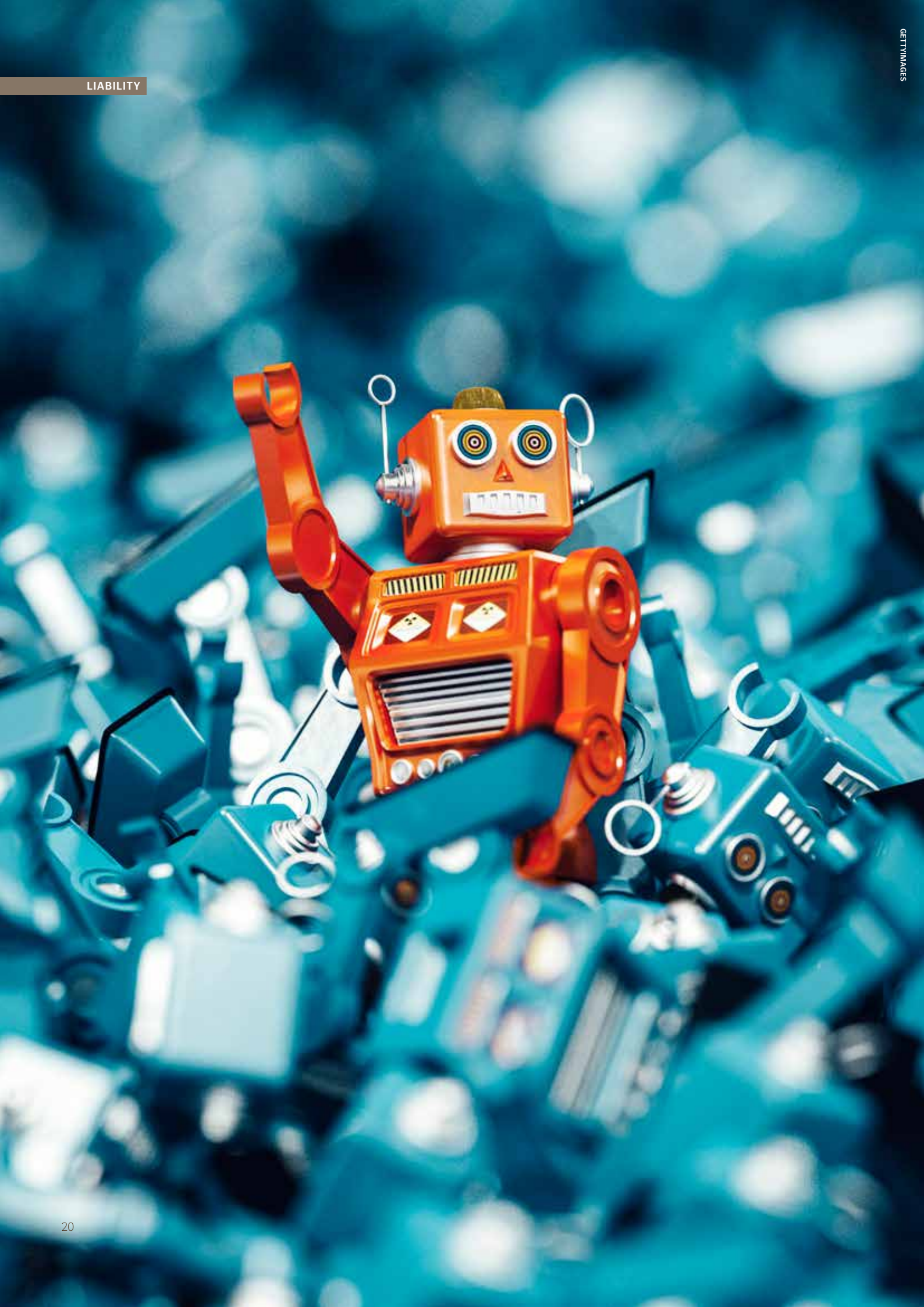
SUPPORTING OUR CLIENTS

In the Nordics, If Insurance offers various personal insurance (PI) products. These insurances provide increased financial security even when an individual has lost the ability to work. These policies can cover, for example, the medical costs of illness or accidents. At If Insurance, we provide clients with supporting materials in the Risk Management Library, including the Daily wellbeing and better ergonomics training course. [□](#)



Meet our expert

Salla Lind-Kohvakka
Nordic Digital Risk Manager



Strategic recall readiness for businesses

In the landscape of product manufacturing and distribution, the prospect of a recall is an omnipresent risk that can affect any item on the market – from a simple toy to the most complex automobile. If understands this reality and offers not just comprehensive recall insurance coverage, but also a lifeline through its crisis consultant hotline. This service is designed to support and guide businesses when the decision to initiate a recall is on the horizon.

Originally published in 2015, written by Rikke Berlin Rasmussen and updated by Kimmo Hattunen, If (2024)

Risk assessment, stringent quality control, and robust insurance coverage form the pillars of sound risk management. However, these measures, while they reduce risk, cannot entirely prevent the need for product recalls. It is not just advisable but imperative for companies to have a structured response ready. An effective recall plan is bespoke, crafted to align with the specific needs of a business, yet incorporates universal elements that should be considered.

“Our approach ensures that businesses are not merely reacting to recalls but are actively learning from them, turning potential setbacks into opportunities for growth and development”, says Matti Sjögren, Nordic Liability Risk Management Specialist at If.

INITIATING THE RECALL PROTOCOL

The inception of any recall strategy begins by forming a dedicated Recall Team. Tasked with the development, periodic review, and simulation of the recall procedure, this team is a company’s first line of defence in times of recall crisis. The team can include, for example, representatives of the following functions:





The Recall Team needs to agree on their internal means of communication and how often meetings and evaluations take place.

THE RECALL RESPONSE: A STEP-BY-STEP FRAMEWORK

When a recall becomes a reality, the clarity of the response can define the future of a brand. You need a framework for a response that is both strategic and comprehensive, ensuring that you are not only prepared to act, but can do so with precision and authority.

According to Sjögren, this is a critical moment that tests a company's resilience and integrity: "A well-planned and executed recall can enhance consumer trust, showing that a company prioritises safety above all."

1. IDENTIFY THE DEFECT:

This is the reconnaissance phase, where the team pinpoints the issue and assesses its potential impact.

- What is the defect? Where lies the root cause of the defect?
- What will be the consequences of the defect, and what is the risk for the customer or owner?
- How many products are affected?
- Where are the products located?
- Who is the user?

Sometimes, a recall can be caused by raw materials that emerge through the subcontracting chain. The policyholder prepares a product utilising these partners and then launches it. Unfortunately, a defect

might not be discovered until the customer or consumer receives the product. In the investigation, it can be uncovered that some raw material in the supply chain has had a slight deviation from the regulations or quality control regarding, for example, insecticide residues or sub-quality materials. This has resulted in the policyholder's product being faulty or even dangerous, and can lead to a withdrawal from the market.

"In this regard, it is important to also ensure that the company that supplied the faulty material has the necessary evidence of the case or situation in which the defect occurred, so that the money can be reclaimed", says Matti Sjögren.

2. PREPARE THE RESPONSE:

This is the planning phase, where strategies are formulated.

- Be detailed on what products are affected (e.g. batch or serial numbers) and how to treat the defective products. Gather practical information on return warehouses, repair offerings, replacements, refunds, or other relevant information for the customers.
- Decide on means of communication with customers. Make sure that communication sent to them is detailed and concise while containing all the information necessary.
- Contact internal stakeholders, such as production, sales, and marketing on how to trace the products and their owners.
- Contact national authorities if this is required or seems appropriate.
- Consult with a lawyer as well as public relations experts if relevant.



A proactive recall strategy not only addresses the immediate issue but also sets the stage for strengthened customer relations and enhanced operational protocols.

- Contact marketing for a hotline, website updates and, for example, information for a frequently asked questions document (FAQ), a press release (if needed) and the like.
- Understand social media impact in relation to corporate reputation management. Social media is very important nowadays, especially if the product recall is related to a consumer product. Food products, for example, are quite often the subject of recalls. Have an FAQ prepared and respond selectively when needed with accurate information and compassion. Also, knowing when to react (and on which platforms), as well as how to respond, will make a significant difference.

One new consideration comes with social media. Managing your company reputation online is a multifaceted effort. It is not uncommon for there to be a response on social media platforms to the company and product in question during a recall. Sometimes, an immediate and aggressive response from individuals on social media will erupt swiftly, especially if the recall involves serious illness or death caused by the defective product. However, the response on social media can also be slower, limited in reach, or non-existent.

When it comes to preparedness, social media planning is an important element in product recall situations, as it can be difficult to predict how online communities will react to the specific case in question. Negative comments can erupt from a ripple on a single platform to a wave of criticism and attacks on the product and the company, leading to mainstream media coverage. This type of reputational damage can be difficult to recover from. There are several examples available on this topic from around the world ranging from significant market share losses to cases leading up to bankruptcy.

3. INITIATE THE RECALL:

Now the plan rolls into action. The Recall Team acts as a central command, overseeing the communication to stakeholders and managing the logistics of product returns or repairs.

- Contact the impacted customers.
- Communicate with the relevant external stakeholders, from media to suppliers, trade associations to police and others who need to be informed.
- Deal with incoming products that have been returned. Test, repair or dispose of the products depending on what is needed.
- The recall should be closely monitored to constantly evaluate if adjustments to the initial plan is needed, or further action is required.
- Isolate defective products exiting company warehouses and stock inventory. If there is a possibility

that products may continue to be produced with the same defect, production should be stopped, with corrective actions taken in the production plant.

FINALISING THE RECALL: ENSURING A LEGACY OF SAFETY

The conclusion of a recall is not the end of the matter. The Recall Team must ensure that every lesson is catalogued, all feedback is captured, and every process is scrutinised to reinforce the safety net that protects both the consumers and the brand. The finalisation should include the following steps:

- **Post-recall evaluation:** A comprehensive review of the recall process. What worked well? What could have been better? This is a strategic session to dissect every decision and action to build upon the strengths and address any weaknesses.
- **Actionable improvements:** Post-recall insights should lead to actionable improvements in product design, manufacturing processes, quality assurance protocols, or communication, such as improving the instructions supplied with a product.
- **Communication continuity:** It is crucial to maintain open lines of communication with customers, suppliers, and stakeholders even after the recall has been executed, ensuring that all parties are informed of the improvements and measures taken to prevent future issues.

PREPARING FOR THE FUTURE

The Recall Team's work continues as they refine the recall plan with the insights gained. This living document should evolve, incorporating new strategies and procedures to prepare for any future challenges.

- **Knowledge sharing:** Disseminate the findings and updated strategies across the organisation. This is fundamental to ensuring that the entire company learns from the recall and is better equipped for the future.
- **Accessibility and familiarity:** The updated recall plan should be easily accessible, and its contents should be familiar to all relevant parties within the company, ensuring swift and coordinated action if required.
- **Contacts:** The recall plan should contain information on whom in or outside the organisation needs to be contacted, including their contact information. The contacts can be, for example, suppliers, authorities, laboratories for testing, experts, media, or your insurance company, as well as customers. The document can also include pre-written drafts of communication materials that address known potential risks. □



Breakdown of cold chain breaches

Transport of temperature-sensitive materials such as medical products and foodstuffs has always been linked to increased risk of damage during transport of either complete or partial consignments.

Published 2010 by Peter Bredal Mikkelsen. Updated by Caroline Bødkerholm, If

Today, new technologies are being utilised in the transport process, further helping to limit the risk of damage by using the latest technology. For example, Artificial Intelligence (AI) supports logistics personnel in optimising transportation routes, helps enhance efficiency in inventory and warehouse management, monitors transportation temperatures and sends alerts when needed. AI can also manage other critical processes required to keep temperature-sensitive goods in motion in a timely and accurate manner.

As the potential of the Internet of Things (IoT) becomes part of everyday operations in logistics and cold chain management, we can also see the rise of robotics and automation in warehouses incorporated into seamless ways of working. Similarly, smart contracts increase smooth transactions and support the automation of payments, helping to reduce the need for manual work and supporting operational efficiency.

Together, these technologies are enabling increasingly robust supply chains, reducing the number of human errors, and further protecting cold chain transportation.

WHAT COULD GO WRONG?

The combination of an experienced insurance company and capable haulers can be extremely helpful in limiting the risk of damage, though of course this can never be eliminated completely. When the load is in the hands of the logistics companies, success depends on their understanding of the temperature sensitivity and capabilities in ensuring the temperatures are constant in protecting the goods in transport.

In the following paragraphs we look at some of the most common breaches in cold chains and how these can be prevented by implementing simple measures.

The most common breaches in cold chain transportation are:

- No pre-cooling of the load
- Lack of information to drivers
- Poor condition of the container
- Too many door openings
- Restricted airflow
- Insufficient cyber security

Let's look deeper into each of these breaches to understand how the risks can be mitigated.



NO PRE-COOLING OF THE LOAD

It is the responsibility of the supplier to make sure that products have the correct temperature before transport. If they are not sufficiently pre-cooled prior to collection, the drivers will have to bring down the temperature, which may cause a delay.

LACK OF INFORMATION FOR DRIVERS

Communicating clearly with drivers before the transport begins will increase the likelihood of a successful transport. Knowing their load makes it easier for the driver to monitor the right temperature range and to handle the products with the required sensitivity.

POOR CONDITION OF THE CONTAINER

Another risk mitigating factor to consider before transportation is inspecting the container for its general condition. The potential of ‘thermal breaks’ will increase if there is an air leakage or condensation in the container.

“The maintenance of the regular cooling system and a contingency plan are important in case of sudden cooling system failures. Companies should plan what to do and where to call. The replacement availability of a container or a truck ought to be planned as well,” says Markus Hytönen, Cargo Risk Engineer at If.

TOO MANY DOOR OPENINGS

The temperature will be impacted when doors are opening, as cool air will escape. Especially in warm climates, this is an important factor to consider. It is very important to minimise exposure time to ensure faster recovery when door openings occur.

RESTRICTED AIRFLOW

Making sure that products are stacked correctly in the container will decrease the probability of restricted airflow, which can lead to several risks. If temperature-sensitive products are placed too near the cold air inlet, they can be exposed to constant direct refrigeration, which may cause damage to the products. In the event of a damaged load, one approach to determine the cause of damage can be to check the refrigeration unit log. The log can disclose information on temperature variations during transport.

A CRITICAL ASPECT OF THE SUPPLY CHAIN

The transport of temperature-sensitive products is a critical aspect of the supply chain. The risk mitigating factors should be taken into consideration to avoid potential losses.

While the combination of advanced technology, support from If experts and persistent logistics com-



Conducting thorough risk assessments will help to identify threats and potential targets.

panies can significantly reduce the risk of cold chain breaches, it is crucial to acknowledge that a complete elimination of risks may be impossible. Therefore, ongoing efforts to enhance awareness, implement preventive measures, and refine logistics processes are essential to ensure a successful and secure transport of temperature-sensitive materials in the ever-evolving landscape of supply chain management.

INSUFFICIENT CYBER SECURITY

A further consideration comes with the new technologies mentioned on page 25. For example, cyber criminals can better target food transportation and storage by hacking into vulnerable software platforms and cloud applications. The potential risk is real: cyberattacks on cold storage facilities are not unheard of. However, companies can do a lot to protect themselves. Understanding the vulnerabilities through risk assessments helps to identify threats and potential targets. Furthermore, companies need to keep their cyber security capabilities up to date and invest in security systems to ensure they are not easily targeted. □



Meet our expert

Markus Hytönen
Cargo Risk Engineer

Short news



INSURANCE NEWS

At the beginning of this year, Matti Sjögren from If has been elected as the vice-chairman of the Liability/Insurability Working Group of Insurance Europe, a joint organisation of the European insurance industry.

Insights into cyber

In our latest podcast we discuss ransom payments and Cyber insurance.



Appointments



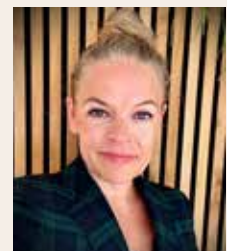
Jesper Frovst
Head of Employee Benefits underwriting, Denmark



Petter Bergstrøm
Head of Employee Benefits underwriting, Norway



Klas Liljefors
Head of Casualty underwriting, Sweden



Anne-Louise Ipland
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