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9 elements of successful safety management



Are food companies' risks under control?





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CHALLENGES IN THE AFTERMATH OF 2011

All of us working with insurance- and risk management related matters have recognised that 2011 ended up as a year with record-high losses originating from natural disasters. Even though 2011 clearly was an exceptional year in this respect, the underlying trend is all too clear; the insurance industry will see an increased level of natural-catastrophe losses in the years to come.

But should this really come as a surprise? And should insurers and reinsurers not already be well prepared to deal with these risks? The answers to these questions are both 'yes' and 'no'. All insurers and reinsurers must have seen the trend of increased losses to natural catastrophe. However, the actual magnitude of the accumulated losses arising from one event seem to have been underestimated, and also the inherent complexity in the insurance structures imposed by, for instance, contingent business interruption cover seems to have been underestimated.

This has led to much ongoing discussion in the international insurance society about how to deal with consequences of extreme events.

We have already seen some changes. Reinsurance prices for natural-catastrophe cover are clearly on the rise – particularly for insurers with significant risks in highly exposed areas of natural catastrophe. But also in the Nordic region we see increased price levels for natural-catastrophe reinsurance programmes, wherein reinsurance brokers report price increases of between 5% and 15%.



Further consequences are being discussed. For instance, some reinsurers signal that they will have a much more restrictive approach to direct insurers' contingent business interruption exposures, with some of them, such as Munich Re, even stating that direct insurers will get '18 months from 1 Jan. 2012 to deliver far greater transparency related to supply-chain exposures'.

The future is, as always, uncertain, and we will have to wait and see how the market in general is reacting to these challenges. However, one thing that remains rather certain is that the industry will need to focus even more on providing good and relevant facts in order to ensure proper insurance cover. This is something for which all of us – insurers, clients, and brokers – need to prepare. In the future, getting insurance for dependencies related to unspecified locations or unnamed suppliers will be challenging or even impossible. But with a good fact-based description of a company's risks, exposures, and locations, relevant cover will be available at a fair price in the insurance market.

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SPECIALIZED loss prevention

SCA is a global giant with 45,000 employees. The activities span a broad range, from paper and pulp mills to the manufacture of hygiene products. Tena, Tork, Libero and Libresse are well-known brands but SCA is also big in areas such as paper and packaging.

SCA is present in over one hundred countries, but the emphasis is in Europe, which accounts for about 75 percent of sales. The size of the company's facilities varies, from relatively small production units for corrugated board, as an example, to vast complexes for hygiene products such as diapers and sanitary napkins.

The group risk management work at SCA is run by a five-person team in Stockholm. The four business areas have their own RM organizations. The structures vary for the individual countries and facilities depending on what is appropriate and practical. The larger units have employees who work full time with risk management, in other cases one person is responsible for the RM over a wider geographical area or has RM as an extra task in addition to his regular work at a specific facility.

SCA has its own captive, and cooperates with a couple of insurance companies where If has been the dominant partner in Europe for many years.

"Loss prevention work is key for SCA", says **Ola Nilsson**, Group Risk Manager of SCA since early 2011. As a part of that work, **Sofia Hidén** was hired earlier in the year as the company's Loss Prevention Risk Manager, with responsibility for loss prevention issues at a central level.

"We work hard to steer the organization towards such thinking, for example,

by allocating the insurance costs internally so that we favour those who invest in loss prevention activities. High deductibles locally also provide an incentive for loss prevention work in the facilities."

ONE OF If's assignments is to assist SCA in the process of evaluating the risk level of about 120 facilities in Europe. These are visited at different intervals in accordance with a specific schedule.

If and SCA use specially developed models to evaluate the risk level at a facility and ultimately an action list is produced for the relevant unit showing how to reduce the loss potential.

If has eight risk engineers who are certified by SCA to work with it, which means for instance that they have knowledge of and are working in accordance with SCA standards, guidelines and philosophy in the RM area.

"They also have a personality that fits in with the SCA culture. The fact is that they are perceived almost as colleagues at many facilities, at the same time as they can provide an external perspective", says **Ottmar Zeizinger**, responsible Risk Engineer for SCA at If.

In the industry in which SCA is involved, of course, it is not infrequent that the risks analyzed are substantial ones.

Recovery boilers in pulp mills, for example. Up to one hundred meters high

and sides of 20–30 meters wide. It has happened that such recovery boilers have exploded – though fortunately not at SCA. So the risk assessment of the boiler, and the comments on what needs to be improved, are critically important.

TISSUE PAPER machines are another example. These machines are known for their high fire risk, which also affects



"High deductibles locally also provide an incentive for loss prevention work in the facilities", says Ola Nilsson, Group Risk Manager of SCA.

and proposed a different solution which SCA is now using. This didn't cost them anything, and it reduced the risk level significantly. This is how a good partnership should work."

If is the leading P&C insurance company for the forest industry in Sweden and Finland. A number of business, a lot of contacts out in the field and of course a long list of claims to handle means If's expertise in this field is developing continuously.

"The forest industry is one of the sectors where If has established an internal centre of excellence", says **Mats Gådin**, Sales Manager at If.

"Here we gather some of our most experienced specialists and the aim is to ensure that we always have a high level of skill in the current industry. We carry out risk analyses of new machinery and production systems, we track the major claims trends and we develop new innovative insurance schemes."

"The benefit for the customers is that they have an insurance partner that truly understands their business and has an overview of the entire industry and thus is particularly well placed to help to increase the safety of the customer's operations."

ULF BÄCKMAN

Note:

Since the article was written, SCA has announced that it intends to sell the packaging operations to the UK based packaging group DS Smith. The acquisition has been approved by DS Smith's shareholders, and the transaction is expected to be closed during the second quarter of 2012, subject to the acceptance of the European Commission.



BUSINESS BENEFIT is the keyword for E.ON's ERM work

After fifteen years in development, risk reporting has now been integrated into the internal financial statements at E.ON Sverige. It offers an important control tool for the company management. This working method may now be poised for introduction across E.ON.



E.ON is one of the world's largest privately-owned energy companies with approximately 35 million customers in over 30 countries and with almost 85,000 employees.

The subsidiary E.ON Sverige operates in the Nordic region and itself comprises some 20 companies operating in most sectors from nuclear power and district heating to energy trading.

The operations are risk intensive, to say the least:

- E.ON owns large dam facilities for the production of hydropower. What happens if a dam bursts?
- Activities in the energy sector are closely regulated. A public authority decision can change the rules of play overnight. Which is what happened to E.ON in its principal market, Germany, when, after the Fukushima catastrophe in Japan, the government decided to decommission all nuclear power plants by 2022.
- How do customers react when E.ON finds itself in a brand crisis? When the violent storm Gudrun disabled major parts of the electricity supply in

E.ON's Swedish home territory in January 2005, a large number of customers left the company.

Business benefits

There are 17 people working at group level in E.ON Sverige, to keep these risks under control.

The operation comprises Risk Controlling, Credit Risk Management, Insurance, Crisis Management, Business Continuity Management, Information Security and Security and has been led by **Bengt Svensson** since the middle of the 1990s.

When Bengt Svensson describes the operation, the recurring keyword he chooses to use is business benefit.

Since the very beginning he and his employees have worked extremely hard to develop and refine a system of risk reporting that really benefits the management. Now it is in place: the risk report is regarded as a central component of the budget follow-up and business planning at E.ON Sverige.

"The MD of a subsidiary once told me that he practically only needed my report to manage the company," says Bengt Svensson.

"When a MD says that, we know we have hit the mark. This means that our work brings a real business benefit to E.ON.

ERM and controlling – a love affair

A major reason for these successes is the close cooperation with Controlling at E.ON.

Today the risk report forms a part of Controlling's quarterly report to the company management. ERM is at the core of the standard business process.

This has not always been the case.

A pragmatic, keen and ambitious effort has been required to develop future-oriented risk reporting with practical, everyday applications and which interacts with Controlling's material.

"There have been numerous adjustments in order to find the right level of detail, quality and teaching method in order to create real benefit for the decision-makers throughout various departments at E.ON," says Bengt Svensson.

"The first stage in our journey was to raise the quality of the risk report so that it remained operational and scientific in all sections. We were challenged right

down to a detailed level by our CFOs. It was a beneficial but demanding exercise that took a long time.

"The next stage involved integrating reporting with Controlling's material and designing it to encapsulate the most important aspects in a way that allowed the group management to quickly access the information and discuss what action needed to be taken. The challenge was to find a level of communication that was sufficiently comprehensive without being exhaustive.

"The risk report is now presented alongside with the same type of charts and graphs as the other parts of the controlling material. It also uses the same language and nomenclature. We call our section 'Risk adjusted prognosis'."

Risk analysis in every part of the group

At E.ON risks are identified all the way down to plant level. All risks that may have an economic impact of a certain level must be assessed and reported to the central ERM department.

This is where all reports are accumulated and analysed to find out how the risks interact.

"It's not enough to just enter numbers into an Excel document; a thorough review is required in order to see how the numbers collate," says Bengt Svensson.

Sometimes the same conditions can result in a loss for one department but a profit for another.

Supposing E.ON's trading department sold futures on electricity expensively. The market expects another harsh winter and is prepared to pay substantially for a delivery of a certain volume.

Trading has speculated that the weather will be warmer and has only secured the price for half the delivery.

They are correct. It does turn out to be a mild winter. There is a lot more water in the reservoir than normally. Trading can buy electricity on the spot market for a paltry sum and earn a great deal of money on the contract.

So far so good. But that's just half the story for E.ON.

Because the same weather scenario backfires against Production as they will be paid poorly for the electricity they sell on the same spot market.

ERM's task is to identify these scenarios and counterbalance them against each other in their report.

20,000 simulations

One of the top priorities for E.ON's risk work is the sensitivity analysis – how

high is the risk that something will go wrong and what are the consequences?

Many years ago this evaluation was made using rough estimations.

Now it's done in a more systematic and structured manner.

This is based on the original risk analysis carried out in all E.ON Sverige's subsidiaries and plants. Each level lists the risks that may lead to major budgetary deviations. Quite often there are 30-40 scenarios from each unit.

The economic impact of each risk is estimated and the outcome determined on a scale from Worst case to Most likely and finally to Best case, then the most likely distribution is discussed and documented.

Then a so called "Monte Carlo simulation" is carried out with 20,000 simulations with the identified risks which provide a statistically substantiated picture of the likely outcome. Then a sensitivity analysis is performed on the outcome in order to see which scenarios have the most impact on the outcome and which risks should be prioritised in the preventative work.

"The outcome may indicate for example that the level of risk is such that the budget should be revised down a number of percentage points," says Bengt Svensson.

"More often than not there are three to four risks that cause the most issues and these are clearly indicated in the sensitivity analysis. This allows the management to decide on our course of action. We might not do anything. We might invest or take another course of action in order to limit or, if possible, totally eliminate the risk involved."

ERM on export?

For many years the ERM material has been a part of the controlling report at E.ON Sverige.

The management of the Swedish company uses it routinely when drawing up budgets at the head office in Düsseldorf.

"My managers say that they find it less challenging to make forecasts than their colleagues in other countries," says Bengt Svensson.

"The senior management can see that we have really worked with these issues and trusts our conclusions.

The method naturally also arouses curiosity. They are now considering whether our ERM model should be rolled out Group-wide across E.ON."

ULF BÄCKMAN

The first stage was to raise the quality of the risk report so that it remained operational and scientific in all sections.



Bengt Svensson's top three tips

1. Make the risk report an integrated part of the financial reporting and statements.
2. Work on a long-term basis and single-mindedly to make sure your risk report really does provide your management with business benefits. Be keen, follow up, amend, amend again and accept that it will take a long time to achieve the objective.
3. Make sure you have the correct skills in the ERM team. You must have a well-functioning interface with Controlling, someone who speaks their language and thinks like they do.

Are food companies' risks UNDER CONTROL?

Food safety must be ensured throughout the food chain: from primary production to the consumer's dinner table, and even beyond.

Food companies have gone under, when bacteria have spread via products, causing illness and even deaths. There are also companies whose business has been interrupted for months, or terminated completely due to a disastrous fire.

Product recalls, food poisoning caused by salmonella, serious occupational accidents and other exceptional occurrences always result in financial losses for the company concerned.

Centralisation of the food business, larger unit sizes and increasing automation, together with legal requirements, have resulted in a situation where it is vital to avoid damage.

A salmonella crisis in early 2009 in Finland is reported to have cost an animal feed company about two million euros. Salmonella spread via animal feed from the factory in question to a number of henhouses and pig farms. Sanitation of the farms and interrupted production generated huge costs.

It goes without saying that preventing problems in advance is better than having to repair damage. In this article we present examples of risks, which food industry companies should take into account when developing risk management, as proven by insurance company experience.

From fires to dependencies and epidemics

Property risks must be identified at the planning stage of any food industry facility. For reasons of hygiene, sandwich and similar panels commonly used in production and storage facilities contain com-

bustible insulation, such as polyurethane or polystyrene. This type of insulation forms a large, invisible fire load. It should be borne in mind, for instance when preparing to perform hot work. The best solution is to use non-combustible insulation materials whenever practicable.

Production and operations should be secured adequately by installing extinguishing equipment, fire alarms and various surveillance systems as necessary. The supply of electricity, heat, steam, refrigeration and other utilities should be secured as far as possible, even during disruptions.

The following example from If's risk surveys shows that dependencies are not always easy to identify. High quality packaging materials were needed on top-speed packaging lines. When looking closer at the packaging processes, it was noted that the plant was dependent on the production of a single packaging material manufacturer, and further the manufacturer in question on a single materials supplier. After this the plant sought immediately for alternative packaging material suppliers.

A food industry company avoided recently a sudden, and possibly prolonged, interruption of production, because an automatic fire alarm had been installed at the waste water treatment facility serving the company in question – as recommended by If's risk engineer. Not long after the installation the fire alarm went off, alarming the rescue services that hurried to the scene in time to extinguish a fire that had already broken out.

Fire damage at a large, significant logistics centre would cause major disruption to everyone in the production chain. The best way to prevent such damage is to protect logistics centres with automatic sprinkler systems. In any case, it is essential to prepare continuity plans and update them at sufficiently regular intervals.

Transport requires care

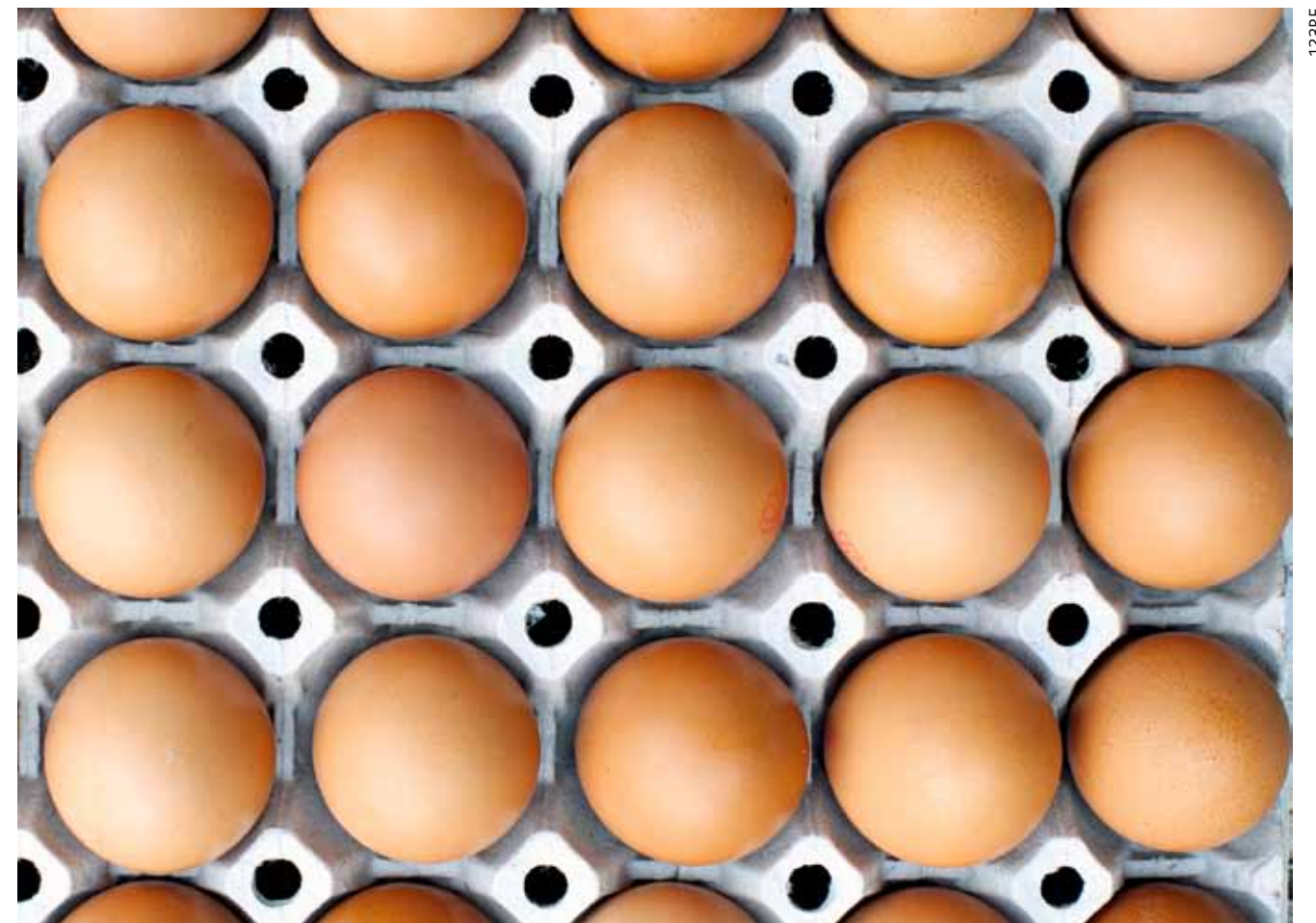
Food's journey to the dinner table of the consumers can begin with the raw material being transported by sea from the other side of the world. However, the majority of transports move by road. In most cases a fleet has been purpose-built for animal or food transports. The drivers are skilled professionals and the transport equipment of high quality.

Of course, transport is not completely risk-free. Conditions are not always ideal during shipment by sea and the cargo can be completely spoiled. If the batch in question is large and intended to cover the needs of several months of production, considerable damage can be caused to a business. In a poorly cleaned vehicle, raw material is at risk of being contaminated. It is also absolutely vital that the cold chain remains unbroken. However, temperatures may rise too high during transport, for instance due to equipment failure.

Interim storage of products on the way from the farm to the factory, and from the factory to retailers, for instance in frozen storage or at logistics centres, increases the number of handling stag-



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Fire damage at a large, significant logistics centre would cause major disruption to everyone in the production chain.

es and thus the possibilities of damage. Careful monitoring of the transport chain's various stages is a key prerequisite for ensuring product safety.

Liability risks in the spotlight

Liability insurance covers damage caused by business activity up to the agreed sum insured, but it is important to note that there is no general maximum limit to liability for damages.

Product liability is based on strict liability of companies for damage to consumers. Liability is extensive: it is based both on the product itself as well as its packaging, instructions and marketing. From time to time, foodstuffs with safety defects end up in retail stores. Food companies must therefore have good and functioning recall procedures in place.

Long subcontracting chains and networking increase the risk of liability insurance claims. The higher the number of parties involved in the production chain, the higher the number of liability relationships and agreements. Risk management is challenging but profitable. Subcontractors must be selected with care, and agreements must correspond to the distribution of risks. The end product manufacturer is liable to compensate those suffering product liability

damage, including on behalf of its subcontractors, and is left to clarify its own rights with these parties.

It is important to manage liability risks related to a plant's operations. When outsourcing operations, one should bear in mind that even occupational accidents can turn into cases of liability damage if the employee in question is employed by another company. Industrial production also involves the risk of environmental damage and the related liabilities.

Corporate liability insurance only covers part of the damage caused, because it is not possible to take out insurance on damage to a corporate image. Any hesitation, for instance in communicating about environmental damage, can damage sales and have a lasting impact on revenues.

Involve personnel in analysing occupational safety risks

Naturally, the food industry makes the most of automation, but a great deal of manual work is still needed. The risk of occupational accidents is evident, of course, when handling knives and operating ovens, conveyors and heavy machinery. Although skilled staff know what they are doing, cuts, hand injuries, slips and allergies are an everyday occurrence. A factory cannot operate without people; a company must take care of its staff.

If's safety specialists find it very important that all staff understand the significance of safety. It is essential that employees are involved in identifying risks and become personally involved in safety issues. Their own health and workplace are at stake here.

Involving staff closely in risk analysing efforts changes the scenario completely. Employees are motivated in a

different way when they can influence things themselves. Promotion of occupational safety becomes easier, and the required corrective measures are easier to accomplish. By participating in risk analyses, employees learn to identify and avoid risks in their work environment.

Why is risk management important?

Legislation and supervision by authorities, alongside the company's own high quality operations, ensure the safety of foodstuffs and that products meet the expectations set for them.

In risk management processes, food industry companies identify the risk factors threatening their business, eliminate any risks that can be eliminated by technically and financially reasonable means, and prepare for risks that cannot be eliminated by taking out insurance or in other ways. The key is to reduce the probability of risks and the consequences of possible damage.

If's specialists are confident that expert risk management helps companies to secure undisturbed, continuous business operations in any circumstances as far as possible, and that such work provides companies with considerable added value, even in securing the safety and quality of foodstuffs. Ultimately, risk management contributes to ensuring that business goals are met.

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FUNCTIONAL FOOD

– liability as usual



Recently evolving food trends have concerned a healthy diet. This is a broad area, ranging from general food pyramids and other food-based guidelines for well balanced nutrition, to food products with ingredients or components intended to have specific physiological effects on the user. The related liability issues are equally broad-ranging.

Functional food is a combination of a product and information on its impacts. In the absence of a precise definition of functional foods, such products are generally considered to be foods intended for consumption as part of one's normal diet and that contain biologically active components which enhance health or reduce the risk of disease. Products entering the market, such as probiotic yoghurts, as well as foods for special dietary uses, such as margarines enriched with plant sterols, may also therefore be intended for general consumption. This function can be achieved through both totally natural ingredients and other chemicals or components.

Food, product liability and recall

Food products may be defective for reasons such as design errors and quality problems in manufacturing. New technologies, like gene manipulation in primary production or genetic engineering, introduce the possibility of additional development risks. For instance, food products are already available in Australia and USA which contain nano-materials.

It is always possible that new products will prove harmful. If the products are used internally and have a close connection to the user's health, as in the case of pharmaceuticals or food, the risk is even more obvious. In legal terms, product liability in EU is based on strict liability, which means that a harmful defect in a product establishes liability for injury or damage caused by the defect, without other proof of the producer's negligence. Food products are therefore highly vulnerable to product liability and recall risks. But, for the same reason, the

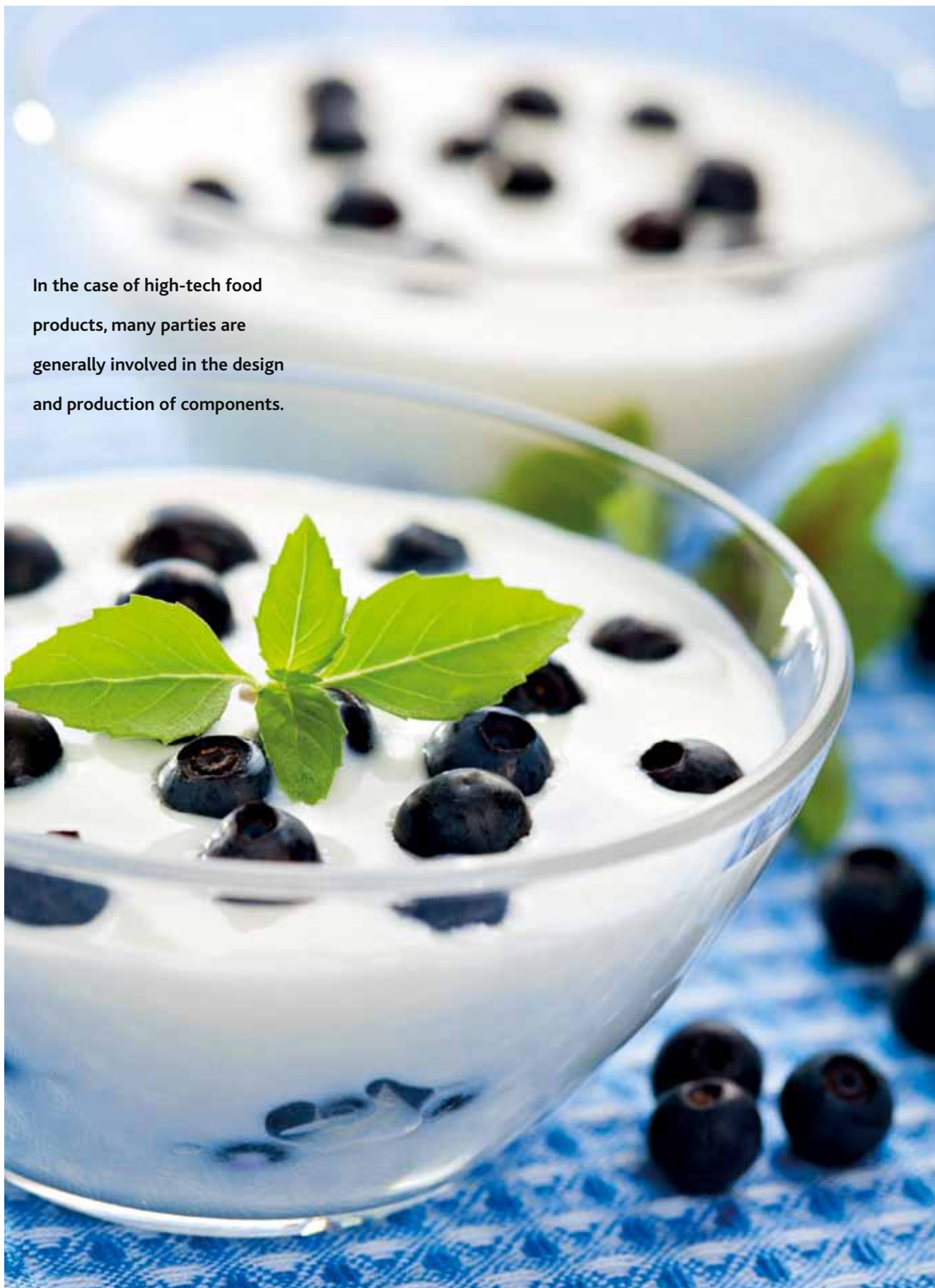
regulatory framework and the producers' own quality and control mechanisms are synchronised with requirements associated with product risks.

If new "functional" food products are made of already known substances, they are under same safety requirements as any other food products. They do not necessarily pose any compliance or product liability risks. However, if the food or ingredient has so far not been used for human consumption within the EU to a significant degree, it may fall under the approval procedure for novel food and food ingredient according to Regulation (EC) No 258/97. This applies to for instance products containing of or produced from genetically modified organisms, new molecular structures or isolated micro organisms and even to new production processes, if these give rise to significant changes in the composition or structure of the foods or the ingredients. The regulation sets the axiomatic requirements that the foods and food ingredients must not present a danger for the consumer, mislead the consumer or differ in nutritionally disadvantageous way from foods or food ingredients which they are intended to replace. The one wishing to place the product on the market must submit for a thorough assessment procedure through the authority in the member state of the original placement, the Commission and all other member states.

Marketing claims about a product's qualities and effects form part of the product when assessing whether it is defective according to member states' national legislation, based on EU Product Liability Directive (85/374/EEC). A product is considered defective when



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In the case of high-tech food products, many parties are generally involved in the design and production of components.

it does not provide the safety a person is entitled to expect, taking account of the product's presentation, expected use and the time when it was put into circulation. Presentation includes packaging, marketing material and instructions. In almost all member states, the producer's liability is excluded in the case of damage caused by a defect that could not have been foreseen given the technical and scientific knowledge available when the product was developed. Only Finland and Luxemburg did not avail themselves of this option, thus making producers strictly liable for even unknown defects. Spain did the same with regard to food in particular. In addition, the marketer of a product may ultimately be liable if the producer is unknown or a market's brand product is in question. Liability may occur due to the marketer's strong role in creating the image of a functional food product and fulfilling the needs of niche consumer groups.

Evidence-based claims only

In 2006, the EU adopted a Regulation on the use of nutritional and health claims in relation to foods (1924/2006). This regulation provides clear rules on health and nutrition claims used in commercial communications and harmonises the field in the EU. The aim is to protect consumers from misleading claims and provide information necessary to helping them to make choices. It also helps manufacturers to ensure that they are making acceptable, legally compliant claims.

The regulation makes a distinction between nutritional claims such as "low fat" or "source of calcium" and health claims such as "calcium reduces the risk of osteoporosis". A nutritional claim states that a food has beneficial nutritional properties. Health claims are statements on labels, advertising or other marketing products, informing the consumer that health benefits can result from consuming a given food. Claims related to reductions in the risk of disease, as well as to children's development and health, fall under stricter requirements.

Member states were required to inform the Commission about all nutritional and health claims being used, and to provide references to the related scientific justification. A total of 44,000 claims were made – naturally, many of these were of a similar nature. They were assessed by the NDA panel (Dietetic Products, Nutrition and Allergies) of the European Food Safety Authority

EFSA. Between 2008 and 2011, the panel published the final evaluations of a total of 2,758 general functional claims. These evaluations were encapsulated in 341 opinions. The panel also adopted 27 opinions on "new function" claims, based on newly developed scientific evidence or protected data and 75 opinions on claims relating to disease risk reduction and child development and health.

Most of these claims were not accepted, due to lack of evidence about the related health effects – while the claimed health effect may occur, there is insufficient evidence of a causal link. This does not mean that the products are defective or might cause injuries or illnesses for which the producers would be liable. NDA's work is based on scientific criteria and users of the products studied can now trust in the claims that the panel did accept. Unaccepted claims may not be used in conjunction with products – eventual new claims must go through the acceptance procedure.

Liability for lack of genuine effects?

As part of consumer protection, product liability legislation places liability, for the risk of injury, illness and damage caused to private persons and their property, with the producer of a product. The same applies to producers of defective components if the component caused the damage. But what if the promised effect is lacking? This does not typically lead to injuries or damage. But it is possible that even such a lack might form a basis for liability if an alternative choice would have provided better results. A missing health effect is normally not insurable through product liability insurance.

Insure – but first of all, comply with regulations!

Liability of a producer of functional food, for damage or injury caused by a defect, is covered by Product Liability Insurance. This insurance covers liability according to the applicable legislation, as well as the investigation costs and cost of preventing an imminent threat. However, such coverage does not include costs of further actions, such as the return, repair or exchange of products or the product itself.

Recalls of food products are fairly frequent. A companion to Product Liability Insurance is Recall Insurance, which covers the costs of a recall in the case of a safety defect in the insured's product which involves a risk of bodily injury or property damage. Risk Consulting

1/2011 included an article on recall insurance.

In food production, the most potent risk management method is compliance with regulation. However, network-based production, with long global supply chains, presents new threats in the form of quality problems, falsified products or misleading information on the product's origin. Producers must therefore remain ahead through strong commitment to quality and careful selection and control of suppliers.

In the case of high-tech food products, many parties are generally involved in the design and production of components. The industry's dynamics may combine giant food and beverage and ingredient producers with smaller niche players within biotech and medical research. Product development costs are significant. A new invention may find its way into numerous local products, as in the case of sweeteners and cholesterol reducing products. Contracts are the most important RM method with respect to liabilities between companies. Legislation is usually flexible, giving the parties freedom to agree their own terms. Purchasing contracts must include reasonable liability rules that protect, for example, a buyer of foodstuffs intended for further processing. When selling to other companies for final production, it is important to understand the liability clauses and terms of application of sales of goods acts. In complicated partnerships and joint ventures, a deep understanding is required of the positions of the parties and contract law in the international context. In the production of functional foods, licensing agreements for specific functional components may also play an extremely important role in the division of responsibilities and earnings. The company's contract management must be coherent and well documented. In the end, the best long term results are achieved through fair, balanced contracts.

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9 elements of SUCCESSFUL SAFETY MANAGEMENT

Good overall management, including good communication both top-down and down-top, seems to be a precondition for success in safety and health.

Management practices in health and safety vary greatly between companies. Different industries have their own traditions and cultural approaches as to how safety issues are valued and decisions made to improve safety. Large international companies in high-risk industries, such as the chemical industry, have strong safety cultures and strict management standards, with which all plants must comply. In many cases within industries less at risk of a major accident, less attention is paid to safety issues.

Constant and active dialogue between employees and management is a precondition for continuous improvement in health and safety.

1 Goals and targets

“What gets measured, gets managed”. This well-known statement of management guru **Peter Drucker** is highly relevant in the case of health and safety. Unlike other major issues in company performance, such as production volumes and profit, health and safety is an intangible issue for many people. Tangible and concrete goals are therefore of the utmost important.

An essential management task lies in defining clear goals and targets, from which performance indicators applicable to follow-up are then derived. Without goals and targets, well-intentioned statements written in safety policies are just dead letters.

Numbers of injuries and accident frequency rates are often the first measures of interest to those who wish to know something about the safety level of a business and the company concerned. The most advanced companies have safety metrics with many indicators, including leading indicators such as conducted safety talks and audits, training, and near-accident reporting activities. They also integrate health and safety goals into their business goals and strategies, while including their safety targets in their key performance indicators. To give an indication of the financial values of safety improvements, it is also advisable to formulate targets which can be measured in monetary terms.

2 Good leadership

Expectations set on competence are usually managed by the human resource function and written into work descriptions. If health and safety duties are not included in competence specifications, they may fall outside the focus areas of work on the mindset of managers. If this is the case, combined with a lack of fixed goals and targets it will naturally lead to a situation in which managers pay only marginal attention, if any,

to safety issues. Relying on legal pressures from health and safety legislation is insufficient in confirming management’s commitment. In addition, health and safety issues should be essential elements in performance appraisals. In general, safety excellence seems to be related to good overall leadership, thus giving an additional measure of success in management. Many companies include health and safety results in salary bonus payments at management level.

3 Management commitment

People are usually very astute in discerning management’s real commitments. They soon take note of whether or not management is genuinely interested in the health and safety of employees. When top management participates in company safety meetings and discusses safety goals in connection with production targets, employees receive a clear signal that safety is an important and valued issue for management. “Safety first” is not just a slogan, its actual meaning is checked in all decisions, meetings and encounters with management. In very good companies, CEOs increasingly participate in safety walks and talks, or conduct such actions independently.

4 Rewarding

“What gets measured and rewarded gets done” – this is the way in which renowned safety guru **Dan Petersen** has modified the Drucker statement. He thereby implies that rewarding is an important element in effective goal-setting. Safety is largely a matter of intangibles, where issues are traditionally noted only in retrospect. It is therefore important to render safety tangible and create incentives for proactive, forward-looking measures. Rewarding achievements such as an injury-free year, the most active team in near-accident reporting and the best innovation solutions to improve safety, can generate a great deal of positive energy and actions in organisations, thereby further reducing accidental losses.

5 Immediate action

When an employee is violating safety rules or working without the required personal protection, foremen and co-workers alike should act immediately to correct such poor practices. In companies with a good safety culture, ac-

tions against violations, whether intended or unintended, are regarded as a positive challenge to learn and improve. But bringing the culture up to this level is not easy. Foremen and management need coaching. They should have the ability to communicate with and motivate employees individually, while understanding the interlocutor’s point of view. It is often necessary to overcome one’s own complacency first. Finally, it remains the duty of management to take disciplinary action to correct a situation, if necessary. On the spur of the moment, it may feel easier to turn a blind eye. In a strong safety culture, leaders are encouraged and trained to act immediately. Inaction is more dangerous in the long run, since it reinforces a risk-taking culture, making future improvements more difficult.

6 Active communication

Constant and active dialogue between employees and management is a precondition for continuous improvement in health and safety. When the minimum legal requirements are complied with, issues are less and less often resolved through absolute yes-or-no answers. There will be opinions for and against. Sometimes improvements here will cause more difficulties there. In good companies we find ongoing conversation in the search for better solutions, in order to improve safety and well-being at work. Good leaders are also good at listening and communicating. In the best companies, the accident outcome is close to zero injuries, while thousands of safety talks and conversations are conducted by management.

It is a well-known fact in many Nordic enterprises that there are fewer accidents in Swedish plants than in Finnish plants engaged in very similar production activities. There may be several underlying reasons for this, but the Swedish culture and tradition of thorough discussion may be a factor.

7 Safety checks and audits

Internal safety inspections and risk assessments are important features in good safety practice. In daily production tasks, it is not always possible to detect all safety deficiencies; it is also well known that experienced employees can be too familiar with their work to note imminent dangers. Regular walk-through surveys are therefore required.

Safety checks may be conducted weekly, monthly or with some other level of frequency, depending on local risk conditions. It is usually advisable to use a checklist form appropriate to the plant, in order to conduct a systematic consideration of all of the relevant hazards. In the case of advanced safety inspection routines documented and issued using company systems, there is also a communication tool and checkout for the implementation of corrective measures by management.

8 Investigation and reporting

An accident at work is always an opportunity for learning, for management as well as employees. A good accident investigation routine records what happened, why, and lessons on how to prevent the accident’s recurrence. For an employer, accident investigation is also a legal duty, as well as being necessary in order to begin an insurance claims process. It is usually not enough to check immediate causes such as carelessness or poor housekeeping. Understanding the root causes of an accident often reveals new paths for prevention, e.g. in production process improvement, management actions and cultural developments. In addition, a range of formal tools are available for root cause investigations, ranging from simple questionnaires such as “5 x Why,” to sophisticated software packages. In well-run companies, information on accidents is distributed throughout the organisation and is made visible, in order to remind employees of risks and precautionary measures in the workplace.

Activity levels in near accident reporting and accident outcomes seem interconnected. We have found that, in many companies that have seen major increases in their reported near accidents and hazard observations, a clear decline in workplace injuries has resulted. Knowledge and experience are dramatically bolstered by advances in the reporting of minor incidents. Active reporting of near-accidents is also an indicator of a good safety culture, where people dare to talk and report their own failures without fear, and a hazard-alert note is seen as a positive reminder for safeguarding colleagues at sites.

9 Balanced and holistic approach

Good overall management, including good communication both

Checklist of elements of successful safety management		
	Yes	No
• Have the company’s safety goals and objectives been clearly set and communicated to all employees?	<input type="checkbox"/>	<input type="checkbox"/>
• Are the goals and objectives followed up by management at all levels?	<input type="checkbox"/>	<input type="checkbox"/>
• Is management participation in safety matters visible to employees?	<input type="checkbox"/>	<input type="checkbox"/>
• Are health and safety duties included in managers’ work descriptions and competence evaluation?	<input type="checkbox"/>	<input type="checkbox"/>
• Are employees rewarded for injury-free work and improvements in safety performance?	<input type="checkbox"/>	<input type="checkbox"/>
• Do managers react immediately when they observe risk taking and unsafe working habits?	<input type="checkbox"/>	<input type="checkbox"/>
• Do managers conduct regular safety talks with their employees?	<input type="checkbox"/>	<input type="checkbox"/>
• Are safety checks and audits conducted regularly at all plants?	<input type="checkbox"/>	<input type="checkbox"/>
• Are all occupational accidents investigated properly and lessons learnt in order to improve preventive measures?	<input type="checkbox"/>	<input type="checkbox"/>
• Are near-accidents also reported actively and corrective measures taken to prevent their recurrence?	<input type="checkbox"/>	<input type="checkbox"/>

top-down and down-top, seems to be a precondition for success in safety and health. It also corresponds to the management approach required for good business results. Enterprises that respond positively based on all of the above mentioned criteria are highly likely to be among the best health and safety performers in their industry.

Health and safety management systems such as OHSAS 18001 have improved the overall understanding and implementation of good management practices. However, it becomes clearer all the time that a functioning management system is not enough. Accidents continue to occur at work. There is a need for a more personal approach to health and safety. Each and every individual must look in the mirror and ponder their own attitude to safety. More thoughtful and lively dialogues are needed on how to improve our mindsets and safety practices, in order to get all employees, teams and managers engaged in coordinating actions to move the safety culture towards the achievement of an injury-free workplace.

In many Nordic enterprises there are fewer accidents in Swedish plants than in Finnish plants engaged in very similar production activities.

KARI HÄKKINEN
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PREVENTING PROPERTY DAMAGE in mechanical workshops

Property damage poses a considerable threat to the competitiveness and success of the mechanical engineering industry. A fire, machinery breakdown or computer equipment failure can play a critical role in determining the continuity of mechanical workshop operations. However, most property damage can be avoided through efficient risk management.

In many ways, a mechanical workshop is an exceptional risk object: the products manufactured are often large and heavy and are therefore not easily ignitable or stolen. However, mechanical workshop risks are far different from the way they are commonly imagined.

The mechanical engineering industry involves as many production-related and economic risks as other industries.

“Loss prevention is in the common interests of the mechanical workshop and the insurance company, because it helps to secure undisturbed, continuous business operations”, states If’s Risk Engineer **Ari Ahonen**.

He has analysed property damage cases in the mechanical engineering industry, for which If paid compensation in 2006–2011. Such loss cases are compelling the industry to focus on enhancing

fire safety, strict machinery maintenance and general tidiness and good order.

Attitude crucial to fire safety

Have we really done everything we can?

“The statistics we have compiled indicate that, in 2006–2011, fires represented almost 60 per cent of claims expenditure in mechanical engineering industry companies”, Ahonen explains.

No single reason can be pinpointed for this. Perhaps intensifying production and cutting expenses have led to compromising on safety; outsourcing may result in less familiarity with production plants or lower motivation on safety issues. “The risks are well-known and people are aware of them, but they may be regarded as minor and insignificant as long as the wheels keep rolling and products are completed. In most cases, attitudes play a key role.”

“Globalisation and networking also increase mechanical workshops’ vulnerability. Although risks are usually distributed due to delivery chains, they can also be accumulated. A loss in one link of the chain may halt the operations of the other members of the network.”

Even if a company’s property and casualty insurance cover is in order, some expenses always remain with the company. Major losses always involve losses and expenses that are not covered and for which the mechanical workshop is itself liable, for example deductibles, long-term loss of market share, and any damage to corporate image or reputation. The expenses incurred by both loss and liabilities to a third party can be extremely high in situations of major loss.

According to loss statistics, flammable liquids used at various stages of produc-

tion are the major risk factor in property damage at mechanical workshops. Metals are often cleaned with flammable solvents, then coated and painted. “Water-based paints are widely used, but solvent-based paints are still necessary for a number of purposes, which makes the painting process quite risk-prone. Paint shop damage rates are high”, says Ari Ahonen.

The basics of fire prevention – removing any excess fire load and control of ignition sources such as static electricity, hot work, hot surfaces and smoking – should be self-evident. Risk can also be reduced by replacing flammable solvents with non-flammable ones or by placing containers in a separate, protected warehouse, or the flammable liquid in supply tanks from which it can be pumped in a controlled manner through pipes to the place of use. The staff must

be familiar with fire risks and know how to act correctly if a fire occurs.

If paint is pumped through pipe systems and there are leaks, these are prone to cause fires. At premises subject to a fire hazard, electrical appliances must be Ex protected according to the explosive atmosphere zone in question. Earthing must be in order because static electricity creates sparks that may ignite a fire.

An automatic sprinkler system is the best method for controlling a fire that has already started. Applications containing large amounts of oil, such as hydraulics equipment, must be equipped with a system that is efficient enough.

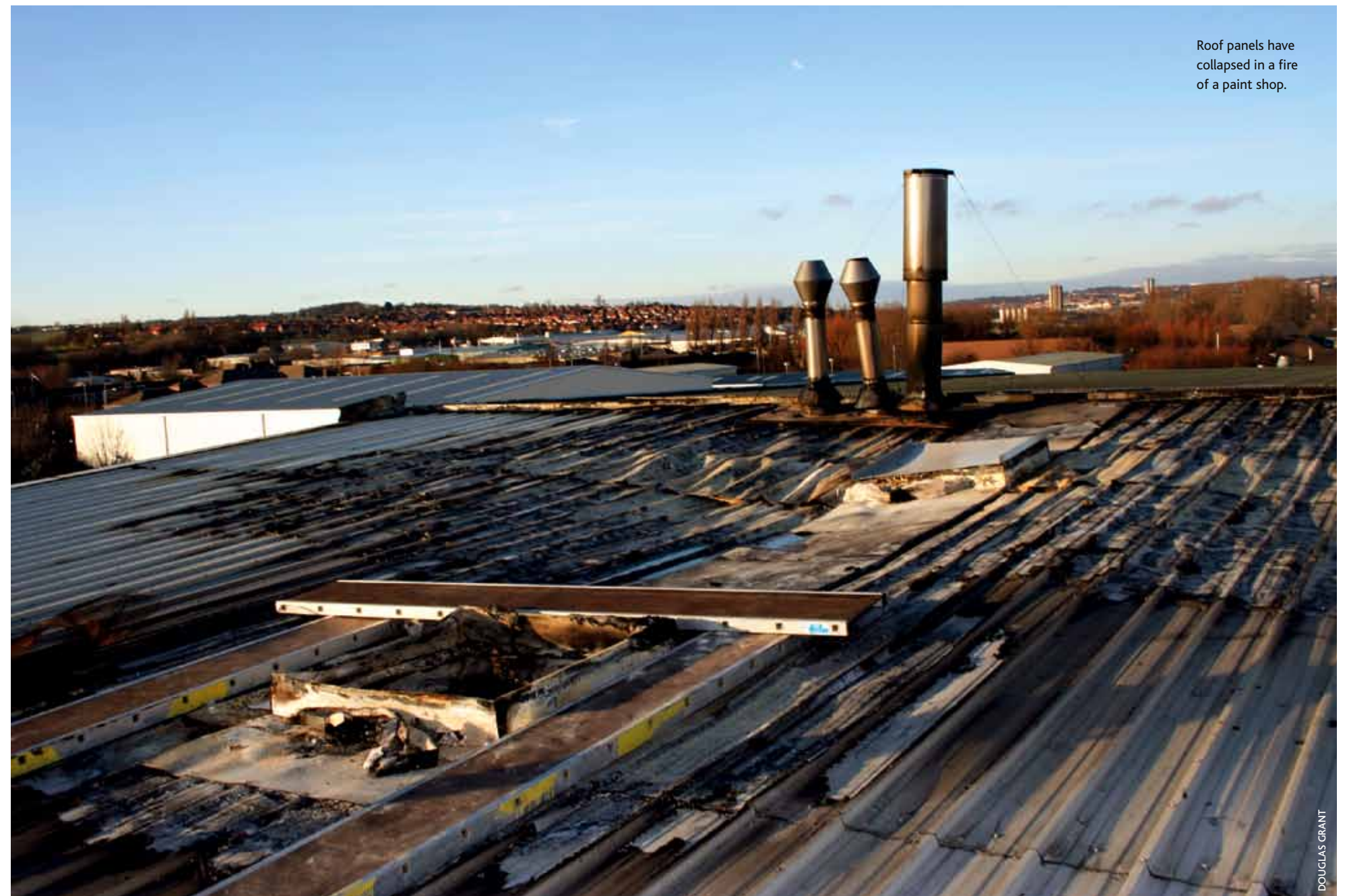
Loose couplings in electrical appliances are among the most common causes of fire. Potential ignition sources can be identified through regular checks of switchgear and heavy electrical equip-

ment with a thermographic camera.

Machinery and equipment must have an appropriate maintenance scheme

The number of thefts is surprisingly high in loss statistics. Pieces of copper cable and other valuable metals may be found in the back yards of mechanical workshops. For instance, the foundry industry uses zinc as an alloying element, and mechanical workshops use chromium for coating processes. Thieves are interested in valuable metals of this type, which are relatively easy to trade. Although the number of such thefts is relatively high, the issue is fairly insignificant in financial terms.

“Valuable metals may sometimes be stored with scraps and on loading bays, but crime prevention is becoming an issue. Such valuable metals are therefore



Roof panels have collapsed in a fire of a paint shop.

DOUGLAS GRANT



Ari Ahonen recommends automatic sprinklers to control a fire.

more often stored in properly fenced in, locked facilities equipped with alarm devices”, says Ari Ahonen.

A broad spectrum of machinery breakdown risks is associated with the mechanical engineering industry, from normal hydraulic presses to the sensitive control systems of laser cutters. Valuable machines and equipment require continuous maintenance.

Machinery and equipment are still among the most significant types of property subject to damage in mechanical workshops. According to statistics for 2006–2011, machinery breakdown was one of the most common damage types in terms of claims paid. Means and methods required for avoiding losses and for lowering risk levels can be determined from analysing the loss statistics or sources based on experience.

The larger the products manufactured, the heavier and more valuable the machinery and equipment used. Their repair periods and spare part delivery times can be very long.

“It goes without saying that the larger the machine, the fewer spare parts are available for it straight from the shelf. Of course, an appropriate preventive maintenance scheme for machines is the baseline for everything.”

Special machinery is usually maintained periodically by equipment manufacturers or authorised service companies. “Few mechanical workshop companies run a maintenance department able to service all machines”.

As examples, Ahonen mentions modern laser cutters able to cut metal into

any form, large machining centres and large hydraulic presses.

Increasingly often, laser cutters are the most important machines at mechanical workshops. Their fine-tuned control electronics become obsolete in time and it may become more difficult to find spare parts. “Regular modernisation of the control unit is something on which there should be no compromise.”

In a fire, electronic equipment is extremely sensitive to smoke damage. Even if the fire damage itself is not that great, the smoke it generates may cause problems. When the fire is extinguished, moisture and chemical compounds such as hydrochloric acid are created and begin to corrode control electronics quickly. In such a case, beginning consequential loss limitation as rapidly as possible is a key issue.

Operating pressures in industrial hydraulic systems are high and the amounts of oil involved may be fairly large. Large, more-than-400-litre systems are associated with a risk of major fires. A hose leak can easily cause an oil mist. It is practically impossible to extinguish such a fire, without closing off the oil leak.

At a mechanical workshop, the decision was taken to raise the pressure in the hydraulic system and to replace the pump with a new, more powerful one. However, the introduction of a stronger pressure hose was neglected. When the pump started up, the hose loosened from its connection and hydraulic oil was discharged at high pressure. The oil hit a live power cable and caught fire. The blaze caused major property dam-

age and a considerable part of production was interrupted for weeks.

“It is vital that hydraulic hoses and pipes are kept in good condition. For instance, the systems of large hydraulic presses may contain tons of hydraulic oil. The same applies to centralised hydraulic units, in which the amounts of oil may be very high.”

Business interruption should be given thorough consideration

In the mechanical engineering industry, property damage and the resulting interruption damage are of a similar magnitude. Business interruption (BI) insurance provides coverage for the company’s sales margin for an agreed period. Even if raw materials need not be purchased and energy expenses are not incurred during the interruption, fixed costs such as wages, rents and financing costs must still be taken care of. Interruption insurance covers these costs.

“When considering coverage of BI insurance, you should take the company’s risk profile and production structure into consideration and contemplate the period for which you need insurance. Key issues to consider include the time it will take to return to the market and how fast you can attain a market share equalling the former one. A pre-existing continuity plan can help accelerate a return to business as usual”, comments Ari Ahonen.

Mutual interdependencies due to globalisation are becoming increasingly important. In the mechanical engineering industry, too, it is important that components are not sourced from a single supplier. With the quality standards set on some products, such as certain types of special steel, being rather high, the suppliers of such raw materials are not necessarily high in number. “You should analyse the supply chain carefully”.

Defective management of business interruption risks can become evident, at the latest when a company does not receive the parts it requires due to a major loss in a subcontractor’s production facility. Losses due to interruption may amount to a million euros per week. Systematic identification of dependency risks, preparing for such risks and the implementation of continuity plans are becoming increasingly important.

Housekeeping reduces risks and improves work performance. Risk Engineer Ari Ahonen emphasises the importance of housekeeping and best practices in the mechanical engineering industry.

HARRY NORDQVIST

An international approach to risk management in URUGUAY

Major construction projects have numerous hazard risks, which require comprehensive expertise in risk management. A theme event arranged by If and Projektiyhdistys ry – The Project Management Association Finland (PMAF) focussed on South America and presented a review of the risk management approach utilised in a large pulp mill project.

Finnish risk management expertise is currently being utilised in Uruguay, a country located to the south of Brazil. Stora Enso in a joint venture with the Chilean company Arauco, are constructing a pulp mill in Uruguay. A multi-national project of this scale demands

effective co-ordinated risk management by the owners, project managers, suppliers and insurance providers.

If P&C Insurance Company and the Project Risk Management Team SIG-4 (a part of Projektiyhdistys ry – PMAF) organised a project risk management theme

RICHARD RADEVSKY



afternoon, in March 2012. More than 50 project management professionals gathered at If’s Espoo office to hear and learn more about the latest developments in risk management.

In his address, Sami Silvennoinen, Stora Enso’s Regional Risk Manager emphasised the key role that comprehensive risk management has in large projects. In large-scale international projects, risk management is like an ever-changing jigsaw puzzle that requires diverse skills and the ability to adapt to new situations.

“Step-by-step risk assessment, the identification and registration of latent problems, and preparedness for risks, demand alertness throughout both the entire project organization as well as among the co-operating partners. Finding agreement on the methods of risk identification, and a clear allocation of responsibilities during the initial phase of the project, form the basis for risk management”, said Sami Silvennoinen.

If is participating, together with the other parties to the project, in an extensive hazard risk assessment. This assessment involves a detailed examination of the project’s implementation, familiarization with the risks involved and the methods of operating in a possible loss scenario. In addition to the project phase risks, the experts are also analysing the risks posed by a mill in full operation and the methods available to manage them.

If’s international project risk experts and partners from several countries are involved in the pulp mill project.

“If provides a more comprehensive array of international risk management services to Nordic companies. Our clients can utilize the services of almost 50 risk experts around the world”, explains Jukka Forssén, Head of Risk Management Services at If, Finland.

The project risk management event conveyed an encouraging message: although many things can go wrong in a project, systematic risk management helps to keep the challenges under control.

“Most losses or damage can be avoided. However, this requires good risk management. Our role in projects is to work as our clients’ partners, sharing with them our strong risk management expertise”, emphasised Mr Forssén.

Other speakers at the event included Pekka Miettinen, Head of Property Underwriting at If, Finland, Matti Sjögren, Nordic Liability Risk Management Specialist, at If, Finland and Leena Pekkinen one of Andritz’s area managers in the Uruguay project.

MARI HÄTINEN

Returning to the roots of LOSS PREVENTION

In the field of transport risks, experience has shown that nearly 85% of incidents involving loss could have been prevented in some way.

For example, well-chosen, high-quality product packaging, means of transport, and transport routes yield results by reducing transport-related risks. The evolution of quality systems and transport solutions has clearly reduced cases of loss or damage. On the other hand, intensifying competition is increasing demand for undisturbed deliveries. The quality level required of transportation reflects time and economic cycles. Nevertheless, there is always pressure to keep cases of loss or damage under control, and doing so is a continuous process.

The logistics sector operates under constant financial pressure, creating challenges in terms of loss prevention. Goods delivery constitutes an extra cost passed onto the buyer in one way or another. This is most noticeable to a consumer when ordering goods from a web shop: a seemingly inexpensive purchase may become expensive after the addition of transport costs. In the end, buying the product through this channel may no longer seem so reasonable. Furthermore, from the end customer viewpoint, issues relating to transport quality are often ignored, because they are more interested in obtaining the product as cheaply as possible. In the transport of large material flows, however, the case is much more complicated and special attention must be paid to transport quality and prompt delivery. Furthermore, buyers must often perform more extensive evaluation of delivery reliability, and consider the possible consequences of delivery interruptions.

TRANSPORT RISKS accumulate in connection with the storage involved. From the

viewpoint of insurance companies, together with related risk management and loss prevention, in-transit storage forms a key object for monitoring. During our on-site surveys, we have discovered that the structural quality of warehouses has improved. Transport companies have invested in new warehouses or transferred their storage operations to better facilities. On the other hand, development within the transport sector has been sluggish with respect to storage risk management and, in particular, the number of structural fire prevention installations and devices per warehouse.

INSPECTIONS CARRIED out in various parts of the world of warehouses used by a certain industrial sector, have revealed the following:

- Over 30% of the warehouses did not have an automatic fire alarm system.
- Nearly 30% of the warehouses did not have a smoke and heat control system (which is often installed in connection with a fire alarm system).
- Only 20% of the warehouses were equipped with an automatic fire extinguishing system, which is the most effective way of preventing large fires.
- In slightly under 50% of the warehouses, work machines were equipped with an automatic fire extinguishing system.

Another alarming finding was that, in many of the warehouses inspected, very little attention was paid to the fundamentals of fire prevention. During our warehouse risk surveys, we stress the importance of early fire detection. If appropriate fire-fighting equipment is immediately available, the chances of ex-

tinguishing a fire in its early stages are good. A warehouse fire can spread very rapidly. For example, in 2009, an electrical device caused a paper warehouse fire that escalated into an uncontrolled blaze in less than four minutes.

In over half of the warehouses we inspected, we recorded deficiencies in the numbers or location of fire-fighting equipment. In very many cases, the equipment was difficult to find, part of it being stowed behind stored goods. It should be borne in mind that, because people respond to visual cues during an emergency, critical fire-fighting equipment should always be kept in a prominent place.

In warehouses, the most important causes of fire include forklift trucks, machinery, and electrical equipment. Without exception, all machinery should be

equipped with automatic fire-fighting systems. This is a minor investment compared to the total price of a single machine. Furthermore, fault-free condition and operation of electrical equipment should be self-evident. A typical example of increased fire risk regularly discovered during our on-site inspections is due to broken or malfunctioning fluorescent lamps. If the electric power fed to the lamp cannot discharge in the form of light, it will do so in the form of heat. In the paper warehouse fire mentioned above, an overheated part of a lamp ignited the ceiling, enabling the fire to spread throughout the warehouse. For this reason, fluorescent lamps should always be equipped with safety starters.

BATTERY-OPERATED SMALL machines constitute an increasing risk in warehouses.

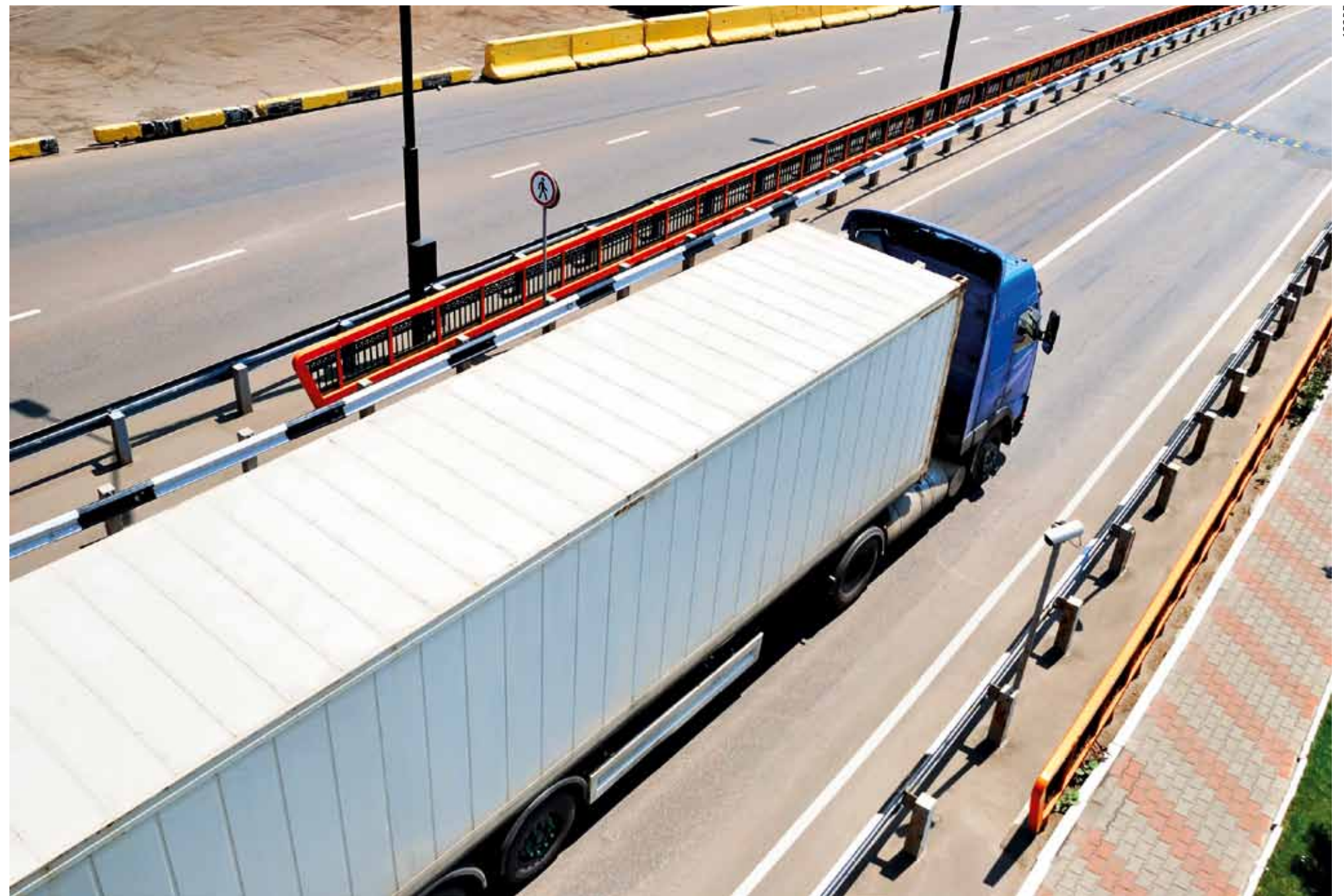
These should be primarily placed in separate fire compartments or at least in places at sufficient safety distances from combustible material or stored goods. Understanding the importance of safety distances, both in the temporary parking of work machines and the permanent placement of battery chargers, is an essential component in fundamental fire prevention.

Expensive fire alarm and extinguishing systems are not intended to allow us to forget the imperative, daily routines of loss prevention. On the contrary, the contribution of human beings continues to be of paramount importance. When reviewing the recommendations given in connection with our on-site surveys, along with our customers, we have often found that the proposed corrective measures do not, in themselves, cause major extra costs. In many cases, a change in

procedures is in question, or doing things in a way that eliminates imminent risks.

IN RISK management, it is wise every now and then to return to the roots of loss prevention by considering issues that are essential in order to achieve loss prevention goals. We cannot rid the world of risks, but by eliminating, for example, clandestine smoking in warehouses, we will be one step closer to safety and a better risk status.

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If and Liberty Mutual: 20 YEARS OF COOPERATION in customers' best interests

"Long-term successful cooperation with Liberty Mutual provides a sound basis for jointly safeguarding the success of our customers in North America", comments Thomas Clarstedt, Head of International Operations at Industrial.

We have many multinational clients with operations in North America, representing several lines of business.

This year is an important milestone in the history of If and the US-based Liberty Mutual Insurance's cooperation. The cooperation between the two companies, or rather their predecessors, began 20 years ago, before developing into its present form. Liberty Mutual has helped If to insure and secure the operations of large Nordic companies in a market with unique legislation and many special features unusual to the Nordic countries.

Liberty Mutual is one of the world's largest insurance operators

Liberty Mutual, who celebrates its 100th anniversary this year, is one of the largest insurance carriers in the North American markets, as well as having significant operations internationally. It has chosen If as its partner in the Nordic countries. In 2011, Liberty Mutual Group's net sales totalled USD 34.7 billion.

Why has Liberty Mutual retained its position as one of the key players in If's international service network?

"There are many reasons for the successful cooperation between If and Liberty Mutual. International cooperations are based on commercial needs but perhaps more importantly personal relations and willingness to help each other – this is an inherent characteristic of both companies and their predecessors. Liberty Mutual has a team dedicated to If. We know the team well and team members visit the Nordic countries on a regular basis", explains **Thomas Clarstedt**.

"In addition, Trond Landsvik, Chief Underwriting Officer at LM Global, originally comes from Norway. He has extensive international networks and long-term experience including Nordic insurance operations. Before joining Liberty Mutual, he worked for If's predecessor."

Broad and diverse cooperation

Rauna Irjala, Legal Counsel, Liability Claims, has handled a number of highly challenging and complex cases in cooperation with Liberty and If lawyers.

"Through its own claims organisation, Liberty processes liability claims occurring in the United States and Canada. However, all large reservations and claims settlement decisions are approved by If first. This means that If is genuinely and actively involved in the daily processing of US and Canadian claims", comments Rauna Irjala.

From the customer's viewpoint, it is reassuring to know that any losses suffered in the US will be processed based on solid local knowledge, through a local network. However, If always maintains its Nordic viewpoint and holds the reins, particularly in large and challenging loss cases. Information travels with speed and, if necessary, If also has access to Liberty's loss data via electronic channels.

Cooperation has expanded from producing insurance policies and processing claims to interaction on the contents of insurance coverage and on pricing and customer service in risk management.

"If has also sent employees to attend Liberty Mutual Global's training programmes, to learn more about the intricacies of the United States markets.

The key reason for the long-term partnership is a like-minded business outlook.

Over the years, this has led to even closer cooperation on a broader basis".

Taking out insurance coverage in the United States can almost be compared to conducting business with 50 different countries, because legislation differs from state to state. Compliance with the legislation in force requires extensive knowledge of the market.

Cooperation extends to prevention of liability damage

For instance, liability risks are considered highly challenging in the United States. Claims are often extremely high and legal processes lengthy and expensive.

Due to the unique history of American society, legislators and courts of law have taken indemnification liability legislation to extremes unheard of elsewhere. For instance, in cases of personal injury, liability can easily be based on legal grounds that do not require intent and that may result in surprisingly high compensation.

Medical and legal expenses can be huge and, at times, it is difficult to predict the end result. Statistics show that in the last 50 years, the costs of claims paid have increased faster than US gross national product.

"Liability loss prevention is the newest sector in our cooperation with Liberty Mutual", says **Matti Sjögren**, Nordic Liability Risk Specialist.

Liberty Mutual's loss prevention services can be targeted at various liability risks, such as general liability or product liability. An analysis by Liberty Mutual's experts provides more detailed information on the company's risks, and customers are provided with concrete recommendations for reducing risks.



Risks are assessed by place of business – the subject could, for instance, be a production unit. Product liability risks, due to product safety deficiencies, can be realised anywhere, whenever products are used. In any case, the focus is on personal injury, since this easily results in lengthy, expensive and uncertain legal proceedings.

Liberty Mutual is unique, because the company has a special team dedicated solely to If.

"Over the years, this team has provided insurance coverage for hundreds of our casualty insurance customers, visited their countless places of business, and strengthened customer relationships", explains **Marie Rutgersson**, International Development Manager.

Both If and Liberty Mutual aim at the same goal

The key reason for the long-term partnership is a like-minded business out-

look. Both parties strive to find new, interesting ways of achieving common goals.

Liberty Mutual publishes material in support of risk analysis and reduction. Customers can use this material to assist in independent risk assessments and preparing loss prevention plans.

This service model helps If keep itself and international customers on a par with the exacting requirements of modern risk management, even in the United States and Canada.

Long-term close cooperation between If and Liberty Mutual provides customers with top-class insurance and claims services. "Customers can sleep easy, knowing that local requirements are being complied with. This enables them to enhance their loss prevention measures, minimize risks, and cut costs", says Thomas Clarstedt.

HARRY NORDQVIST

ZAO If – Nordic insurance service in ST. PETERSBURG

Of all the Western-owned insurance companies in Russia If P&C Insurance Company's operations are best suited to assisting Nordic companies. ZAO If Insurance Company is the only insurance operation owned by a Nordic company, focused on serving Nordic clients with Nordic expertise and high quality service.



From the left; Anatoly Rudnitsky, Denis Kuznesov, Oksana Zaitseva, Andrei Bogdanov, Olga Martyuk, Valerian Sand, Anna Andreeva and Maxim Zaitsev.

If's staff's expertise, knowledge and service-mindedness compares favorably to the competition in Russia. The complex needs and requirements of large Nordic companies operating in Russia are not a matter for ordinary or domestically focused insurers. These challenges demand the attention of seasoned veterans, who have worked for If 5 to 14 years at the management level, and who have an average of 13 years of experience in the Russian insurance industry.

ZAO If's CEO, Andrei Bogdanov is a 14 year loyal employee for If's (and Sampo P&C's operations before it became a foundation partner in the creation of If in 1999) Nordic clients as an experienced property underwriter and manager. Our underwriting team is core to our offering of professional insurance solutions in Russia. They are pertinent to the design and implementation of appropriate insurance coverage, purposely fit for Nordic clients, whether it be property, casualty, cargo, voluntary personal lines or motor.

ZAO If's Security & Operational risk management provides expert-level consulting internally on complex cases, particularly with regard to claims management, but also in situations of business interruption. Given the complexi-

ty of the nature of relationships between companies and the Russian authorities, insight on the "true and real" motivation behind certain circumstances has helped ZAO If add substantial value to our client offering.

Most of the sales professionals have been with If since the conversion of our representative office to a branch in 2006, and they came with significant insurance experience. The team is wholly focused on assisting Finnish, Swedish, Norwegian and Danish clients through the complexities of their coverage needs in Russia. They are well aware of what insurance products and services Nordic clients want, and how best to work with the relevant teams in underwriting, claims, risk management, etc. to ensure appropriate and seamless coverage.

If's Claims team in Russia coordinates claims handling services and partners over 86 federal districts spanning 8 time zones. Property, liability, cargo, motor and personal lines claims are all handled by If's claims team. Where relevant, our Nordic colleagues will also take part, particularly in large claims situations.

If strongly believes that risk management surveys and assessments reduce losses and loss events at our clients' facilities. The risk management team in

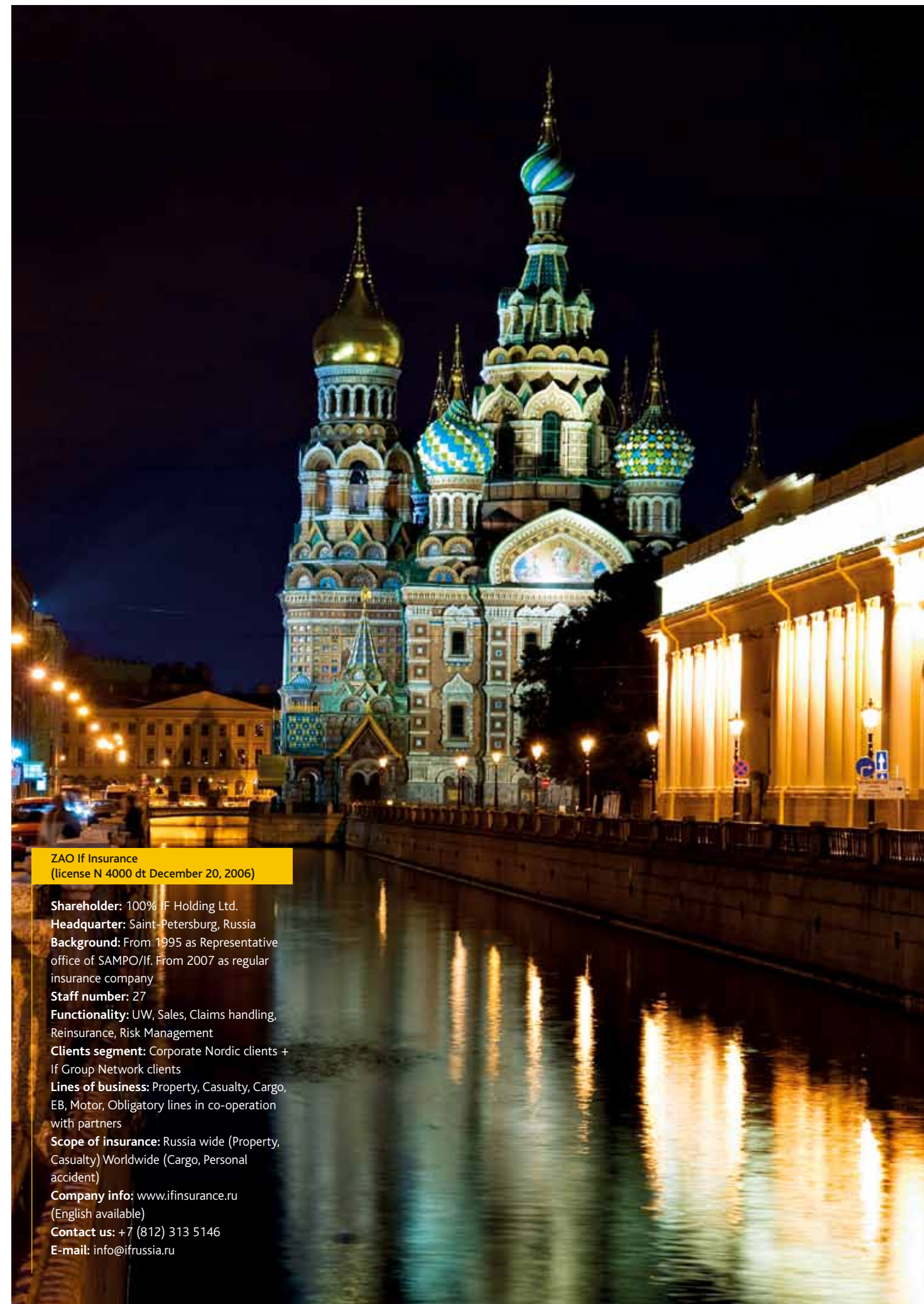
St. Petersburg has insight into, and an understanding of, industrial processes relevant to our Nordic clients' facilities. Risk management for ZAO If has direct access to some of the foremost experts in modern fire prevention methodologies and the systems that support them, throughout the If organization.

If's staff in Russia understands the difficulty of putting compliant solutions in place from day one. The If Group draws on the benefits it's 'A' rating from Standard & Poors regarding financial strength and claims paying ability to distinguish our operations from others. The dedication of If to the Russian operations is also evident in composition of the board of directors for ZAO If, which includes If's head of business area Industrial, If's chief legal officer, CFO and deputy CEO, amongst others.

Contact your account executive for additional information, or even ask to meet our team on your next visit to St. Petersburg.



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ZAO If Insurance
(license N 4000 dt December 20, 2006)

Shareholder: 100% If Holding Ltd.

Headquarter: Saint-Petersburg, Russia

Background: From 1995 as Representative office of SAMPO/If. From 2007 as regular insurance company

Staff number: 27

Functionality: UW, Sales, Claims handling, Reinsurance, Risk Management

Clients segment: Corporate Nordic clients + If Group Network clients

Lines of business: Property, Casualty, Cargo, EB, Motor, Obligatory lines in co-operation with partners

Scope of insurance: Russia wide (Property, Casualty) Worldwide (Cargo, Personal accident)

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ECONOMIC OUTLOOK

emphasises risk management's key role

If Industrial's annual main event, held at the Finlandia Hall in January, focused on outlining the way the world will look after the major upheaval underway. In the current, fuzzy situation the only thing that seemed clear was the possibility of major changes, with risk management playing an increasingly important role.

The stylishly hosted Industrial Risk management day attracted some 250 experts in risk management and insurance. This event has a long tradition: the first similar customer event was arranged as early as 1930.

Topical key themes of this year's Risk management day were the European Union's financial crisis and the outlook for Finland's economy, as well as natural catastrophes and management of wellbeing at work as part of the strategies of large companies.

In her opening address, **Tiina Autio-Begley**, Head of Sales and Client Service, Industrial, Finland, emphasised the event's interactive nature as a discussion venue.

She also highlighted If's local and international nature.

'The Nordic and Baltic countries and Russia are our home ground, but we also have branch offices in Europe, as well as a broad cooperation network. We join customers wherever they need our expertise. The next If sign, set against a symbol of the globe, will be seen in Shanghai. An If risk engineer will be based there, assisting our clients in China.'

'Although our network is as extensive as those of key competitors, all decisions on customers are taken here in the Nordic countries,' explains Tiina Autio-Begley.

One of the main speakers was Sixten Korkman, Managing Director of ET-LA, the Economic Research Institute of the Finnish Economy. In his opinion, a breakdown in the EMU would be a financial and political catastrophe.

'Even if the recession has caused major problems in cooperation, politi-



Tomi Einonen engaging Anna-Kitty Ekstam and Mike Freeman in discussion about reinsurance and large claims.

cal commitment to the project remains strong and a total catastrophe can be avoided.'

He also views large Finnish companies as expertly managed with solid balance sheets, even with a possible recession looming.

Sirpa Huuskonen, HR Director at ISS Palvelut Oy, addressed working capacity management methods. These can be divided into proactive and reactive approaches. The aim is to support working capacity throughout people's careers.

'The prerequisites of fruitful cooperation include a shared intent and mutu-

ally agreed processes, so that everyone is aware of his or her personal role and responsibilities', states Ms Huuskonen.

Further requirements include regular joint meetings, active cooperation with pension and insurance companies and occupational health care, alongside joint training sessions.

Other speakers included **Anna-Kitty Ekstam**, Head of Reinsurance; **Mike Freeman**, International Claims Manager, and **Morten Thorsrud**, Group Executive Vice President, Head of Industrial Business Area – all from If, and Professor **Alf Rehn** of Åbo Akademi.

HARRY NORDQVIST

Appointments



Alez Teterukovsky
Reinsurance Manager,
Sweden



Brita Palmu
Head of
Commercial &
Industrial Property
Claims, Finland



Claus Madsen
Account
Executive,
Denmark



Gerd Van Wichelen
International Risk
Engineer, France



Sirja Pajari
Property UW,
Finland



Per Svensson
Account Executive,
Denmark



Tony Lundborg-Lindo
Assistant UW for
Property, Sweden



Shelley Gao-Kyllönen
Regional Manager China/
Hong Kong, Finland

Local If Risk Management services in China

The Nordic presence in China is continuously growing, and more than 1500 Nordic companies are today operating there.

In line with If Industrial's mission "Managing risks together" we are dedicated to support and follow our clients internationally. Thus we strengthen our risk management service capabilities by placing our experienced Risk Engineer Håkan Edoff in Shanghai, where he will start on 1st of August.

The aim with If's local presence is to further improve our services in China, and in particular to offer our clients support within the risk management field with survey visits and hands-on loss prevention guidance.



Håkan Edoff
Risk Engineer in
China



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Relax, we'll help you.

