

IF'S RISK
MANAGEMENT
MAGAZINE
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Risk Consulting

Insights into risk management and loss prevention

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Choosing the
right construction
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a difference

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The new hard
reinsurance
market



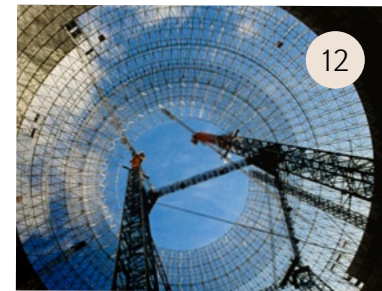
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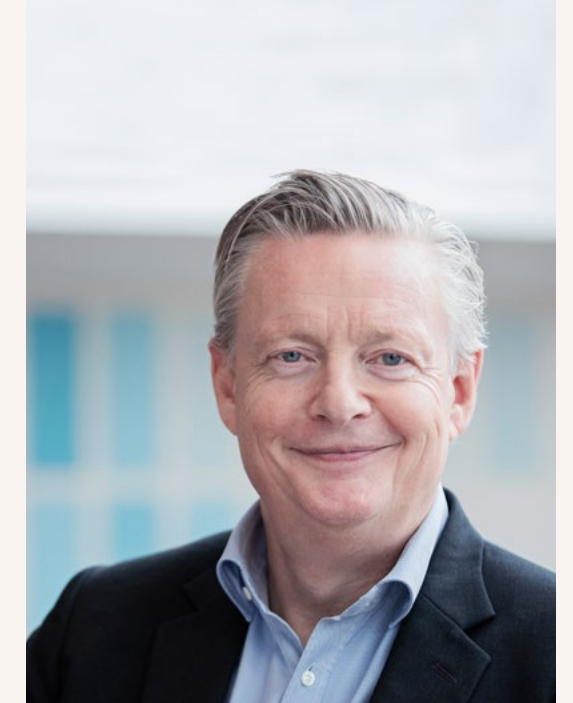


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Editorial



Keeping up with innovation

The green energy market continues to grow and is developing quickly both from a business and a technology point of view. According to the International Energy Agency, “The global energy crisis has triggered unprecedented momentum behind renewables, with the world set to add as much renewable power in the next 5 years as it did in the past 20.”

Nordic companies continue to play an important role in this area, not to mention the broader international players, all of which are experiencing a high level of growth. The new geo-political situation has also accelerated investments into green energy, as nations seek to find alternative solutions for oil & gas.

In May 2022, the World Economic Forum (WEF) highlighted that the transition to renewable energy sources is “not keeping pace with the growing urgency for change.”¹

There are many issues slowing the green energy transition. Highly volatile markets continue to impact pricing, raise energy security concerns, and limit access to energy. As the WEF report highlights, there needs to be “adequate enablers and support mechanisms to maintain the momentum despite the challenges.”

One of these enablers, are the insurance companies. Insurers are often challenged by clients about their risk appetite for underwriting renewable energy projects and insuring new technologies. Arguably,

¹ www.weforum.org

without insurance companies, it is difficult to make progress and deliver innovation. Risk adverse insurance companies will only slow the green transition and impact financing for future projects and hinder climate change target ambitions.

At If Insurance, we believe an insurer must keep up with innovation, the best way to do this is to work with our clients to understand where they are heading and how will they get there. We know that traditional energy production will continue and is desperately needed to power progress and innovation.

Insurers must also be bold enough to support these traditional players in the energy market. In the end, oil and gas are part of the energy mix and desperately needed to power the progress of renewables. Therefore, it is imperative that we understand the risks relating to renewables and innovative new technologies, to get there more expert resources are needed. The best place for an insurer to be, is working side-by-side with our client to find the solutions that will help them grow.



Poul Steffensen
Head of BA Industrial, If

If P&C Insurance, contact information

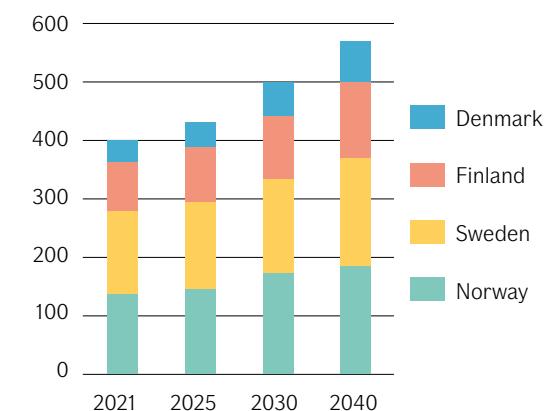
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Understanding the energy mix

To achieve net-zero emissions, there are many critical elements that need to be addressed. There is no doubt that the green transition, and finding new ways to power the world, is a must – it is something we simply must aim for in the future. However, this green transition as we know it retains some problems that are not yet solved.

By Netta Keski-Keturi

As the world undergoes the green transition, it is expected that the demand for electricity will increase significantly as we look to replace fossil fuels as a source of power. Electrification will happen in many sectors: in transportation in the form of electric vehicles, and in the steel, chemical and food industries, for example, by using electricity to produce heat for processes instead of simply burning carbon-rich raw materials. According to an estimate by the International Energy Association (IEA, 2022), global electricity demand will rise by 25-30% by 2030. Accordingly, in the Nordics, it is estimated that the increase in electricity demand will be 40% higher by 2040. ^(Graph 1)

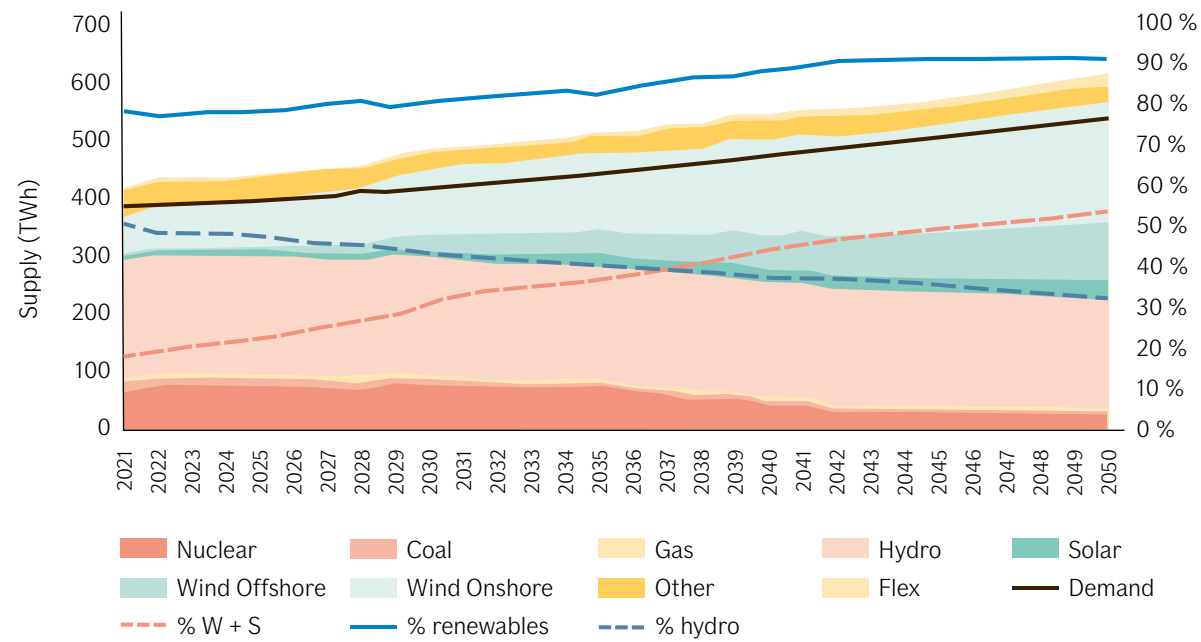


Graph 1. Electricity consumption forecast in the Nordics by country by 2040

INCREASE OF WEATHER DEPENDENT RENEWABLE ENERGY SUPPLY

While societies are being electrified to help achieve net-zero emissions targets, the power production itself must change to carbon-neutral sources for the electrification to make sense. There are ambitious targets and massive investments ongoing in renewable power production, mainly in wind power in the Nordics (both on- and offshore). It is estimated that by 2050, the share of wind and solar power will exceed 50% of the Nordic power production supply. ^(Graph 2)

NORDIC COUNTRIES: ENERGY POWER SUPPLY MIX AND DEMAND TO 2050



Graph 2. WoodMackenzie, 2021

SUBSTANTIAL NEED FOR POWER STORAGE SYSTEMS

The operational principle of the power system is that the supply and demand of electricity must correspond perfectly in real time – every second and every hour. The inherent characteristics of wind and solar power is that depending on the wind blowing or the sun shining, or vice versa, we will either produce or not produce the necessary power we need.

This increasing share of weather dependent production means that in the near future we will need several ways to store an enormous amount of energy, for example in Long Duration Energy Storage (LDES), to balance the volatility. Batteries and hydrogen, as well as the demand response, are a part of the solution and the business around this industry is growing dramatically in both scope and ambition.

FAR LESS EFFICIENT SYSTEM

Since wind and solar power are dependent on the weather, the actual annual production is significantly lower than the production of old, conventional power sources of the same rated capacity. In addition, the power storage system itself decreases the efficiency of the system, with the production of hydrogen requiring energy, for example. This means that the existing renewable power technologies, like wind and solar, consequently need massive power buffer support – and at levels more than first thought. To that

end, to generate the same amount of energy, we need more installed capacity.

According to calculations by the Geological Survey of Finland (Michaux, P. 2021), the replacement of fossil fuels requires more than double the electrical power capacity to be installed. Based on 2018 figures, the 17,100 TWh fossil fuel capacity that is to be phased out worldwide requires 38,000 TWh electrical capacity to replace the electricity supply, to charge the batteries and to produce the hydrogen.

MINERALS ARE THE NEW OIL

So, the new power system will be less efficient and will require a vast new infrastructure to be built in years to come. But is it doable? There is no simple answer. But the reality is that the installation of this new, massive power system, combined with the rapid pace needed, are indeed creating some challenges.

A huge quantity of raw materials, including several critical metals and minerals, will be required to build a power system that is significantly larger than the one we have now. The number of wind turbines, solar panels and power storage batteries needed in the coming years will also need to be considerably increased and each unit will need to be manufactured from metals that also have to be mined.

This raw material value chain includes bottlenecks that are potentially difficult, if not impossible, to solve. It is agreed by the European Commission, World Bank

and the IEA that based on present day capabilities, the production of raw materials is not able to respond to the quickly changing and increasing demand. There are plenty of minerals and metals in the bedrock, but the problem is the exploitability and availability. Circular economy actions are important, but for the time being there is not enough material circulating and at least the first generation of material for the new power system must be mined.

Minerals then, are the new oil: a commodity that is rare and the exploiting of it bad for our planet. So, while we are decreasing carbon emissions, are we transferring the problem elsewhere?

THE ROLE OF FOSSIL FUELS

Oil, gas, and coal – the traditional and ‘dirty’ ways to produce energy are treated unambiguously as something we must get rid of as soon as possible. There is no doubt that relying on them in our power supply is not sustainable. However, considering the unsolved challenges in the green transition and its needed pace of change, it is essential to understand that it is crucial to maintain an adequate level of stable power generation resources throughout the energy transition.

Unfortunately, it seems that we won’t totally get rid of carbon dioxide emissions in power production and heavy industries in the coming decades. Therefore, it is important that carbon dioxide can be removed from the flue gas and stored somewhere so that it won’t escape into the atmosphere.

ENERGY MIX

Humankind needs energy to power the world we live in, to meet our basic needs, but also to satisfy our wants and our must-haves. The transition will require many forms of power production in the mix, and only then can we move forward.

It is fair to say that pushing green initiatives is vital but having a realistic approach to where we are today, as well as what are the technological preconditions, is just as important. □

Sources and more information:



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Meet our expert
 Netta Keski-Keturi
 Property Underwriter
 Chairperson of Energy Competence Center

While a blackout will cut the flow of electricity completely, a brownout will maintain power, but at reduced capacity or with partial outages. These events can impact business operations and potentially severely impact production operations, for example.

Brownouts and blackouts pose risks

Winter is behind us, but there are important lessons to learn from the past season. Despite the energy crisis and hype around freezing temperatures, in the end the winter was rather mild compared to expectations. However, we should not become complacent, as the constraints on the gas supply will continue, and the electrification of industry is expected to continue to grow, adding pressure to the power grid and further impacting distribution and supply.

By Kristian Orispää

Without upgrading the grids, delivering power generated by renewable energy sources to consumers will be a challenge. Most grids were built for traditional oil and gas. This means, they will not be able to transport the electricity. One of the factors behind increased blackouts is in the lack of investments made to power grid capabilities. One problem with investment in transportation lines is that they take a long time to execute. Generally, people speak of electrification and renewables as something we have in place – however there is a long way to go before this will be realised. To get to a renewable future, we will still rely heavily on oil and gas, and require more time and even greater investments.

Maintaining operations during a brownout or blackout is about managing risks and preventing losses. In this article, we dive into how companies can prepare for both intentional and unintentional power outages.

Alongside insufficient grid capabilities, severe and extreme weather events, human error, or malfunctioning systems can cause power outages. It is worth noting that not all brownouts are unintentional, as they can also be intentionally executed, for example during maintenance work or triggered as a preventive measure to prevent overload.

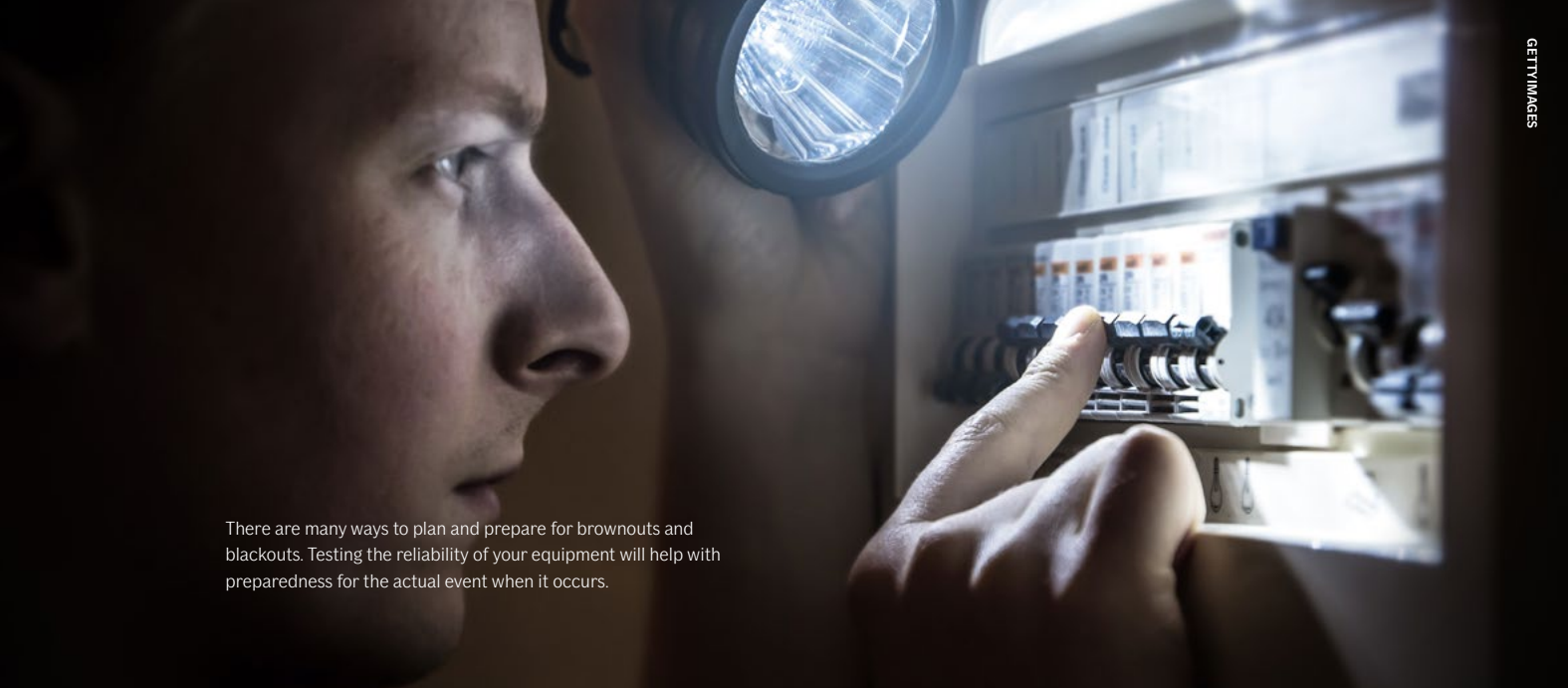
As is often the case, business continuity planning is key to successfully managing a brownout or blackout. Each industry will have its own unique issues when it comes to managing operations during a power outage or drop in power levels, thus there is no one-size-fits-all solution that would cover the pulp & paper, pharmaceuticals, metal, retail, and food industries, for example.

MANAGING RISKS TOGETHER

If's Risk Engineers provide guidance on power outage risks working together with customers, for example when doing survey work offering tailored support and advice, which is as relevant as possible for each individual customer.

"Oftentimes we find that companies using a vast amount of electricity are already aware of the risks relating to power outages and blackouts, and they are in direct contact with local energy companies, as they might also be the ones to balance the grid (in a normal situation)," says Andreas Kråling, Head of Property Risk Management Services at If Insurance in Sweden.

It is worth noting that sometimes small and medium-sized companies might not be as aware of these risks to their production as large businesses are. Furthermore, these smaller companies might not be able to negotiate in terms of the speed of the



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There are many ways to plan and prepare for brownouts and blackouts. Testing the reliability of your equipment will help with preparedness for the actual event when it occurs.

shutdown or power reduction in cases where power outages are imposed. Similarly, power companies may not know that smaller companies may face serious consequences in case of sudden power reduction or partial outage. As an example, a bakery that is utilising high-capacity bakery tunnel ovens, can face multiple issues in a brownout event. Another issue, for example in the Nordic countries, can be from lower temperatures in buildings during the winter, which may also cause more freezing-related damage followed by mould.

UNDERSTANDING THE RISKS

Electricity is a vital component of modern life. For companies, it is critical to understand how well their operations can withstand a brownout or blackout.

The effect and consequences of a shortage of energy can vary considerably depending on the industry. Energy intensive industries, such as pulp and paper, can cut down energy usage rapidly. This can be done, for example, by stopping mechanical pulp production and/or other production equipment and instead selling their excess electricity capacity to the grid.

However, other industries may experience significant property losses due to a power outage. In these cases, energy usage can be more intense or fast, as is the case in steel mills. Such demand can lead to potentially significant losses, for example if the mill requires more time to be shutdown to allow for sufficient cool down.

Explains Kråling, “scenarios will vary based on the type of operations and equipment a company is using. However, severe business interruption due to equipment failure can result from a brownout. Therefore,

preparation is key to managing operations during a brownout.”

Fortunately, risks are often well known among large companies and their energy providers. Normally, power companies know which companies are operating on the grid. Ideally, a controlled power outage or shutdown includes issuing communications to companies operating on the grid in advance to help prevent damage from brownouts.

Local authorities must also be aware of these potential catastrophes, which can lead to huge damages and consequential losses to crucial industries in their own country or region. Further indirect impacts on the local population and society can be severe if several large companies face an unexpected partial outage or reduced voltage supply.

Sometimes, it can be difficult to understand potential chain reactions or risks following an incident beforehand. For example, in industries supplying chemicals to other industries, when production is stopped, there may still be dangerous waste that must be processed afterwards. What are the consequences in later start-up if production has been stopped abruptly or in an extraordinary way? Understanding and evaluating all the potential risks and impacts thoroughly will help companies better prepare for the ‘worst case scenario’.

SLOW TRANSITION TO RENEWABLES

As the transition to renewable sources of energy continues, power grids and related infrastructure will need to be updated in order to deliver power effectively and reliably to consumers in the future. It is worth noting that as wind and solar power create a

much more volatile supply of energy, there will be an increased and higher strain on the grid. As a result, the amount of brownouts and blackouts can be expected to increase, and also in areas where these events have previously been less frequent.

Establishing alternative methods for power on-site is rarely an easy solution. The future production may be at risk when searching for alternative capacity. Making rushed or abrupt changes in production due to the introduction of alternative capacity or raw materials may lead to increased risk of a property claim or even a possible liability claim. We also see more on-site storage of these raw materials, which can further increase risks.

Looking ahead, there is plenty of time to prepare for the upcoming winter. Though it may feel far away, taking action now to prepare for the next winter season makes sense. Consider the lessons learned in your company and implementing the required actions early on will help you tackle potential risks that could materialise next winter. □



Meet our expert

Andreas Kråling
Head of Property Risk Management, SWE



Meet our expert

Fredrik Holmqvist
Head of Property Risk Management, DK



Choosing the right construction materials can make the difference

Concrete and steel are the two most commonly used building materials globally. In this article we look at what insurers consider and look for in construction projects when it comes to the use of these two construction materials.

By Dan Rider

Steel and concrete are both building materials that can boast multiple advantages over each other, as well as other materials used in construction, like wood, for example. Equally, both materials have their weak points. Therefore, choosing the right material, as well as optimising the building design and protection systems prior to any real-world construction taking place, is critical from an insurer's perspective if they are to commit to insuring a client's infrastructure project across its entire operational lifecycle.

KNOWLEDGE SHARING

Pekka Miettinen is Chairman of the CAR/EAR Competence Centre at If Insurance. Begins Miettinen, "At the centre, our purpose is to spread knowledge about construction, and CAR (construction all risks) and EAR (erection all risks) insurance in general projects. The centre has representatives from four Nordic countries, and expertise from different lines of business, including from property, liability, cargo, claims and risk management. It's important that we have a variety of different competencies with different professional backgrounds, so we can collectively bring a broad range of expertise to the table when meeting with clients and stakeholders, as well as share experiences that we have had. We cannot underestimate the influence that claims have on our experiences. To that end, we carefully look at what kind of claims are handled at If, so that the next time we will be able to mitigate the risk in the underwriting side and in the risk management side."

Contrary to popular belief, concrete is still being used in construction projects just as much now as has been the case historically, and while the images of innovative, aesthetically pleasing, ultra-modern looking steel and glass skyscrapers have tended to suggest a trend towards a greater share of steel being utilised in modern construction projects across the last two decades, this has not been reflected in reality.

Traditionally, construction projects use concrete, and high-rise buildings have contained lower layers of concrete with steel used in the higher layers. A building does not need to be that high before the weight benefits of steel begin to kick in. Steel remains a heavy material but is around 60% lighter than concrete.

COMPARING PROPERTIES

While steel can boast a weight advantage, and is a strong, durable, and flexible material, it has some disadvantages too. Says Miettinen, "When you compare the properties of these two materials, concrete has better compression properties compared to steel. You need to increase the dimensions of the steel structures to prevent the buckling phenomenon when building high rise buildings. Often the core tower, which contains elevators and stairs are also made from concrete. Furthermore, the floor is usually cast with concrete. Effectively, using steel helps reduce the amount of concrete being used."

Concrete is viewed as a reliable material, due primarily to the fire risk and temperature changes that can impact steel structures. Steel more easily loses its ability during a fire to bear the weight above it in a structure. Steel therefore needs to be protected separately and that comes with some additional cost.

Concrete is highly fire resistant and does not easily lose its ability to bear the weight of the structure above it.

However, concrete can contain steel in the shape of rebars, and especially in horizontal concrete constructions these are fairly exposed to heat due to their placement on the bottom section of the construction to absorb pulling forces. Spalling can therefore often be a significant problem and will expose the steel, compromising the concrete. Steel can be packed in insulating boards or can utilise intumescent paint.

MANAGING THE RISKS

In addition to concrete and steel, plastic-based materials, like expanded plastic insulation, continue to be frequently used in construction projects. From a risk management perspective some reservations about the use of plastics in steel and concrete structures exist, as certain kinds of plastics can be challenging.

States Miettinen, "This is what we do now with existing properties our clients have. We give recommendations in how they would need to change these buildings, so they are an insurable risk and help them to mitigate the risks they have in their operations. If new projects are being built, it would be much more beneficial for us and the client if we can get involved earlier than currently has been the case. This way we can express our views of the designs and offer comments if we do not deem the risk acceptable, such as in the use of certain plastics or the steel structure itself."

In the early stage of projects If Insurance is mostly concerned, regarding materials and protection systems, with the building process itself, the organisation implementing it and their experience in undertaking

projects. These criteria have a significant influence on all phases of the project. It also has an influence on what materials are used in the finished building. By visiting a construction site, Risk Engineers at If can easily see if the project is a well-managed project or not.

CONSIDERING THE ENVIRONMENT

From an environmental perspective, with current production methods there is not that much difference between steels manufactured globally, however more environmentally friendly metals will be produced in the near future. Green steel is one current and viable solution, though it still requires mining and transportation. On the concrete side, green concrete for example, is used by incorporating green fuels in lime kilns. Green concrete also uses a significant amount of waste material to replace the use of materials harvested from quarries.

That said, concrete is a more flexible material in the lower levels of buildings, especially when you have structures at ground level. Here, the form and design are easier to implement with concrete than with steel structures.

Notes Miettinen, "The Swedish company SSAB, for example, has been able to produce carbon-free steel, but its more expensive of course. From our point of view, the risks are not so much market driven risks, but are rather concerned with the production itself. Some companies are also advertising that instead of using fossil-derived oils to coat the steel plates, they are using renewable and sustainable bio-based oils derived from plants."

EVERY PROJECT IS DIFFERENT

If Insurance is also a big insurer of the heavy industries, as well as in new construction projects involving green energy and renewable energy, especially in the Nordics. If's experts are aware that when something new arrives, like an enhanced technological prototype is developed to produce steel, for example, the company must carefully analyse what kind of risks it brings with it.

Adds Miettinen, "Every material has pros and cons, and selecting construction materials for a project will depend on the total package, including for example, actions taken to mitigate the potential risks of these materials. We need to also follow what is happening in the world and to understand that on a greater scale that new metal and steel structure production methods will be developed, and these are capable of being environmentally more friendly. As an insurance company we need to follow that trend and be more involved in the process to support this transition as well. At If, we work together with our clients to find the optimal solution for their project. This work is not limited to the current insurance cover the client has, rather, we take a holistic approach."

PROTECTION SYSTEMS

At the Competence Centre, Risk Engineers have a critical role to play, and the two issues discussed the most with clients are firstly the choice of the material and secondly, the active protection systems. In this

work the focus is mostly on the project aspects, so recommendations mainly concern the operational phase of the building. That has an influence on the lifecycle of the building and will bring benefits to both the client and If Insurance alike.

"When it comes to claims and incidents that we have helped our clients with over recent years," says Miettinen, "I don't believe construction materials themselves contribute that much to the number of claims, at least if we talk about concrete and steel building projects. Once the building is completed and protections systems are installed, the key is to secure and protect operations in the structure. The building itself is a shelter for the operations, which is a very passive thing, and at that stage it doesn't matter if it is concrete or steel, as long as it is properly protected in a way that enables the production or operation to happen in the correct way.

Regardless of which material is used, when it comes to operational risks, you need to take care that the operations done in the structure – whether it is a factory, logistics centre or shopping centre – do not jeopardise the stability of the building itself. Whatever happens, there should be passive and active protection systems, like sprinkler systems that are purposely designed for protecting bearing structures. Naturally, companies must have procedures in place to mitigate the possible losses in a building after an incident."

As with any building or structure, it must be maintained and taken care of throughout its lifetime. The complexity of the building will determine how much maintenance it will require over its operational lifetime.

EVOLVING FUTURE LANDSCAPES

If's CAR/EAR Competence Centre offers expertise and support to clients to help them find the right solution for their projects. To ensure If's experts are able to support companies correctly, it is important that the company is involved in the early stages of the project. This gives everyone better capabilities to influence the design of the structure from a material, as well as a risk management and insurance perspective.

Concludes Miettinen, "In this world of increasing inflation, global supply and demand challenges, and high raw material costs, we will begin to see more cases where investors will seek to save on costs, and it is important in these situations to avoid opting for cheaper materials or leaving out the installation of active protection systems, for example. These types of cost-cutting measures can ultimately lead to difficulties in securing insurance. By working together with our CAR/EAR Competence Centre and Risk Engineers we can mitigate the risks in your next project." □



Meet our expert

Pekka Miettinen
Property Underwriter



The new hard reinsurance market

Leading up to January 2023, reinsurance entered a 'hard market', a term that describes significant price rises. In this article, we explain the perspective on the new normal in the reinsurance market, what has changed over the previous year, the challenges today, and the implications for the market in the short to medium term.

By **Dan Rider**



January 1st is the key renewal date for most reinsurance agreements, and at the end of 2022, renewal negotiations took on an intensity not seen in decades, as reinsurance companies demanded significant price increases, thereby eroding many years of price decreases in the market in one go.

This rapid changing of the market dynamic has led to insurance companies raising premiums and reducing risk appetite. A hard reinsurance market can therefore be summarised as a general market condition where the availability of reinsurance coverage is limited, and the cost of that coverage is high. Several factors have resulted in the new normal standard including an increase in natural disasters, exposure to Russia's war in Ukraine, increasing inflation, supply chain shortages and an overall greater demand for reinsurance, as well as a decrease in available reinsurance capacity.

"Reinsurance sets the framework for what the market allows insurers to do. If Insurance, like all other significant insurers, has large and complex risks that are dependent on the support of the global reinsurance market. Regardless of what happens just in the Nordics, we are, per definition, affected by all the increasing claims that we have seen globally due to significant fires and weather-related events," says Erik Nordblom, Head of Reinsurance at If P&C.

A SHOCK TO THE GLOBAL SYSTEM

As an insurance company, If is always impacted by changes in the risk landscape, such as external geopolitical events, climate events, natural disasters, inflation and logistics shocks, as well as significant changes in war, energy and pension insurance. Geopolitical events can lead to the current 'polycrisis'

– a cluster of related global risks where the overall impact exceeds the sum of the parts – seen in the last 12 months, and can create volatility in the whole reinsurance market.

"I think the reinsurance market is now fundamentally different in the sense that the reinsurers have finally had a chance to do what they have wanted to do for multiple years, and that is catch up on severely inadequate premium levels. There was a long stretch of time where a new supply of capital entered the reinsurance market and the fundamentals of supply and demand meant that it became artificially cheap.

"But the situation has changed, and the reinsurance market now needs to price themselves more adequately. Now that there are higher returns to be made in the fixed income market due to increased interest rates, then reinsurance is no longer so attractive for investors, as it's increasingly volatile, and the profits have been poor in recent years. Significant amounts of capital move to safer and better paying investments, and with less capital and thereby less capacity available, prices go up. It's a very simple supply and demand equation," Nordblom explains.

"Now more than ever, it's important that you have your long-term partners that believe in you. We are that partner to our customers, and we have such partners in the reinsurance market and that's something that's very important for us. With stable owners and strong reinsurance muscles behind us, If is a stable insurer for our customers throughout these increasingly volatile times."

A GREATER FOCUS ON RISK MANAGEMENT

It is clear to If that in this period of increased geopolitical and climate-related disruption and inflationary pressure, amongst many other variables, our cus-

tomers can never slow down their work on managing risks and preventing losses. "When things get difficult, it gets the most difficult for the most difficult risks" states Nordblom. "In a soft market where there is insurance capacity for everyone, you can insure anything, but when things get difficult, those companies who are not giving enough focus on their risk management are going to be weeded out. If companies are going to find insurance and reinsurance on reasonable terms, it is becoming evident that they need to be among the best in the class. Now more than ever, working with risk prevention pays off."

THE NEW NORMAL

The hard market requires that risks are comprehensively explained - both in words and numbers. To that end, no insurance or reinsurance company is now taking on unknown risks. Information and transparency are still considered king and a catalyst for establishing trust – all the way through the chain from company, to insurer, to reinsurer.

After adjusting for growth and inflation, essentially everything in the property risk and catastrophe space in early 2023 has increased by around 20-40% in the Nordic market. This is due to the new landscape being uncertain and characterised by increasing deglobalisation, the statistical likelihood of more frequent, and more destructive climate-related natural disasters, rising interest rates, greater recessionary risk, structurally higher inflation, supply constraints, and more.

Nordblom concludes that "it's important that companies feel safe with us, but it comes for those willing to work with their risk management together with us. For the next few years, there's not going to be an easy ride for anyone. We stand strong as we show our reinsurers that we rest on the strong fundamen-

Reinsurance is an instrument for insurance companies like If to transfer or share some of the risks. By purchasing reinsurance, If is able to spread out the risk across multiple companies and reduce the potential financial impact of very large individual claims or of many claims arising from its clients at the same time, for example following a flood. Reinsurers select the risks they want in their books and therefore they have a critical role to play in deciding what can be insured and at what price.

tals of technical underwriting and risk management. We have the capacities, the competence, the ability and the willingness and we have been consistent in our underwriting and how we do business. And that has enabled us to grow with our Nordic base, and our reinsurers believe in what we're doing, and they are still happy to support us, albeit with higher prices than before." □



Meet our expert

Erik Nordblom
Head of Reinsurance

Well-ventilated containers protect goods

Most goods shipped around the world are transported in containers. There are many different types and sizes of cargo transport units, but they all have one thing in common; the container must be in sound condition and properly vented.

By Rikard Sahl and Kristian Orispää

Well-ventilated containers are important for the protection of goods during transport. Unfortunately, it has come to the attention of experts at If Insurance that several container shipping lines around the world deliberately deviate from UCIRC/Cargo Worthy guidelines by not providing compensation for the removal of taped ventilators during container controls in agreement with various ports.

Transporting goods in containers is often regarded as being parallel to transporting goods under deck. Therefore, it is important that the condition of the cargo transport unit (CTU) reflects this fact. Goods should be as safe in a container as they are under deck in the cargo hold. Also, sufficient ventilation and



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“Keep in mind that if a container is damaged or not cleaned and thus not suitable for transporting your goods, you should reject it and demand a replacement unit.”

MOISTURE IN CONTAINERS

Condensation occurs when warm moist air hits a sufficiently cold surface. At each temperature, air can only retain a certain maximum amount of water vapour. The higher the temperature of the air, the more water vapour the air can carry. Thus, when hot “unsaturated” air hits a cold surface, and reaches the temperature where the air becomes saturated, the so-called dew point, the air must let go of the water it cannot carry. This leads to condensation forming on the surface.

Large temperature changes inside the container during sea voyages can also cause condensation. As an example, we can follow the journey of a container from the Nordics to Asia. A container is loaded with moisture-sensitive goods in Sweden during the winter. The CTU

is transported at the top of the deck of a container ship bound for Asia. The goods are cold on departure, and during transport the container is exposed to strong tropical sunlight and heat from the Suez to the north of Singapore during the day. At night, the temperature drops and tropical rain and/or flooding occurs on this container, in short: large temperature changes occur inside the container even in tropical climates. If the container/ship is bound for northern China, the temperature will drop once more. As a result, there will be a lot of moisture in this container when it arrives, especially if the ventilators have been taped over or blocked.

In effect, large temperature variations create condensation. When cold cargo meets hot temperatures, compounded with bad ventilation

and with no dehumidifiers inside the container, there will be condensation in the container.

Within Cargo and Marine risks, at If Insurance, we are committed to helping you improve your cargo loss prevention capabilities and helping to prevent accidents and incidents which result in losses. Don't hesitate to contact If Cargo Risk Specialists or Underwriters for more information. □

dehumidifiers should always be used when transporting moisture-sensitive cargo, especially when exposed to large temperature differences during transport.

Finally, containers used in international transport must have a valid safety approval plate, i.e., a CSC plate, which is the abbreviation for the Container Safety Convention.

GETTING THE BASICS RIGHT

When preparing goods for transport, it is important to inspect the outside of the container for any holes or cracks in the walls or roof. Also, make sure that the doors and the closing devices operate properly.

When possible, a visual inspection of the underside of the container will help detect if any significant corrosion problems exist with the door sills, the bottom side rails, cross members and e.g., bottom end rails. There should also be no markings or labels from the previous cargo, e.g., IMO placards. Be sure to follow any additional guidelines and

recommendations when preparing goods for transport in a CTU.

Inside the container, make sure that the doors close tightly, inspect the interior to uncover any incoming light through cracks, holes, door gaskets or otherwise. The container interior should also be dry, and the ventilation flowing freely as intended with vents unblocked and functioning properly. Make sure that the floor is smooth and clean, and no nails or other protrusions exist. In addition, the doors and walls must not have anything on them which could damage the cargo. Generally, the container should be clean, free of cargo residues and neutral in odour.

Keep in mind that if a container is damaged or not cleaned and thus not suitable for transporting your goods, you should reject it and demand a replacement unit.

PACKING AND LOADING GOODS

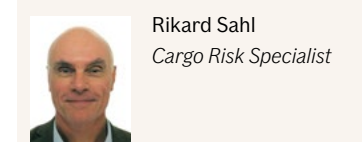
Inspections during packing and loading will help to ensure your goods will

reach their destination safely. Check that the container is packed and loaded, and the cargo lashed appropriately for the anticipated transit stresses, i.e., longitudinal, lateral, and vertical. When securing the goods inside the container, keep in mind the restrictions of the structures and lashing points in the CTU. A lashing configuration is only as strong as its weakest link.

Please note, it is of the utmost importance that the goods are secured sufficiently by the doors so that nothing can fall out from the container when the doors are being opened. Falling goods are a serious threat that can result in bodily injuries, and even death, as well as cargo damage.

When necessary, make sure that enough dehumidifiers are placed inside the container. Finally, check that the doors have been properly closed. Utilise strong steel wire cables, padlocks, or high security seals to provide good protection from cargo theft.

Meet our expert



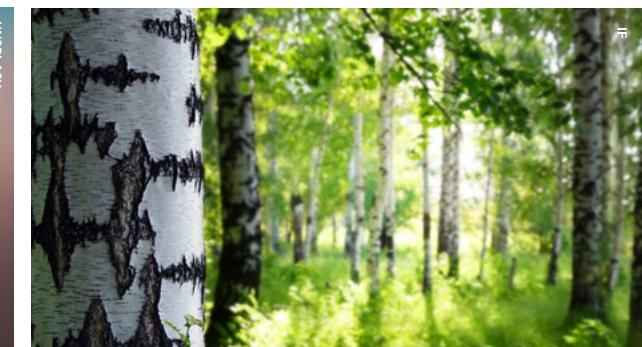
Rikard Sahl
Cargo Risk Specialist



If the container is loaded on deck (outdoors) in warm tropical climates and exposed to direct sunlight during the day, it gets very hot inside the container. At night the temperature drops and may even occasionally be exposed to cooling such as rain or seawater spray.

If requires its Industrial clients to be responsible

If Insurance added The Ten Principles of the UN Global Compact as part of the risk assessment of business customers in 2021. A number of If's business customers have since developed the responsibility of their operations; however, some client relationships have also had to be terminated.



Since autumn 2021, If has evaluated almost 700 large and existing customers, as well as new clients in the Nordics, based on the UN principles of sustainable development. These companies are defined as having more than 500 employees, and whose annual turnover is more than 46 million euros (or more than 500 million Swedish kronor).

By expecting its large clients to commit to the UN principles of sustainable development, If wants to support them in making their own operations more responsible.

"We believe that we are all part of the solution that the world needs. We can use our position and expertise to support our customers in more responsible activities. We take our commitment to the UN principles of sustainable development seriously and work actively to comply with human rights, workers' rights, environmental protection, and anti-corruption principles in all our work," states Morten Thorsrud, CEO, If Insurance.

SEVERAL CLIENTS DEVELOPED THEIR OPERATIONS

Since 2021, 673 large customers have gone through an assessment that evaluates the responsibility of their operations from the perspectives of the environment, social responsibility, and good governance (ESG).

Notes Thorsrud, "The initiative has been well received both in our industry and among our clients. Our customers understand and accept the principles and the majority of their reactions have been positive."

Of the evaluated companies, only 18 did not reach the set limits. The companies in question represent many different sectors. Ten of these 18 companies succeeded with If's support in improving their operations so that they later passed the set requirements.

Five client companies are still under observation, and one has received conditional approval. However, If has severed its relationship with two large client companies.

"Only about three per cent of the companies had challenges in this area to begin with. The majority of the companies were already operating responsibly. We have been actively in contact with the companies that have had problems," explains Thorsrud.

If is satisfied with the results of the evaluations and the response from its clients.

"This is exactly what we hoped would happen when we committed to the UN principles of sustainable development. To a large extent, this is seen as a natural development in today's world, and our major customers are already familiar with the principles of responsibility. It has not come as a surprise to the companies on our watch list either, but they have already been aware of their challenges," concludes Thorsrud.

ESG ASSESSMET IN BRIEF:

- Companies receive a rating between 1 and 10 (with 1 being the highest rating). If the estimate falls short of the set goal, If's ESG team will contact the client company.
- If uses an external partner specialised in ESG issues and other relevant information in its assessments and decisions.
- If a major client is found to be in violation of one or more of the UN's principles of sustainable development, the company is notified and asked to remedy the situation. If the client is not willing or able to correct the identified problems, the company may be asked to find another insurance company.

Cyber insurance and ransom payments

Ransomware has in recent years become the most feared computer related event globally by companies of all sizes and is fueling the recent growth in cyber insurance.

By Mikko Peltonen

Insurers' approach to ransomware may also be the most controversial aspect of cyber insurance, due to the fact that many cyber insurance policies have cover for extortion payments. Since these payments are made to criminal organisations, and as a rule in untraceable cryptocurrencies, it's understandable why it is a sensitive question.

If remains fully committed to continuing to insure our clients' cyber risk, but in our quest to be more sustainable we have made the decision to step down from offering cover for extortion payments. This article explains the background to this decision and our perspective on the future of cyber insurance.

FEEDING CRIMINALS

While paying the criminals to unlock the data may provide immediate help to resolve the emergency at hand, it also has the very dark side of directly feeding cybercrime as a lucrative criminal career path. As the ransom payments in 2023 are often measured in millions, or in extreme cases tens of millions of dollars, every single payment made, or left unmade, truly matters. In a way, it's like pouring petrol on a campfire.

There are situations where the paying of ransoms is acceptable, and there are cases where paying ransoms is illegal, for example if the recipient is a person under sanctions (e.g. for funding terrorism).

Finally, there is the reputational harm for cyber insurers, which has already eroded the viability of cyber insurance as an insurable risk.

Ransomware is not the only reason organisations take cyber insurance policies, but the recent uptake in ransomware incidents has certainly caused many companies to look for cyber insurance to help mitigate possible losses in the event of a cyberattack.

If is determined to continue to provide cover for all other costs incurred by ransomware, including but not limited to business interruption, incident response and data restoration, as well as any other type of cyber events. Our decision not to cover ransom payments is limited only to the actual ransom payment, and is simply based on ethical considerations. We recognize that in some cases not being able to pay might even lead to a longer business interruption or higher incident response costs which we continue to insure.

We recognise extreme scenarios could exist, where payment cannot be avoided. Examples of such situations could be an imminent risk of loss of life or large-scale leakage of highly sensitive data that the organisation must avoid at all costs. We fully respect our client's decision to give in to extortion out of their own pockets in such excruciating circumstances.

We stand behind our decision not to pay ransoms, and we do this in our pursuit to be the most sustainable insurance company. We also believe that one insurer needs to have the courage to act first, to change the status quo, which we have now done. We believe that more insurers will follow us in the fight against cyber-crime.

Meet our expert



Mikko Peltonen
Head of Digital Risks
and Cyber

Key findings from The Nordic Health Survey 2023



“ Danes seem to be more relaxed about everyday life than in the other Nordic countries.”

For humans and businesses to flourish, several prerequisites are required. We all need to have a feeling of security and meaning, as well as to enjoy wonderful experiences, while also coping with negative ones. And for an employer, results must be achieved and income earned. Without these critical elements, strong human capital, and the ability to plan the next period, it will be hard to get your business going.

As If strives to give people the confidence today to shape their tomorrow, we want to learn more about peoples' behaviours, attitudes, and feelings, and to raise awareness around health and well-being. By looking at the population in the Nordics, we take the temperature on stress, perceived health and financial security. We asked Kantar Sifo to conduct this large survey in Sweden, Norway, Finland and Denmark.

The aim of the study is to uncover the prevalence of negative stress¹ in the population, what triggers negative stress, how this affects those experiencing stress and their work ability, and who they turn to to resolve the situation. The report also addresses the population's trust in the public healthcare system, peoples' interest in paying for private health services and feelings about their financial situation and financial equality.

¹ Negative stress in this report is defined as stress that affects quality of life and/or work ability in a negative way.



Highlights from the Survey

1. Eighty-four per cent have experienced negative stress
2. Four in 10 have been stressed for a longer period (more than six months)
3. The main trigger for stress is the combination of work life and private life
4. The most common stress symptoms are poor sleep, irritation, anxiety and problems with concentration
5. Forty-two per cent feel their work ability is affected by problems with mental well-being
6. When experiencing mental ill-health, forty-seven per cent turn to their doctor, psychologist, or another medical professional for help. Thirty per cent turn to family. Twenty-two per cent turn to a friend. Sixteen per cent turn to their manager and three per cent to HR at work. Twenty-six per cent do not seek help. [multiple answers possible]
7. Twenty-three per cent are concerned about getting ill and being on sick leave for a long period
8. Forty-five per cent trust the public healthcare system to provide quick help when experiencing problems with illness or non-acute injury. Forty-two per cent does not. Thirteen per cent do not know or do not want to answer
9. Half of the Nordic population is more worried today about their finances than one year ago
10. Seventy-one per cent have saved a specific amount of money for unexpected expenses
11. Eighteen per cent say they are not living in an equal relationship, among the seventy-one per cent that are in a relationship and share household finances with another person
12. Four in 10 would consider paying for health services that can prevent illness for them



If P&C Insurance Ltd (publ)
Nordic Health Report 2023

This report is based on responses from 4,032 people in the Nordics between 13 and 24 October 2022. Norway (n=1 016), Sweden (n=1 005), Denmark (n=1 005) and Finland (n=1 006). The results are weighted for gender, age, and location to represent the population's attitudes.



Have you used our digital risk management services?

Are your employees aware of the cyber risks that we may face in our daily life? Or would you like to get help from If to onboard new employees and summer trainees? Luckily, accidents do not happen very often, so how do you remember what to look for when starting an investigation?

We provide digital risk management contents in the Learning Hub and in the freshly renewed RM Library, which you can access through If Login. The contents are a free, exclusive digital service for If's client companies. You can share the contents as you wish within your organisation and they are accessible for all your employees.

These digital contents are based on the client companies' wish to get risk management information from the insurance company. By providing these services we also make our knowledge and experience available for all client companies and their individual employees.

BRING LEARNING TO WHERE YOUR EMPLOYEES ARE

The need to create these contents was identified some years back, as we identified that certain needs for information are similar between many companies. For example, many companies will hire summer trainees who need to be onboarded to safe working practices. Instead of providing expert trainings face-to-face (or over Teams) to some clients, we have published generic contents that are feasible for any client company. Accident investigation is another example of a popular training that is now available digitally. Instead of gathering a team of experts in a physical classroom for an hour or two, the training can now be completed at everyone's pace whenever there is a time or need for it.

OUR EXPERTISE AVAILABLE FOR YOU 24/7

With our digital contents your organisation can enhance the effectiveness of training programmes, increase engagement and improve information retention. You can integrate If trainings in your employee onboarding programmes and help refresh safety among colleagues with the help of If's experts.

In addition, digital learning is a good way to strengthen the employees' knowledge and skills allowing them to gain insights and work at their own pace for a solid learning experience. The contents can also be used for internal safety communication or to support a current safety-related activity within your company.

The Learning Hub content is built with theoretical and practical information, quizzes, different types of media and downloadable materials. The Risk Management Library is a place where we have collected relevant digital contents from various topics to "bookshelves". In the Risk Management Library you can find a shelf for cyber risks, well-being, travel, Li-ion batteries and many more.

All your employees can access the contents with PC, tablet computer or mobile phone, 24/7, around the world. [□](#)

Appointments



Erik Hallén
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Elin Borg
Account Executive,
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Elsa Markkanen
EB Underwriter, FI



Toni Liemaa
EB Underwriter, FI



Janne Virki
Risk Engineer, FI



Jesper Krag
Head of Property UW,
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Charlotte Dannisø
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Meet our expert

Salla Lind-Kohvakka
Nordic Digital Risk Manager

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Risk Consulting is If's professional magazine on risk management and loss prevention, and is one of the oldest client magazines in the Nordic countries.