RISK CONSULTING

IF'S RISK MANAGEMENT JOURNAL 2/2014

Business interruption:

Preparing for the unthinkable

Weather-related disasters

Coping with international sanctions

Compliance – an area of growing importance

Prepare for disturbancies

THE CLAIMS COSTS for business interruption at large enterprises are increasing – and the larger the claim, the bigger the proportion of business interruption costs.

This development is explained mainly by the ever stronger global integration of large enterprises. The long production chains, just-in-time organization and limited internal stocks are effective when everything works as planned.

But the set-up is often sensitive to disturbances. If one link in the chain is broken, the whole business may be disturbed. If has seen this happen many times. Often, it is problems with subcontractors that are causing the disturbance, sometimes it is distributors or customers. Effects can be serious in all cases.

One common cause of business interruptions is weather related disasters. The average annual insurance costs for weather disasters has quadrupled since the 1980's to almost $ 200 billion. The supply chains of several of If's customer companies were, for example, severely disturbed by the earthquake and tsunami in Japan 2011. The floods in Thailand in the same year had similar effects. Even here at home, we have had major natural disasters, such as storms and floods. This summer, Sweden suffered the largest forest fire in modern times.

The lesson is obvious: Being prepared for disturbances to the supply chain is crucial. Risk analysis and continuity planning need to be part of supply chain management, just as quality and price questions do.

If is serving Nordic companies in more than 130 countries and is well equipped to discuss this type of questions. Feel free to benefit from our expertise!

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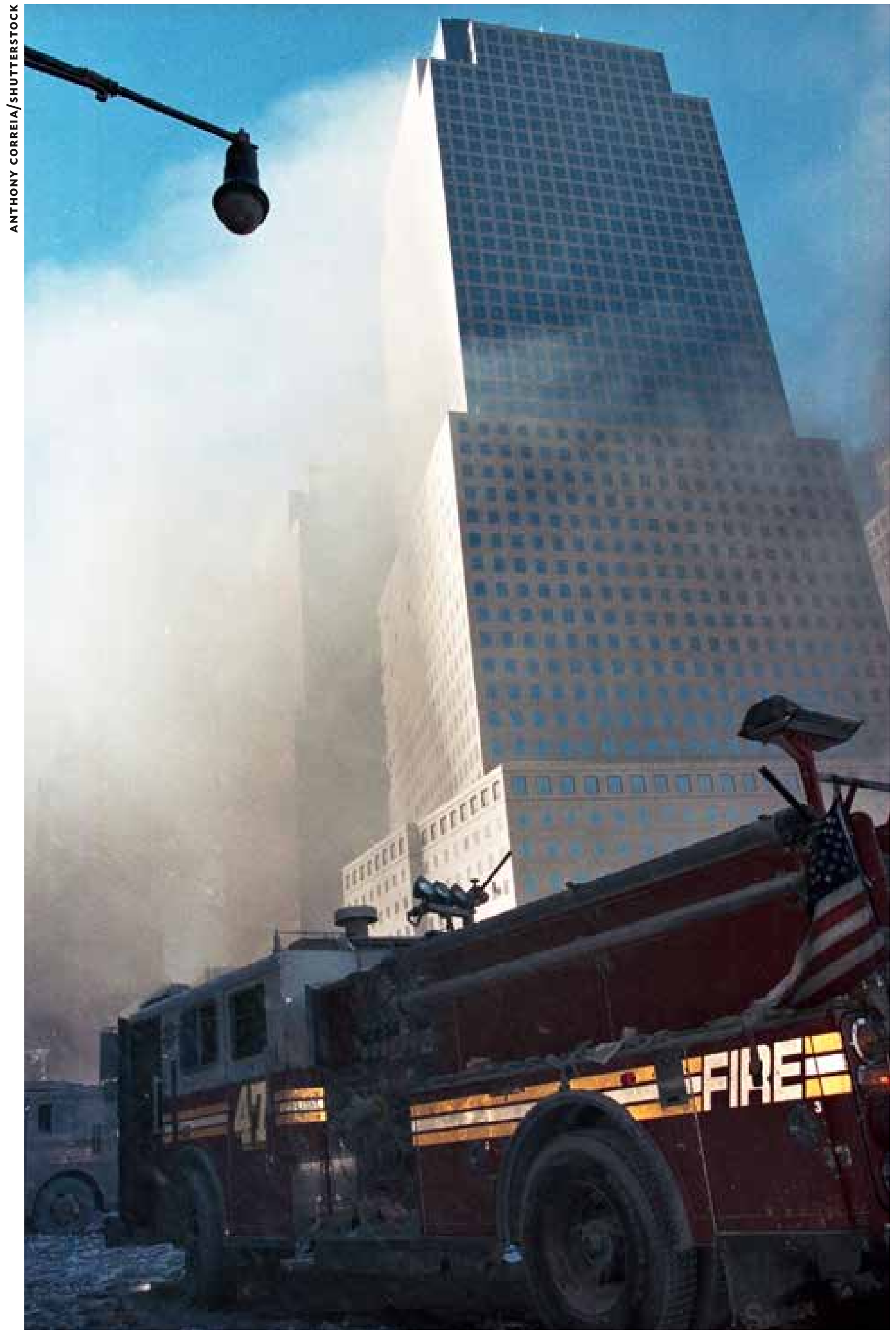

ANTHONY CORREIA/SHUTTERSTOCK

TRIPRA expected to be renewed

TRIPRA WAS ESTABLISHED after the September 11 attacks, as a US government backstop to protect insurance companies from massive losses after a terrorist attack that would put them out of business. TRIPRA is set to expire on December 31, 2014.

An extension of the program is highly demanded by the insurance industry.

The Senate passed a TRIPRA reauthorization bill in July. The bill suggests that TRIPRA extends for seven years until 31.12.2021

As Risk Consulting went to press, a final bill from the House of Representatives had still not been presented.

Expectations were anyway high in the insurance business that some form of Terrorism Risk Insurance Program would be in place from 2015. ■

Cloudy risks

Cloud computing brings benefits such as low costs, virtually endless capacity and the possibility to access the data anywhere, any time. But it also brings risks.

ACE Group points at unclear responsibilities for losses caused by the service provider, at lost control of data for your company, leading for example to increasing risks of not staying compliant with regulations and at high level security threats to the cloud provider from sophisticated hackers.

Five supply chain risks

Five emerging supply chain risks, according to Risk & Insurance.

1. Cyber attack.
2. Communications failure. Unstable infrastructure disrupts telecommunication and/or internet access, impacting logistics and order data.
3. Political/social unrest disrupting transportation.
4. Pandemic causing havoc to many manufacturing operations.
5. Critical equipment taking years to replace if damaged or destroyed.

Forest in fire

Sweden was hit by the largest forest fire in living memory this summer. More than 130 000 000 square metre forest in Västmanland in the central part of Sweden was destroyed. One person was killed and private and commercial buildings suffered extensive damage.

The insurance cost is yet to be clarified but is expected to be well over a billion Swedish crowns.

Piracy incidents down

Piracy at sea is at the lowest level in six years, according to the International Maritime Bureau (IMB). 264 attacks were recorded worldwide in 2013, a 40% drop since the peak in 2011.

Somali piracy has all but come to an end. In some areas though, piracy attacks are increasing, as in Indonesia and off the west coast of Africa.

Preparing for the unthinkable

All businesses face the risk of crisis. Sometimes the crisis is so severe that it threatens the future of the company. Often the consequences are not that dramatic, although serious enough.

Crisis is an emotionally charged word in itself, and it signals a need for some kind of threshold level, which can be difficult to define. For that reason, it may be better to use the term "serious incident".

Many companies are aware of the crisis-related risks and have established procedures and practices that give them a certain ability to respond to and cope with the unexpected. Crisis management teams have been created, emergency drills are conducted to some extent, thorough risk audits have been performed, and action response plans are in place.

Companies that have realised that anything could happen to them, at any time, are far better prepared than the many businesses that have few or no preparedness plans for dealing with a crisis – those companies that seem to want to believe that a serious incident will never befall them.

But even the companies that are best prepared are never fully protected when a crisis hits. Slavishly listing all the possible scenarios, and thus leaving little or no flexibility in their plans and their reactions, can be a dangerous pitfall for those in charge. When a serious incident occurs, there is no time to look up information in a comprehensive emergency preparedness plan.

And sometimes, the unthinkable happens. The list of such incidents could go on and on, and unfortunately it will continue to grow with time.

ONE SUCH INCIDENT is the terrorist attack in Norway on 22 July 2011. The attack came in two waves. The first attack was directed at the government district in central Oslo. The second at the Norwegian Labour Party's Youth League summer camp on the island of Utøya. The attacks claimed a total of 77 lives.

Before they were carried out, it was totally inconceivable that such attacks could happen and in such places too.

The events placed huge demands on society and its institutions, and also on individual companies and organisations in Norway. They were of such a magnitude that they not only shook Norwegian society, but also had a significant impact on the companies' own employees.

The terrorist attack was perpetrated in late July, in the middle of the holiday period. In most workplaces in Norway, the people in charge were temporary stand-ins with no experience. They had been appointed to work for a few weeks during the summer, and they were completely new in their roles. How would they be able to respond to the possible questions and reactions of the employees? The events impacted the very core of the business in some sectors. Many of the claims adjusters at the insurance companies were summer temps. Some of them were very young. How would they react to all the injuries linked to the terrorist attack that they now had to deal with at work?

Another distressing and immediate concern for Norwegian companies was how to quickly ascertain whether any of their employees were directly or indirectly affected by the terrorist attack. And if so, how could the company support their colleagues and their families?

A key decision for the companies was to determine whether to activate the crisis management team. If has extensive operations in Norway and decided to do so. The days immediately following the tragic event were intense, and physically and mentally demanding, yet at the same time a great deal was learned from the experience.

Some of the key insights gained were:

- Get the crisis team started up in good time, even if the danger is not imminent.
- Even the unthinkable can happen: do not make strict lists of incidents for which the team should be activated. The decision to activate the team should be made in each individual case.
- Remember that there may be inexperienced managers and staff on site, and they will need support.

Four key pieces of advice

- **Start the process by being able to deal with a serious incident today, NOT tomorrow.**
- **Find out which cooperative bodies exist within your business. Make sure that serious incidents are taken seriously by the cooperative body.**
- **Identify and document all risks, and develop practical contingency plans,**
- **Practise, practise, practise!**

The terrorist attack in Norway 2011 placed huge demands on companies risk management teams.

ANOTHER EXAMPLE OF an unthinkable incident is the bomb attack at the Boston Marathon on 15 April 2013.

Just as in Oslo, large areas of the city centre were cordoned off for more than a week.

Businesses with offices inside the sealed-off area had totally new problems to contend with.

Many companies' contingency plans relied on the assumption that their good contact network in the local Boston police force would help them in the event of such an attack. However, the FBI took over operational control of the scene in Boston, and the companies suddenly found their local contacts of no use under the circumstances.

Another problem that these companies encountered was that the mobile networks shut down completely, which is not unusual when a serious incident occurs. Text messaging continued to work normally and had to be used for all communications instead.

WHEN COMPANIES ARE struck by a serious and unexpected incident, the essence of risk management lies in taking steps to reduce outages, protecting the brand and minimising the risk of further harm.

In an article in Risk Consulting Magazine, Miikka Mäkilä explains the rationale behind investments in this area:

"Companies facing extensive business interruptions are in a worse situation than their competitors because they have to reorganise their resources for recovery, while unhurt competitors can concentrate fully on the development of their operations."

But what if an entire industry is hit by a serious incident?

Questions such as who takes charge during a crisis and who is to provide information to the community are pivotal.

However, there is also a myriad of important details to be addressed. For instance, should the individual company be responsible for communicating information about the crisis to its customers, and the sector to the community and authorities in general? Are there clear contact channels and a designated liaison between the individual company and the sector? When, how, and by whom is this information updated? Are clear structures in place that can be used if a serious incident occurs? Do the member companies know about them?

FSPOS is a successful collaborative initiative that has been formed by the financial sector in Sweden to support the sector's ability to handle crises. The idea behind FSPOS is to strengthen the financial infrastructure by collaborating, practising, identifying, and sharing information, and thereby safeguarding the sector and the community. Participants in the initiative include banks, insurance companies, and government authorities in the financial sector.

FSPOS conducts exercises aimed at identifying preventive measures that need to be deployed to strengthen the sector's ability to deal with a serious incident, should it occur.

Some of the advantages of the way that FSPOS works are that:

- The network and the contacts are in place before a serious incident occurs.
- Common problems have been identified and addressed or recognised, so that they do not constitute a hazard, should a serious incident occur.
- Security has increased across the sector in general. ■

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TEXT: MATS NORDENSKJÖLD / PHOTOS: 123RF, FOTOLIA

Weather-related disasters

Disasters caused by forces of nature have always been fascinating. This is due to both the devastation wreaked by the event and also the smallness of man in this context. This interest seems also to be increasing in tandem with discussions on climate change.

Traditional insurance is, as a general rule, the best method for dealing with financial protection in the event of weather disasters. The main reasons for this are the geographic spread and the unpredictable nature of these events. With insurance, the financing takes place in advance and there is also an incentive to prevent damage.

In tandem with general social developments and, in particular, the great urbanisation over the last few decades, the importance of insurance against natural catastrophes has increased. This is primarily due to increased value concentrations in exposed areas and the vulnerability of modern society.

This is where the ongoing globalisation plays a part with the increasingly internationalised economy. For many years, large Nordic companies have had a constantly increasing share of their production and their markets abroad, which has led to increased risks associated with weather events. The dependency of suppliers and customers that have established themselves in vulnerable areas has also increased.

HURRICANE ANDREW IN 1992 has, in many ways, become a symbol of a new view of the risks surrounding weather disasters. Andrew was a very powerful storm that led to both unusually great damage and damage that was difficult to predict from this hurricane. An important reason for this was the rapid development of Florida that took place in the 1970 and '80s. Andrew is also still the third biggest weather disaster in history, measured in terms of insured damage.

Andrew also marked the beginning of a restructuring

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Weather disasters have quadrupled since the 1980's.

10 greatest insured damages caused by weather events

The weather disaster	Year	USD billions (indexed 2013, Swiss Re)	Area
Hurricane Katrina	2005	10	USA, and others
Hurricane Sandy	2012	10	USA
Hurricane Andrew	1992	28	USA, Bahamas
Hurricane Ike	2008	23	USA, and others
Hurricane Ivan	2004	17	USA, and others
Floods	2011	17	Thailand
Hurricane Wilma	2005	16	USA, Mexico, and others
Hurricane Rita	2005	13	USA, Cuba, and others
Drought	2012	12	USA
Hurricane Charlie	2004	10	USA, Cuba, Jamaica, and others

Nordic insurance damage

The weather diasaster	Year	USD billions	Area
Anatol storm	1999	2.3	Denmark, Sweden
Gudrun storm	2005	1.4	Sweden, Denmark
Torrential rain	2011	1.3	Denmark (Copenhagen)

of the reinsurance market. In the Nordic market in particular, there were major changes that culminated in the middle of the '90s with a number of Nordic companies, including Skandia, Copenhagen Re and Storebrand, first reducing and then selling or closing down the remaining parts of their reinsurance activities.

Another important consequence of Andrew was that a number of new reinsurance companies started up in Bermuda. Increased reinsurance premiums attracted fresh capital to Bermuda due to favourable opportunities for conducting (re)insurance activity there. One problem at the start for the Bermuda companies was that they lacked an official rating from S&P and other rating institutes, which led to relatively extensive discussions on their financial security despite the majority of companies being well capitalised.

If Andrew was then the starting point, the more than 20 years since then have been characterised by famous weather events that have been given names. Another clear trend developing is the increasing number of events outside North American, even though this region still dominates when it comes to the greatest monetary damages. Examples of this trend are the flooding disaster in Thailand in 2011 and a number of winter storms and flooding in Europe over the past few years.

IN ORDER TO summarise the trend surrounding weather disasters, it is worth mentioning that Lloyd's recently estimated that the average annual costs had increased from USD 50 billion in the '80s to almost USD 200 billion over the past decade. This increase is also regarded as being caused by ongoing climate change.

This trend has led to many initiatives to prevent and limit damage. In the EU, a flooding directive has been introduced, partly as a consequence of the major flooding in the summer of 2002. The directive has led to many measures being initiated in the different member states. A general conclusion is that the consequences of the flooding that happened 2013 were clearly milder as a result of this.

In 2013, the European Commission also published as so-called green paper on "The insurance of natural and man-made disasters". The report concerns, among other things, today's access to insurance and the possibility of further improving the insurance market against different types of catastrophic event. It also describes the advantages of private insurance compared with state solutions, which, among other things, involve the price differentiation providing both an incentive to prevent damage and tax subsidies between high and low risk areas being avoided. This particularly applies to natural damages of different kinds.

IN THE NORDIC region too, an increased focus can be noticed on insurance claims associated with different types of weather event. The insurance systems vary a lot between countries depending on kind of risk, geography and national traditions. These systems are mainly dealt with by the private insurance industry but, in Norway and Denmark, the state is to some extent, involved in the design of the systems. The Nordic insurance companies exposure to disasters is also totally manageable by means of traditionally purchased reinsurance.

Relatively major damages have occurred recently. The most talked-about are the storms, Anatol (1999), Gudrun (2005) and the torrential rain over Copenhagen in the summer of 2011.

THE NORDIC INSURANCE industry began cooperating on weather damage and climate change as early as in 2008. This has led to increased knowledge giving the industry a good platform for cooperation with different public players. In 2013, the Nordic trade associations jointly produced two reports highlighting this area from different perspectives. The titles of the reports are: "Weather related damage in the Nordic countries" and "Best practice on climate".

How does a change in climate affect the development of natural disasters and insurance against this?

It should first be established that the impact can take place in different ways. Some examples are:

- Increased and heavier precipitation
- More heat waves
- Increased drought
- More and worse storms
- Rising sea levels

In addition to traditional damage to property and infrastructure, this can also obviously lead to an increased threat to human health, food production and damage of different types to the environment. It is felt that the threats are greatest in large emerging countries, such as India, China, Indonesia and Brazil. But the OECD recently pointed out that even the richest countries are being threatened by both an increase in and more expensive disasters.

In addition to climate change, there are changes in social patterns, which will lead to the consequences of weather-related disasters and other natural damages becoming worse. This could be a matter of:

- Growing populations
- Better living standards
- Concentration of people and valuables in the metropolitan areas
- Settlement and industrialisation of highly vulnerable areas
- The vulnerability of society and technology
- The two last-mentioned will also lead to an increase in the risk of disruption to supply chains in increasingly globalised industry.

Society, the insurance industry and other elements of the economy must plan for an increased number of natural disasters as a result of climate change. If and other Nordic insurance companies are actively working to counteract the negative effects of climate change in several different ways. We are doing this in order to be able to continue to develop good insurance solutions, including protection against natural damages.

The major claims resulting from damage in our immediate surroundings have led to serious damage and have shown the advantage of large insurance companies with a high claims-handling capacity. They have also shown that the price of insurance can remain stable even after a great number of claims if the insurance business is run on a healthy basis. ■

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 TEXT: JESSICA BALKSJÖ / PHOTOS: 123RF

Risk analysis

At the heart of supply chain management

Companies that have agreements with suppliers in other parts of the world tend to be meticulous in checking prices and quality. Now, If wants the companies to carry out an equally good risk analysis at the same time.

THERE ARE MANY factors that may affect a company's production and, while the level of risk awareness may be high at the company's own plant, accidents can happen in the production chains.

"With our customers, between 90 and 95 per cent of all customer and supplier disruption damage is due to damage at the supplier's end. We have seen a major impact in the car industry and in various types of businesses that depend on electronics," says Staffan Ljung, an underwriter at If.

The natural disasters of recent years in the form of floods, storms and earthquakes have made the issue even more current. Many companies were caught off-guard when their suppliers were suddenly unable to manufacture vital components.

There is a clear trend here; more and more companies are choosing to look for suppliers in low-income countries in order to obtain a better price. For this reason, both the insurance companies and the customers need to take a sharper look at their suppliers. In an increasingly globalised market, more information and greater control are an absolute must.

HOW SECURE IS our supply chain? Is there any critical single-site suppliers? And are there any plans in the event of any disruption? These are questions that all companies with a functioning business continuity plan need to be asking themselves.

Traditionally, insurance customers have not needed to compile a particularly large amount of information about their suppliers. Now that more and more companies are choosing to outsource the manufacture of their components, however, the insurance industry needs to keep pace with this. This is the view taken by Tiina Danilotschkin-Forsman, Nordic development manager at If in the field of risk management and currently in charge of a project working on internal and external dependencies.

"We would like to get our customers to understand that risk analysis and continuity planning needs to be part of the supply chain management. Quality and price are important elements, but so, too, is delivery reliability," says Tiina Danilotschkin-Forsman.

GETTING THE CUSTOMERS to be more open with the information about their suppliers is a new approach that will require some effort from both the insurance industry and the customers. The advantages of a setup like this are numerous, however. Certainly, a company that is left without vital components and has to stop production as a result might receive some compensation for its production stoppage from its insurance company. However, it can be difficult to get an overall view of the impact that a prolonged absence from the market might have on sales. Companies need to take this possible loss into account when they choose a supplier that is cheaper in the short term.

"We have had several examples recently of companies that realised there was a risk in the supply chain only once they had suffered a major loss. We as an insurance company can never replace the time lost during a stoppage that could instead have been used to develop the product or to create new strategies. And, as we know, time is money," says Staffan Ljung.

BY TAKING A number of measures, companies can improve their chances of avoiding a production stoppage caused by suppliers.

Tiina Danilotschkin-Forsman recommends the use of alternative suppliers always as the best measure. Sometimes it is just not possible or practical. Other possible solutions can be to maintain a longer stock. Sometimes the only measure that can save the day in an emergency situation is to set up a small-scale internal production of the most vital parts which can be extended if something happens in the supply chain. This applies particularly to those customers who have only one single site supplier for a specific critical component.

It is also important to look at the suppliers' other customers. If you, as a customer, share a supplier with a major manufacturer within the same area, there is a risk that the larger customer will get the entire production if there is a shortage of a component or raw material in the world's market after a major incident on one production site.

Having several suppliers is a very safe way of securing against a possible stoppage in the chain.

"It also creates a competitive situation that can benefit the buyer of the goods. In fact, there are nothing but advantages from having a number of alternative suppliers," says Staffan Ljung.

AS WELL AS the physical damage that can affect a company's suppliers, there are other important reasons for companies to find out about their suppliers. Working conditions at the supplier are an ever more important issue on ethical grounds. There are examples of companies that have used suppliers where child labour occurs. This has led to a credibility crisis for the company.

There are also a lot of indications that the supplier chains are becoming more and more complex, while at the same time new countries and markets are becoming suitable partners. Many larger companies are now looking at countries in Africa as the next major area for manufacturing and industry.

"As an insurance company, our challenge is to succeed in explaining to the customer that the need to evaluate the entire supply chain is a 'must' if we are to be able to prevent serious production stoppages in the future. This requires a change throughout the industry, and it needs to happen now," says Tiina Danilotschkin-Forsman.

A report produced in 2013 by the Business Continuity Institute (BCI), in which over 500 international companies took part, showed that 75 per cent did not have a complete insight into their own supply chain. ■

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Ekornes' secret: Continuous improvement

The Norwegian furniture company Ekornes has chosen to manufacture all components for their world-renowned Stressless chair in their own factories. This places high demands on the prevention of claims.

EKORNES IN NORWAY is one of the largest furniture manufacturers in the Nordic countries, with the popular Stressless recliner being their main sales item.

Their main facility, in Sykkylven outside of Ålesund on the west coast of Norway is beautifully located amongst white mountain peaks. This is where the founder of the company, Jens Ekornes, began manufacturing sprung mattresses in 1934. Today, the business has grown into a world-leading company within the field. Approximately 1,000 of the 7,500 residents in the municipality work at Ekornes.

Each day, they manufacture on average 1,700 "seats", including both recliners and sofas.

Whilst the current trend in the industrial sector is moving towards outsourcing to sub-suppliers, Ekornes has chosen to keep the manufacturing of components within their own operation. This makes them their own internal supplier, as well as a supplier to the different brands within the group: Ekornes, Stressless and Svane.

IN THEIR SIX factories in Norway they manufacture foam plastic, steel components and covers, in addition to carpentry, varnishing, sewing and assembly.

"We are completely dependent on our own manufacturing, since it is not possible to find an alternative supply for certain products. This makes minimising the risk of claims or shutdowns extremely important for us," says Ola Arne Ramstad, production manager at Ekornes.

As we begin our tour of the main factory, the first things we see are five robots working intensively in their respective booths. The jointed robot arm picks up a wooden component, which is to become part of the frame for a chair, sanding it quickly.

"The benefit of the robots isn't so much that they work faster, – this isn't always the case – but the fact that they get the exact same results every time. Plus, they are also able to work hours that our employees cannot. In that sense, they're more efficient", says Knut Andreasson, a foreman at Ekornes.

These robots have been programmed with the help of employees who carried out the same job for many years. The particular step of sanding led to a number of repetitive strain injuries in their shoulders, making the introduction of robots even more pressing.

Since robots are becoming increasingly common for production, the demand for technological skills is also growing. This means that there must always be technicians and engineers on site to handle errors with the robot software and the digitalised tools that we will see more of as we continue further into the factory.

It takes many steps for Ekornes to achieve the high quality furniture that Ekornes guarantees all their customers. Each wooden detail is sanded and stained before two layers of varnish are applied. Between the staining and the second layer of varnish, the wood is re-filed. Filing is done by hand, but the painting is done by robots. The varnish used is free from solvents to meet all the legislative requirements in the countries where these products are sold. The same is true for the foam plastic, which is made of a flame-retardant material that adheres to British legislation – Great Britain being a large market for Ekornes.

The department manufacturing steel details and springs has several robots for bending the steel and welding certain parts together. The different components are then transported through the factory to the next station. A track with hooks runs along the ceiling. This track transports the moulded foam plastic seats to the sewing department.

EVERY CORNER OF the factory is neat and clean – in accordance with the injury prevention plan.

After following the seats along the ceiling for a while, we end up in the department that tailors the covers for the recliners and sofas. They also have access to the latest technology in leather cutting. Most of the customers want leather covers, and they can choose from 53 different types of leather in various colours.

An employee is standing at a large light table, tracing the outlines for the different parts of a soon-to-be chair cover. Each line she draws with the pen appears simultaneously on the computer screen next to her, with the screen soon becoming filled with a complete pattern of multicoloured rings, dots and lines. The colours indicate how and where the different parts can be used on the furniture. Once the outlines are finished, the different

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Stressless
The recliner Stressless is the largest production area of Ekornes, and in 2013 the turnover was NOK 2,198 million. This constitutes 84 per cent of the group turnover, with 93 per cent being exports.

Since the start in 1971, over 6.5 million Stressless seats have been sold, and Stressless is a registered brand name in over 60 countries. There are approximately 2,500 Stressless retailers in the world.

Results 2013
The group made a profit of NOK 262.9 million last year, from a total turnover of NOK 2,561.3 million.

Publicly listed company
Ekornes has been listed on the Oslo stock exchange in Norway since 1995. The largest shareholder is Swedish investment company Nordstjernan, which owns 15 per cent.

The wireframes are Stressless chairs in production.

Insurance broker Arne Kåre Nossen with Ekornes' Ola Arne Ramstad, Knut Andreasson and Fred Anton Alvestad.

parts are cut out by the same machine, and sorted by how they are to be applied.

Hardly any material goes to waste.

"These cost around NOK two million to buy, but we count on getting that money back in full. They also make the employees' work easier, and everyone has been really positive about learning how these machines work," says Ola Arne Ramstad.

Several of the steps in the production have been set up as doubles, in order to minimise the risk of a shutdown. Among other things are two identical machines for moulding the foam plastic for the seats. Several of the factories within the group are also able to deliver some of the components, should there be a problem in the main facility.

Last in the production line is the actual assembly. The pillows are pressed together with the help of a vacuum to fit more easily into their cases. The employees do one last check to verify that the furniture looks good before it is packed into boxes and transported out into the world. All orders to the USA are sent by ship, and within Europe, the recliners and other furniture are normally transported by lorry.

"It is the attitude and the willingness to improve that determines whether a company can successfully prevent injuries and production shutdowns."

What we have just seen is a complete manufacturing and assembly line, where all the components are equally important for the finished product. Even if Ekornes has made large investments to control the whole production, the company still depends on their suppliers of raw materials.

THE BROKER ARNE Kåre Nossen has been working with Ekornes for many years, and has been a great part of the risk prevention work carried out together with the risk engineers of If.

"We have gone over the whole list of sub-suppliers to check what their delivery obligations are. And whether there are any alternatives. In cases where we have noticed a risk, we have raised a red flag, and this is something that we are continuously working on," he says.

The risk of fire is one of the greatest threats to production. All the facilities are currently equipped with sprinklers, and the main factory has a water system that allows for the flushing of water directly into the ventilation drums in case of a fire.

Norwegian law requires all major companies with a certain number of employees to have their own fire brigade. Ekornes has taken this one step further and obtained their own fire engine. On the ground floor at the back of the factory building, we find the entrance to the fire station. Here the fire-fighting equipment hangs in a row of small booths, marked with the names of the employees. Some of the employees are also trained smoke divers.

For Ekornes, the access to water for the sprinklers and extinguishing equipment has been a story of its own. Most often, the municipality can contribute part of the cost for such a water system covering a whole area. As a minimum, the municipality must provide extinguishing water to the fire brigade. However, the discussions with the municipality have been long and drawn-out. In April this year Ekornes decided to pay for the whole investment, in order to guarantee the water supply.

BUT THE MOST important part of the risk-prevention work is neither the sprinklers nor the fire brigade. It is the attitude and the willingness to improve that determines whether a company can successfully prevent injuries and production shutdowns.

In order to make it even easier for the employees to take part in the improvement work, computers will now be introduced in the different departments giving the employees an opportunity to give their opinion or report any problems.

If, Ekornes' insurers, act as a support and sounding board for this important work.

"Communication has been clear all the way from the Board of Directors to the employees when it comes to risk prevention. This has been the key to success at Ekornes," says Anders Rørvik Ellingbø, Head of Risk Management Services Norway. ■

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Insurance around the world

If is insuring clients with international service needs. More than nine out of ten of If's Business Area Industrial's clients have operations in more than in one country.

If has presence in twelve countries where If has own personnel providing insurance and claims services to our clients. In addition If has via its partner network capabilities of providing local insurance and claims services in more than 120 countries.

While more mature and traditional insurance countries like USA, Switzerland, Italy, Spain are still among top ten countries for our network partner activities we have seen recent years' growth in markets like China, Brazil and Mexico. In addition, we have seen more and more need to insure our clients in more remote countries in Africa, Asia and Latin America. In these just recently opened insurance markets legislation and de-regulation is just taking first steps and international insurance practices are not always widely known. In the following we will provide some examples of the countries and situations where If has been helping its clients to insure their interests in those countries.

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Africa

THE ECONOMIC GROWTH for Sub Saharan Africa is expected to rise to 5.4%. The governments are financing infrastructure and other spending with a result of the area becoming attractive to foreign investors and also to Nordic corporations. Many African countries struggle with weak currencies; however, Kenya, Uganda and Rwanda belong to the group more resilient to domestic challenges.

If establishes cooperation with local insurance markets in the same speed as our clients are establishing themselves in new areas. Since 2013 we have a formalised cooperation facility covering 39 African countries with one point of contact for the administrative issues for all countries. If has so far experienced that the local insurance companies are flexible and dedicated to International business

To give one example, early 2014 the local insurer in Rwanda supported If in establishing a comprehensive local insurance solution for the construction of a large (8MW) Solar Power Plant. Direct contacts between the local specialists and If as well as our client and broker resulted in mutual understanding of the risk and in the insurance policy being issued in time to support the smooth running of the project.

Further, our Network partner in Kenya and Uganda has together with our client arranged a cross border insurance assembly between all local parties to secure a well running insurance solution. This is another example of the preparedness of our Network to proactively support If 's clients in Africa.

Brazil

AS MENTIONED EARLIER Brazil is among those countries that has seen growth. More and more our clients are having operation in Brazil. Today we have a bit less than a hundred insurance policies there and Brazil is now within top ten countries in our list.

Brazilian insurance market is heavily regulated. Local legislation is limiting foreign owned insurance company's possibilities to act as reinsurer giving local reinsurance company (IRB) the right to keep a part of the business. Rules and regulations have also been amended and changed many times during past years making the entire environment very unpredictable. Very concrete example is IRB's ability to control the reinsurance arrangements of large risks where risk survey report is requested before IRB is willing to take stand whether they would like to reinsure part of the risk or not. There are no detailed rules (e.g. how old the risk survey report can be, who has produced it etc.) about the report so IRB can basically act as they will. But with our local partner HDI Seguros we are in position to comply with this kind of requests fast enough and act quickly.

Argentina

THE INSURANCE MARKET in Argentina was deregulated 1991. This enabled foreign companies to enter the market and opened the reinsurance market by abolishing the monopoly from the Instituto de Reasuguros. Also the premium tariffs were abolished. Despite of this , too many and too restrictive regulations and inflation have for the past two years made insurance operations quite complicated and time consuming. This has in turn created uncertainty and consequently difficulties in making plans.

In addition to a lack of uniformity in the way the legal system settles bodily injury claims, we are even expecting a new consumer legislation to oblige insurers to pay claims even in cases where the insured has not paid its premium.

In this respect, we have already seen ourselves and also received some worried news from our partner about the way international insurance business is now handled in Argentina. The main challenge is to get the premiums ceded back to us and it seems that it is becoming even more difficult. At the same time we will be requested to pay any potential claims for our clients there quickly. The Central Bank of Argentina has adopted special currency regulation rules in order to control foreign currency movements so it is not only insurance industry that is affected.

We should now prioritize standalone policies in Argentina in order to minimize credit and devaluation risk. Nevertheless, our partner there has advised us about restrictions in their internal guidelines which exclude certain type of activities such as manufacture of food products and beverages and manufacture of chemical products and also that the limit of these stand-alone policies is restrained.

Indonesia

INDONESIA HAS THE largest economy in Southeast Asia. The gross domestic product had been growing around 6%, however is slowing down slightly in the recent years. The government plays a significant role through the control of state-owned companies.

Non-admitted insurance policy is not allowed in the country. If has long partner cooperation with two local professional insurers, through which If is able to provide Nordic companies' subsidiaries in Indonesia with compliant local insurance solutions.

In 2014, the insurance regulator has introduced new premium rates for some popular insurance products in the non-life market. The aim is for the protection of property and motor vehicles against natural disasters. Same as many other insurance emerging markets, the current pricing war in the Indonesia market has been existing for a couple of years due to too many players in the market and too weak demand. The new tariffs on property risks are good in the long run as they enable insurers to cover risks more efficiently.

At this stage, Nordic companies' investment in Indonesia is still limited. But the interest is growing.

Myanmar

WITH LIFTING OF most sanctions against Myanmar foreign direct investment is flowing into the country. Also several foreign insurance and broker companies have established representative offices. Local risks in Myanmar have to be insured locally. If is cooperating with Myanma Insurance that has the monopoly on arranging reinsurance abroad. Reinsurance up to 100% is possible. As per our experience foreign wordings and global premium levels have been accepted on the local market.

"If has via its partner network capabilities of providing local insurance and claims services in more than 120 countries."

India

THE PACE OF India's economic reforms and the country's business friendliness in general are expected to increase after the shift of the power from the congress party to the more modern Hindu nationalists. The economy growth rate in India has in two years fallen from 9% to 4.9%, however, large investment plans and further opening of the country to foreign investors are forecasted to turn India to new growth. As the new ruling party has the majority in the parliament changes might be rapid.

If is registered as an Accepted Reinsurer at the Indian insurance supervisory body to enable our clients' risks being reinsured back to the Nordic If companies. The reinsurance regulation was relaxed two years ago when the obligatory local reinsurance share was decreased to 5% and consequently If always carries major part of the risks. Even if the Terms and Conditions are still regulated in India the price tariffs have been relaxed, with unprecedentedly low local premium levels as a result.

The number of local Indian insurance policies for If clients is steadily increasing. We work in partnership with the two largest private insurance companies. Very close cooperation and almost daily contacts to our local partners are needed as the administrative processes and authority requirements might sometimes be difficult to understand. As an example, before a policy can be issued in India an acceptance of suggested cover with signatures of the Managing Director of the client company is required. In no circumstances can a policy be issued in India before the premium is paid.

Challenges in respect of Global Insurance Programmes

An increasing number of Global Insurance programs are arranged by If. In the emerging economies the collaborative efforts between the industry, brokers and If are of vital importance when securing the worldwide insurance service.

An International Network of local insurance companies issue policies on behalf of If in more than 100 countries. The speed of this process is especially crucial in countries where the insurance cover becomes valid first when the premium is paid (Cash-before-Cover).

If's Network partners receive instructions from If in respect of the coverage needed for the local client company. The client's parent company and the broker inform their local contacts of the insurance arrangements accordingly. A challenge lies in avoiding delays in this process. In addition to the efforts of insurance companies International Risk Manager Associations have urged their members to start the negotiations regarding the worldwide insurance well in advance and in close cooperation with brokers and their local subsidiaries.

Key Challenges

- Compliance demands increased worldwide
- Time become a crucial issue as "Cash-before-cover" rules in many countries
- Correct insured values and accurate instructions need to be agreed upon and sent in good time to local insurance companies
- Tight cooperation between insured, broker and insurer, including their Networks is required

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From backwater into the spotlight Compliance

The expansion of "compliance" continues, both in terms of what types of companies organise this type of function, and which legal areas and problems are covered by the compliance work. The trend is expected to continue.

In less than 15 years a function that had ıistorically been limited to only a few ypes of companies in the US has become ommon in most companies of a certain ze. The importance of "compliance" was ustrated in the major financial scandals the US in the early 2000s where the ıron case in particular should be menned. In 2002 the so-called Sarbanes ley Act came in as a reaction which, ɔng other things, requires a company's level management to certify the accuof the company's financial position.

PLIANCE IS BASED on the natuesire to avoid the company commitı breach which may result in criminal es or administrative sanctions. The element that is considered crucial to t is reputation. For a clothes manrer, for example, the risk of it beg publicly known that it uses child would probably result in greatcial consequences in the form of customers, fall in revenue and falle prices, than what it would exin the form of a fine or other leion.

s years to forge a good reput just a couple of unfortunate r articles to tear it apart.

NCE MEANS CONFORMING – rules in a wide sense. The ities of compliance departdepend on what the individual efines as its greatest risk by virusiness it operates. Areas that tradition and that are widespread are ethics, money laundering/terrorist financing, corruption, competition law, confidentiality, sanctions and licensing related conditions. Newer areas for compliance are environment, working environment, human rights, public procurement and integrity due diligence.

The compliance function is involved in these problems in the form of internal training and advice, monitoring, risk analysis and reporting to the company's senior management and internal committees but must not have any active role in decisions that affect the company. The aim is to create a culture that strives for compliance with more than laws and regulations.

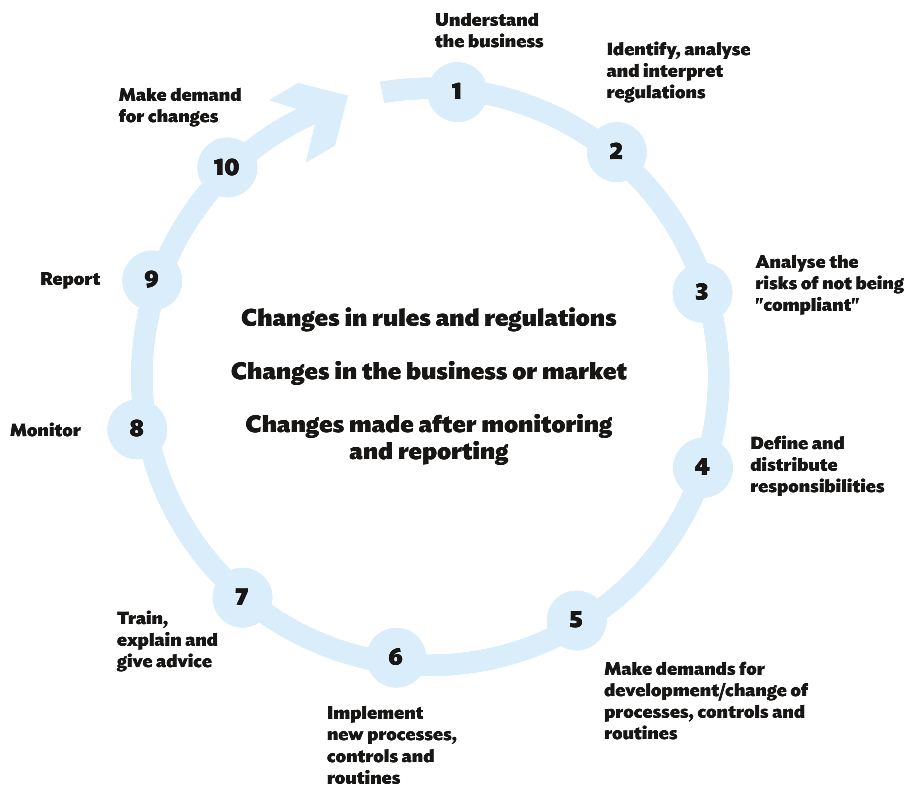
The illustration shows visually the typical areas of activity included in compliance work processes.

THE COMPLIANCE FUNCTION at If is involved in most of the traditional areas of responsibility that are described above. Because the insurance activities are subject to licensing, many activities centre on ensuring that there are internal policies and procedures in place so that the activities are operated within the framework of the license. This work covers preparation and maintenance of general policies for the entire group, underwriting guidelines at division level, information to facilitate understanding and follow up on compliance.

The compliance work is organised with a group unit responsible for ensuring that there are effective frameworks for compliance in each of the business areas which have their dedicated compliance functions. In addition there are experts working with specific problems, for instance related to international insurance. The organisation reflects the importance of involving employees with wide and extensive knowledge of the activities in the various divisions.

In relation to international insurance, it is obviously important that both If as an insurance provider and our customers comply with the regulations that apply for insurance activities in countries in which we are involved but where we do not have an office. This will typically apply to rules concerning issue of insurance agreements, payment of premiums, calculation of local taxes and charges, settlement of claims and various reporting to local authorities. In the vast majority of cases, our customers and we will have a concurrent interest in ensuring that local rules are followed, but not necessarily. If does not wish to enter into business arrangements that mean that our policyholders or we may risk repercussions from the authorities of other countries.

Compliance work processes



At If we resolve these challenges by having a global network with solid collaboration partners in all the countries where our customers operate their activities. By issuing international insurance programmes with local agreements issued by local companies, we ensure that all rules and requirements are complied with. Alternatively or in combination, international insurance programmes can be organised within a defined framework such as Freedom of Services within the EEA area.

THE SOLVENCY II directive enters into force on 1 January 2016. The directive was decided in 2009 and is an updated set of regulatory requirements for insurance firms that operate in the European Union. It is a risk based framework which will connect the regulatory capital requirements of a company with its individual risk profile. Solvency II will encourage companies to improve risk management and embed risk awareness in all daily business activities and into the strategic planning. Solvency II will be implemented through both EU and national law and the harmonisation of rules is believed to create a more homogenous European insurance market which will be to the benefit of policyholders and beneficiaries and improve competition. The directive succeeds the Solvency I and 13 other EU directives.

In its article 46* the directive also contains explicit rules about the role of the compliance function in insurance companies.

After years of planning and preparations If is looking forward to the new regulations entering into force. ■

*Solvency II directive, Art 46

1. Insurance and reinsurance undertakings shall have in place an effective internal control system.

That system shall at least include administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the undertaking and a compliance function.

2. The compliance function shall include advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to this Directive. It shall also include an assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned and the identification and assessment of compliance risk.

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Coping with international sanctions

Certain business in an uncertain world

With the global recession and decline in public support for direction intervention in international affairs, there has been an explosion in international sanctions in recent years. These pose challenges to those with international interests, but with forward planning business can run efficiently within the four walls of the law.

COMPANIES MUST NOT only consider their own obligations, but also those of service providers (such as banks and insurers). Compliance obligations are not always identical and this creates scope for transactional, credit and counterparty risk (as well as compliance risk). For example, under EU sanctions insurance and banking provisions concerning Iran are broader in some cases than corresponding trade restrictions.

This article introduces some of the key regimes and suggests how businesses, and their insurers, can adopt a collaborative approach to manage legal and operational risk efficiently.

The sanctions that reverberate in the Nordic region typically derive from European law (including UN Security Council Resolutions and unilateral EU measures) and some US laws with extraterritorial effect.

EU SANCTIONS ARE targeted – they apply closely to those industry sectors and persons/entities engaged in activities the EU does not support. Broadly, EU measures are broken down into three categories: asset freezes and travel bans; trade sanctions and related financial transactions (eg, weapons); and sectoral financial sanctions. These apply to: persons or business conducted within the EU; companies incorporated under EU law; or EU citizens. Exemptions do exist (e.g. for humanitarian activity) but are limited. The most stringent regulations cover Iran, North Korea, Sudan and Syria.

> "Discussing sanctions early and assisting partners in compliance enables efficient business."

THE US APPLIES two different programs. The first applies to those under US jurisdiction (this varies, depending on the country – Iran and Cuba are the broadest). These are administered by the US Treasury Department's Office of Foreign Assets Control (OFAC). The second are extraterritorial sanctions applied to anybody, anywhere in the world, conducting specified activities. For example, US extraterritorial sanctions that relate to Iran are focussed in particular on the shipping and oil & gas sectors. These are administered by other US Government Departments. US sanctions policy is more expansive; certain US programs including Iran, Cuba, Syria and Sudan typically outlaw all dealings but permit some activities through licensing.

SANCTIONS ATTRACT CRIMINAL exposure – this can mean fines or even imprisonment. Recent fines run into billions of dollars (as much as US$8.8 billion) and highlight the potential severe consequences of breaches of US law. Regulated businesses may have separate systems and controls matters to consider and, of course, reputational exposure.

In practice the most common effect of failing to consider all the rules is that business is disrupted. This can mean that insurance coverage is not effective or banking payments are blocked or rejected. Transactions can be delayed, or worse, may have to be aborted.

THE SITUATION IN Ukraine has been front page news. Following the MH17 disaster, the EU and US have implemented further sanctions against those destabilising Ukraine and supporting Russian actions in the country. Both have imposed sectoral sanctions against Russia – the prohibitions include: an arms embargo; restrictions on the export of equipment suited to use in deep water and Arctic oil exploration and production and shale oil projects (US rules include gas projects); restrictions on Russian banks accessing EU and US capital and debt markets; and asset freezes and travel bans on Russian statesmen and businessmen and major Russian organisations.

Finnish cheese and Norwegian salmon exports are hit by sanctions against Russia.

Similar controls have been applied concerning Crimea (imports into the EU from Crimea are prohibited and investment in certain infrastructure is prohibited, for example). These sanctions may restrict related financial transactions and insurance.

For its part, Russia is imposing counter-measures – this creates further complications for those with business interests in the country.

IRAN, ON THE other hand, has been a productive source of sanctions law for years and boasts the most comprehensive and complex web of rules. The full detail is beyond the scope of this article. There is a full EU ban on insuring Iranian persons/companies and banking transactions are heavily controlled. However, over the last year, limited and targeted relief has been provided to the Iranian energy sector in return for Iran's agreement to commence winding down its nuclear program. Relief has been granted from some EU sanctions pertaining to the movements of Iranian crude oil until 24 November 2014 and similar relief has been granted by the US from its extraterritorial program. Until recently, this was interpreted in a very strict manner. For example, all insurance activities related to such transports had to be performed within the window. This was not realistic on the context of liability claims. This approach has recently changed, which opens up the possibility that the relief will have greater effect.

LITTLE IS ACHIEVED by not being frank about sanctions. Discussing them early and assisting partners in compliance enables efficient business. There is nothing prohibiting a co-ordinated compliance response. For example, a shipping company may obtain a licence to ship controlled goods having liaised with its banking and insurance partners to ensure that they are able to support the transaction under the rules that apply to them and that they can rely on the licence too.

Businesses and their partner companies may consider the following principles to enhance their ability to trade efficiently and seamlessly:

- Introduce compliance systems and procedures and provide employees with sanctions compliance training.
- Consider sanctions at the outset of business dealings. Discuss issues that arise with your business partners. Address risk by considering which business options involve multiple sanctions regimes.
- Engage with regulators early where licences are required or on legal interpretation.
- Work with your partners on an ongoing basis to ensure compliance issues are considered and business processes are streamlined, where possible.

INTERNATIONAL SANCTIONS ARE complex, but approached appropriately can be managed efficiently without falling foul of the rules. ■

Jamie Rogers
Hogan Lowell

Hogan Lovells is a market leader for international sanctions advice and our team offers a range of cross-jurisdictional advisory services. With sanctions lawyers situated in the most significant legislative centres, we can provide up-to-date insights into developments in law. We also have significant experience in dealing with local regulators and enforcement agencies which adds valuable insight to our advice. Jamie Rogers is the key contact in the London team for sanctions advice. He has extensive experience advising a range of global clients on the application of sanctions regimes to their businesses and the potential impact of future legislative developments.

Have a safe trip

Having a risk management programme in place, preparing the employees for work across borders, is essential in order to fulfil a company's duty of care.

International work and travel are an integral part of the daily operations of multinational companies. The world economy is in a new phase of globalisation, in which companies are turning away from the more mature markets and seeking growth and lower production costs in more remote places. Employees are working in, expatriated to, or travelling in all the corners in the world, away from familiar surroundings, with larger risks to their health, safety, and security. We can clearly see that new business travel 'claims hotspots' are developing into, for example, Asia and South America.

Urbanisation and the development of more efficient transportation infrastructure also leads to larger or new risks, such as growing exposure to traffic accidents and faster spread of diseases. The need for evacuations will rise due to effects from climate change. All these recent trends in our societies leads to an increased exposure of the liability that companies have for the legal and moral duty of care towards their employees.

HAVING A GLOBAL business travel programme is an efficient way to handle the insurable travel risks. However, the jurisdictional spread included in a global programme increases the regulatory and fiscal risks, as well as the exposure to loss of reputation. Compliance with local insurance regulations and laws is of increasing importance for international companies, as well as for their auditors, their insurance brokers, and their insurers.

TO BUY A single insurance policy to cover the travel risks around the world with local claims services would be the ideal solution, but the regulatory environment is preventing this. In some countries, non-admitted travel insurance is permitted, such as in Chile, Canada, and Hong Kong, and no problems arise. However, there are an increasing number of local regulations that prohibit domiciled residents or entities from purchasing insurance from a non-local/not locally licensed insurer, as in Russia, India, and China, and in large parts of Latin America and Africa. Some jurisdictions have hybrid regulations that allow some local risks to be insured by unauthorised insurers, while demanding regulatory oversight and imposing taxes. In some countries, like Brazil, it can be allowed for international travel but not for domestic journeys. There are also several countries where the laws are less clear on this subject. International agreements have also increased influence on the compliance situation.

Without any global standard for insurance regulation, or a consistent application of insurance law worldwide, a compliance analysis must be made for each global insurance programme.

DUE TO THE recent global economic downturn, governments are more eager to generate revenue from other sources by using insurance regulations and insurance taxes. Many historically protectionist measures are being revisited, and a number of enforcement activities have started from the authorities in, for example, India and in Brazil.

"A global business travel programme is an effective way to handle the insurable travel risks."

The penalties for breaking the regulations vary; they can be very severe and must now be regarded as a realistic threat.

WHEN DESIGNING A global travel insurance programme, there are a number of questions to be discussed and agreed upon by all parties involved. Here are some of the important issues.

- Insurance regulations and experiences from supervisory authorities? Is non-admitted permitted? Compulsory insurance? Taxes and charges?
- Insurer's local underwriting expertise, partner network, and capacity?
- Is there a need to use financial interest cover to close the coverage gaps? In circumstances where non-admitted insurance is not allowed, claims can be paid to the parent company under the master policy, based on the parent's financial interest in its local subsidiary. Under this structure, the parent will receive indemnity for its own loss, not the loss of its subsidiary. The amount of the payment will be calculated by reference to the local loss, and the parent may then choose to reimburse its subsidiary or affiliate for the local loss.
- Administration of insurance certificates for visa purposes and travel insurance cards?
- Is the claims process adapted to the local legal demands? How will the claims handling process work? Assistance service set up? Central or local contacts?

THERE IS NOT one single approach to solve all these issues in designing good global insurance coverage and meeting all the compliance demands. The combination of an effective programme structure and perfect compliance is, unfortunately, not really possible. In order to support the quite complex process of making a customised design of a global travel programme, If has developed a Nordic administration model with checklists and templates. The regional managers in our International Operations Unit ensure that we have a growing international network of locally licensed insurance partners in a large part of the world, who accept business referrals from If and will serve our clients locally according to our service standards. We have internal and external compliance advisers to analyse the regulatory and fiscal issues. Our growing experience shows that this is a well-functioning set up.

As the world is becoming more and more unsecure, the demands from employees to their employers for good solutions will increase regarding their safety and care, when they are sent out on business travel and assignments. An important part of the solution is for the company to give employees access to an insurance solution with high-quality benefits at the same level for all, and with practical, efficient claims administration. It is possible to do this without the risk of running into large compliance complications by building a balanced global insurance programme. ■

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 TEXT: KARI HÄKKINEN / PHOTOS: KARI HÄKKINEN, JANI JÄRVI

Jarmo Kivi, the EHS manager of Euroports Finland, and Lauri Kosonen, the account manager of If, surveying the Euroports worksites at the port of Rauma.

Euroports:
Towards safety excellence in port operations

"Safety is everybody's business" is the slogan you see first thing on the home page of the Euroports Rauma company in Finland.

THE SAFETY SLOGAN illustrates the ambition of Euroports Finland to be the safest port service provider in the country.

"We strive for zero accidents in the company, and each day without an accident is a win in this battle," says Jarmo Kivi, safety manager at Euroports Finland. He also highlights the importance to get all employees engaged in safety endeavours. This in turn means a challenge for management – from the top to daily leadership and foreman activities.

EUROPORTS FINLAND BELONGS to the international Euroports Group, offering maritime supply chain solutions in several countries in Europe. The services include terminals, transport services, freight forwarding and contract logistics in a number of industries. The company operates two ports in the west coast of Finland, Rauma and Pietarsaari, with 550 employees working within the port premises, of which 500 work in the port of Rauma.

According to the group policy, Euroports is committed to the highest standards of Quality, Health, Safety and Environmental standards (QHSE). Euroports Group is committed to creating the safest possible work environment, so that every employee or worker, or anyone visiting the premises, returns home safely at the end of the day. "At Euroports we believe this can only be achieved if the focus on safety is a natural part of of our day-to-day job", states the company policy further. The local management in Finland is speaking the same language of safety, to get everybody on board. Not only day by day, but also in the long term.

"Safety is closely related to the quality of service. When accidents are avoided, we are also preventing cargo damage and disturbances in the supply chain, and cutting costs due to losses and insurance", says Tapio Orne, the Managing Director of Euroports Finland.

EUROPORTS WAS THE first port service operator in Finland to implement the OHSAS 18001 safety management system. But the formal structure is only beginning, the essence is long-term continuous improvement of safety in its all aspects, in particular the attitudes and behaviour of people, and the safety culture of the company. Management training and coaching have an important role in the safety development process, and safety workshops are organized regularly for managers.

Risk assessments are updated to cover all workstations and working areas, with risk reduction plans put in place where risks are considered unacceptable or accidents have occurred. The improvement of internal traffic safety of the port is a focus area to prevent serious accidents. Technical developments in the crossroads between rail and road transport are needed, as well as improvements in instructions and signposting. Separate tracks with signposts for heavy and light traffic are provided whenever possible. It is important to have a good cooperation with the local port administration and management, therefore a special safety workgroup has a meeting with the port administration twice a year.

This year a new web-based training and instruction course was opened for visitors and contractors. All guests, subcontractors and materials handling operators must be familiar with the basic safety instructions before entering the port area.

EUROPORTS FINLAND SELECTED If as the insurance partner in workers' compensation. This was much due to If's reputation as an expert in industrial risk management, including solid experience in insuring logistics and port operations. The insurance contract was accompanied with a joint target to improve safety and prevent losses in port operations.

Improvement in safety culture is a common challenge for port operators. Workshops in safety culture assessment were arranged in Rauma and Pietarsaari to understand the current state of affairs in safety culture, resulting in lively discussion of the various safety aspects. The assessment procedure provided by If included six crucial aspects of safety culture: Communication, leadership, competence, action, reporting and learning, and participation. Based on the initial workshops, a further inquiry study was conducted among the employees. Good areas were brought forward regarding, for example, management activity and accident reporting, whereas participation of all employees needs further development actions. What needs to be done next is to provide foremen with coaching training and to improve their ability to diagnose and discuss safety issues.

> *"We strive for zero accidents in the company, and each day without an accident is a win in this battle."*

IN SPITE OF good developments in port logistics and technology, stevedoring still is a high-risk occupation in terms of work accident occurrence. The results of Euroports provide an encouraging example. Accident rates are lower than the port services industry average. The total absence rate of 5 percent is lower than the average of all industrial employees in Finland. "In May and June this year, we had no absence cases due to work injuries," says Jarmo Kivi. ■

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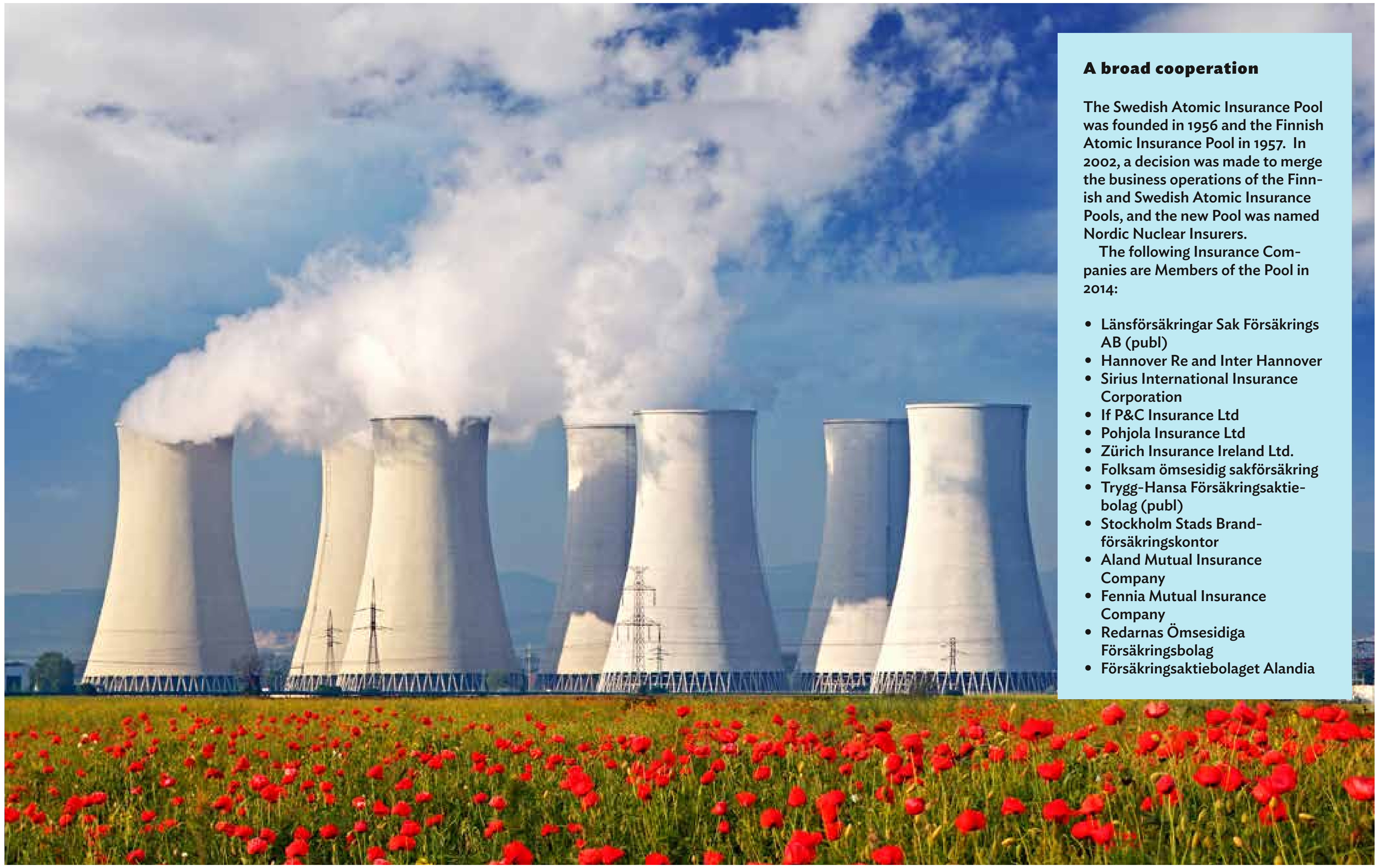

A broad cooperation

The Swedish Atomic Insurance Pool was founded in 1956 and the Finnish Atomic Insurance Pool in 1957. In 2002, a decision was made to merge the business operations of the Finnish and Swedish Atomic Insurance Pools, and the new Pool was named Nordic Nuclear Insurers.

The following Insurance Companies are Members of the Pool in 2014:

- Länsförsäkringar Sak Försäkrings AB (publ)
- Hannover Re and Inter Hannover
- Sirius International Insurance Corporation
- If P&C Insurance Ltd
- Pohjola Insurance Ltd
- Zürich Insurance Ireland Ltd.
- Folksam ömsesidig sakförsäkring
- Trygg-Hansa Försäkringsaktiebolag (publ)
- Stockholm Stads Brandförsäkringskontor
- Aland Mutual Insurance Company
- Fennia Mutual Insurance Company
- Redarnas Ömsesidiga Försäkringsbolag
- Försäkringsaktiebolaget Alandia

Nordic Nuclear Insurers

Powerful cover

Different in many ways from other Nordic insurance companies, Nordic Nuclear Insurers based in Sweden and Finland is a lifeline to the Finnish and Swedish societies.

Eero Holma, Managing Director of Nordic Nuclear Insurers.

THROUGH NORDIC NUCLEAR Insurers its member companies, provide direct insurance that covers the entire nuclear power supply chain in Sweden and Finland, from nuclear fuel manufacture and distribution to entire power plants and final disposal of radioactive waste.

It provides Nordic nuclear power plants with such comprehensive insurance cover that the power supply system in Sweden and Finland simply could not function without it.

Eero Holma, Managing Director of Nordic Nuclear Insurers, has a long and extensive track record in international P&C insurance. He thinks it is natural for NNI to tap into its members' skills and competence.

Sven Forsberg, Reinsurance Security Analyst at If, is a case in point.

"My job is to analyse the composition and level of security provided by NNI's reinsurance cover. To do that, I check the rating of each participant in the national pool providing reinsurance, their stake in percentages, and their monetary stake in what is the most high-risk insured interest in the Nordic countries," Sven Forsberg explains.

"Joint liability in some of the country pools improves creditworthiness considerably."

"Furthermore, I have made sure that in none of the companies bearing a maximum liability of more than EUR 10 million has a stake that exceeds five per cent of the company's equity."

IN AN INTERNATIONAL comparison, Sweden and Finland lead the way in the peaceful use of nuclear power.

In Sweden, ten active reactor units generate 40 percent of the country's electricity, while in Finland there are four reactors that generate 32 per cent. With a production capacity of 9,400 MWe, the Swedish reactors boast more than twice the capacity of Finnish reactors.

Of all industrialised countries, France has the highest rate of nuclear power production: 58 reactors generated 75 percent of all electricity in France last year.

According to experts, the cost of building a thousand megawatt nuclear power facility is approximately EUR 6–9 billion. Planning and construction takes five to ten years.

If provides the NNI a risk capacity of EUR 30 million. "It is natural for If as the leading industrial insurer to be a member of the high-performing NNI," says Eero Holma.

Although nuclear power is a zero-emission energy source that offers greater energy self-sufficiency for Finland and Sweden, it is a highly sensitive and controversial issue in both countries.

Despite this controversy, Eero Holma maintains a steadfast opinion of the future of nuclear power.

"Renewable energy sources are becoming financially more viable, but at the same time nuclear technology is advancing rapidly, providing much safer reactors. I believe nuclear power will remain an integral part of the energy portfolio in the future," he predicts.

Nuclear power is a topical issue in Sweden and Finland alike. Within the next year, politicians in both countries will be forced to take a stand on energy policy for the future decades, and consequently on nuclear energy.

Nordic Nuclear Insurers currently consists of 13 Swedish and Finnish member companies or groups of companies that contribute to securing the energy supply to major industries.

"Our total capacity has remained stable, but there have been changes in shares at the company level," Holma explains.

Mutuality is a key feature of the pool system. Nordic Nuclear Insurers is also an important international reinsurer to the 25 other nuclear insurer pools operating elsewhere in the world and offering local risk insurance services.

According to Holma, competition laws set very clearly defined limits to this cooperation, but despite the restrictions, the pools have several common areas of interest such as legislation, insurance cover and risk management.

PROPERTY INSURANCE INCLUDED, NNI provides insurance against machinery breakdown, business interruption insurance, nuclear liability insurance, transport insurance and transport liability insurance.

The policy type is First Loss, and the maximum sum insured is EUR 2.5–3 billion, which includes property risk, business interruption risk and liability risk. "Instead of applying the traditional EML system, we calculate our potential maximum loss as the total sum insured: EUR 2.5–3 billion," Holma notes.

Nuclear power companies also have two mutual group captives of their own: EMANI for property insurance and ELINI for liability insurance.

"The competitive setting is similar to that of an insurance company and an Industrial customer's own captive company. A pool offers the customer considerable benefits, such as transfer of risks from the customer's balance sheet, large insurance capacity, and risk management services. Of course, the pool must also offer competitive premium rates," Eero Holma says.

Another point worth mentioning, according to Holma, is the competence in claims handling and claims settlement, which is a major competitive asset for pools.

"Through their member companies, pools have access to an extremely large number of loss specialists around the world. This is also important from the perspective of the general public, if you consider the ability of the society to deal with any damages caused by a nuclear accident."

BY AND LARGE, nuclear power plants are exposed to fairly traditional risks such as fire, equipment failure and pipe leaks, but also specific risks such as a reactor risk.

"Naturally, we make the most of our member companies' engineering competence," Eero Holma says.

Of all the Nordic insurance companies, If has the largest number of nucle-

Different approach to nuclear power in the Nordics

The Nordic countries have taken a different approach to using nuclear power.

Finland has four nuclear reactors running at the moment, with a fifth under construction. Discussions on building two further reactors are ongoing. The reactors provide about 30 percent of Finland's electrical power.

Sweden has ten nuclear reactors operating, supplying about 40 percent of the Swedish electrical energy need. The pros and cons of nuclear energy is intensely discussed, with some political parties wanting to close some or all of the nuclear reactors. Two Swedish reactors have been shut down, the last one in 2005.

Neither Denmark nor Norway have any nuclear reactors.

Nuclear disasters

THE FUKUSHIMA Daiichi nuclear disaster at the Fukushima I Nuclear Plant on 11 March 2011, resulted in a meltdown of three of the plant's six nuclear reactors. The failure occurred when the plant was hit by a tsunami triggered by an earthquake. The Fukushima Nuclear Accident Independent Investigation Commission found the nuclear disaster was "manmade" and that its direct causes were all foreseeable.

THE CHERNOBYL disaster occurred on 26 April 1986 at the Chernobyl Nuclear Power Plant in Ukraine (then part of the Soviet Union). An explosion and fire released large quantities of radioactive particles into the atmosphere, which spread over much of the western USSR and Europe. The battle to contain the contamination and avert a greater catastrophe involved over 500,000 workers and cost an estimated 18 billion rubles. During the accident itself 31 people died, and long-term effects such as cancers and deformities are still being accounted for.

ar safety specialists. Risk engineers Ari Ahonen and Ari Santavuori are members of the NNI's survey organisation while risk engineer Gerd van Wichelen from If's Paris unit is listed in the pool's international survey organisation.

"Risk management and safety issues in general in nuclear power plants are in a league of their own compared to traditional industry sectors," says risk engineer Ari Ahonen, who knows the turbine halls of Teollisuuden Voima's (TVO) nuclear power plants in Olkiluoto and their safety arrangements like the back of his hand. He continues: "This explains why the capacity utilisation rate in Finnish power plants is second to none worldwide."

Risk engineer Ari Santavuori is familiar with the Fortum nuclear power plant in Loviisa and its safety and security systems. "The continuous improvements in safety can also be attributed to the numerous safety inspections carried out by third parties. These include the Radiation and Nuclear Safety Authority (STUK), the International Atomic Energy Agency IAEA , and Nordic Nuclear Insurers."

"Over the years, Finnish nuclear power plants have made significant investments in plant safety improvement."

OVER THE YEARS, Finnish nuclear power plants have made significant investments in plant safety improvement.

For instance, all main transformers, auxiliary transformers and starting transformers located outside the nuclear power plants are equipped with sprinklers. This is to ensure that any fires can be put out immediately and to stop them from spreading to the power plant itself, and to secure uninterrupted power supply.

"Tests have proved conclusively that an automatic sprinkler is by far the fastest and most effective fire extinguishing system in the event of fire in an oil-filled transformer," Ari Ahonen explains.

The power plant buildings themselves house countless cable tunnels and shafts that are also equipped with sprinklers.

Each year, the power plant unit is shut down for scheduled maintenance, which takes 1 to 3 weeks. During the shutdown, all scheduled maintenance is carried out, the fire extinguishing systems are tested, and sprinkler pipes and nozzles are replaced, if necessary.

The Olkiluoto power plant has its own fire brigade, which tests the extinguishing equipment weekly in accordance with its internal inspection programme.

"In addition, extinguishing systems are third-party inspected by an inspection body approved by the Finnish Safety and Chemical Agency (Tukes). These inspections are carried out during the annual service shut-down in premises that are impossible to inspect properly during an ordinary visit, and four times a year in other premises. Each inspection visit takes a day," says Ari Ahonen, who personally takes part in the inspections. ■

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*“Bad things will happen.
Risk analysis needs to be part
of supply chain management.”*