



Risk Management in practice

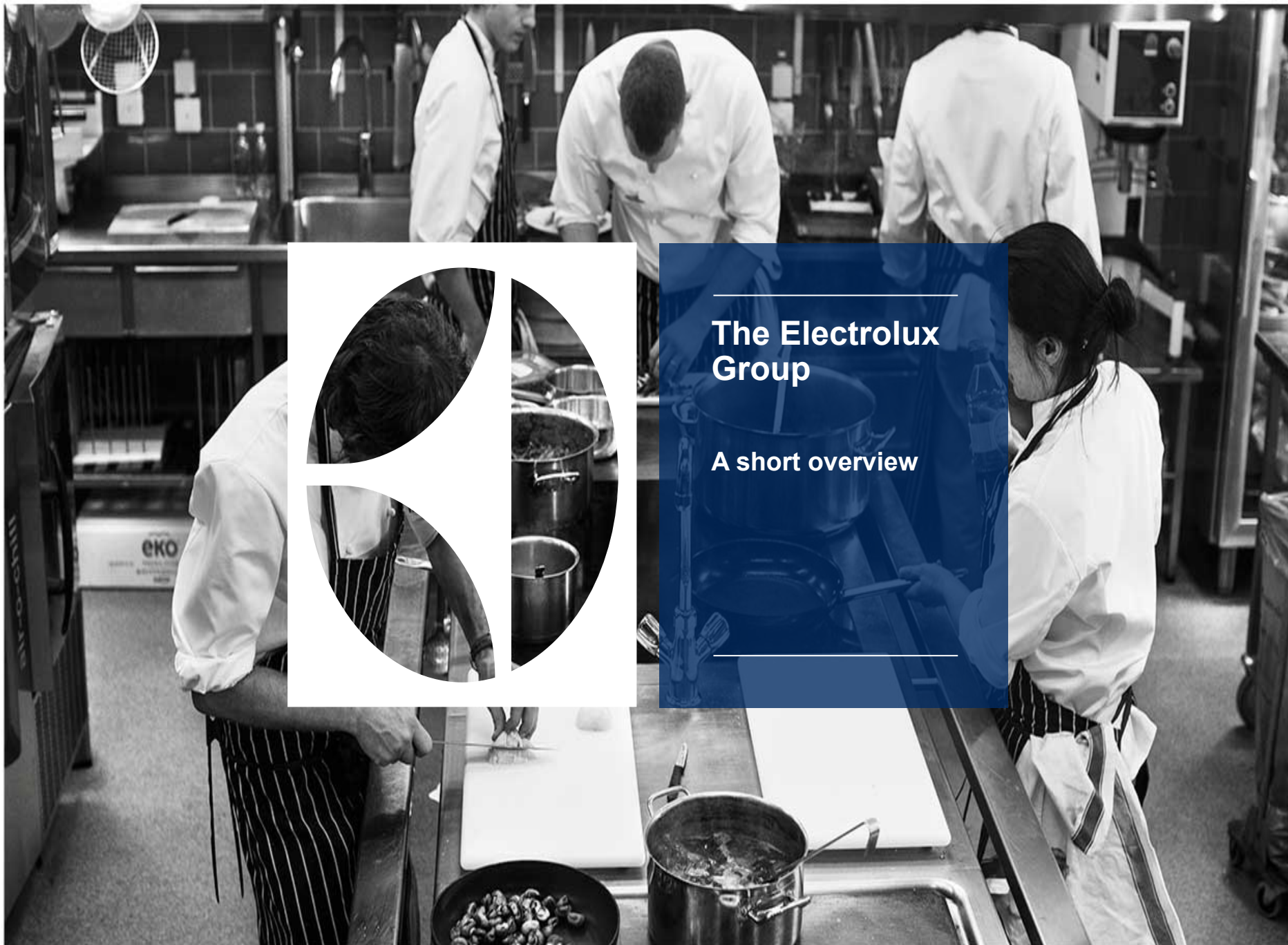
How we use insurance to drive
loss prevention

Claude Zambeaux, 04/05/15



Agenda

- Electrolux Group: an overview
- Group Risk Management
 - Organization
 - Responsibilities
- Insurance and Loss Prevention: a close cooperation
 - Property insurance: Fire case in Brazil
 - Cargo insurance Brazil : re-focus on Loss Prevention to cut insurance costs
 - Other opportunities:
 - The importance of good contracts
 - Liability insurance in USA – how we could improve quality thanks to claims' data



The Electrolux Group

A short overview

The Electrolux Group today

Net sales,SEKb

112

EUR 12.3 b
USD 16.3 b

Sales in

150

countries

People

60,000

in 60 countries

Annual Sales

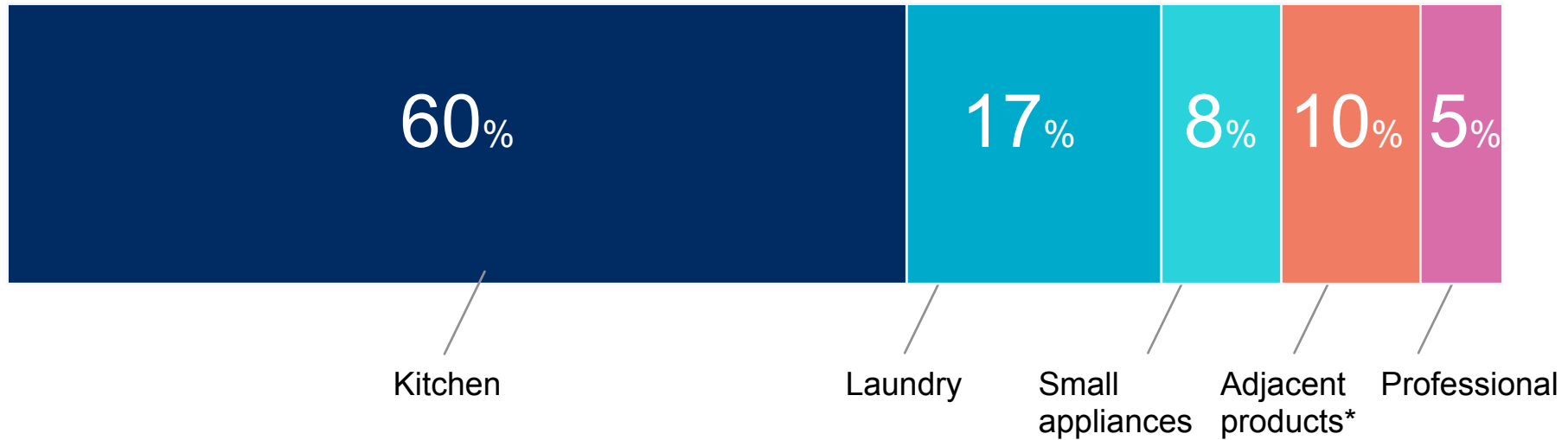
+50

million products

Numbers from 2014, using 2014
average currency exchange rates



Product overview



* Include the rapidly growing areas of air-conditioning equipment, water heaters and heat pumps, as well as consumables, accessories and service



Acquisitions 2011-2015



(subject to approval)





Group Risk Management

- Organization
- Responsibilities



Governance

Captive Board

- Captive strategies
- Business plans
- Business follow-up
- New business
- Tax issues
- Premium issues
- Other Electrolux' needs

Captive Board Members:

General Counsel
Head of Group Taxes
VP Group Treasury
Legal
Legal Affairs Controller
VP Risk Management

Board of Directors

CEO

Head of Group Staff Legal

Head of Group Risk Management

Insurance

Risk Management Support

RM Board

- RM strategies
- General risk issues
- Insurance programs
- Future plans
- Loss prevention
- Captives
- Product safety

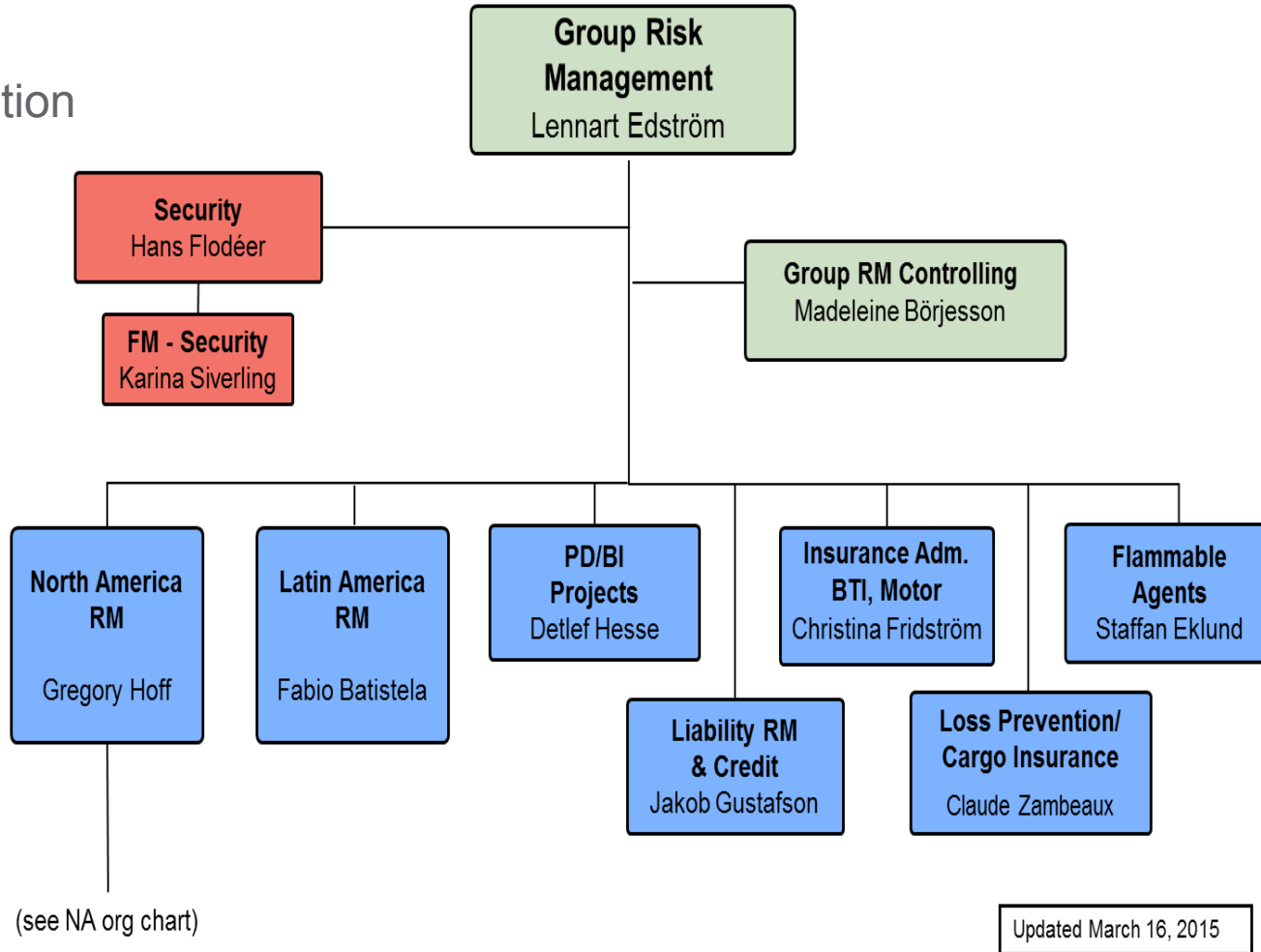
RM Board Members:

Keith McLoughlin, CEO
Tomas Eliasson, CFO
Cecilia Vieweg, General Counsel
Lennart Edström, VP Risk Management



Electrolux Group Risk Management

Organization





Areas of responsibility

1. Group Insurance Programs
2. Loss Prevention
3. Electrolux Captives
4. Product Safety within Electrolux
5. Security

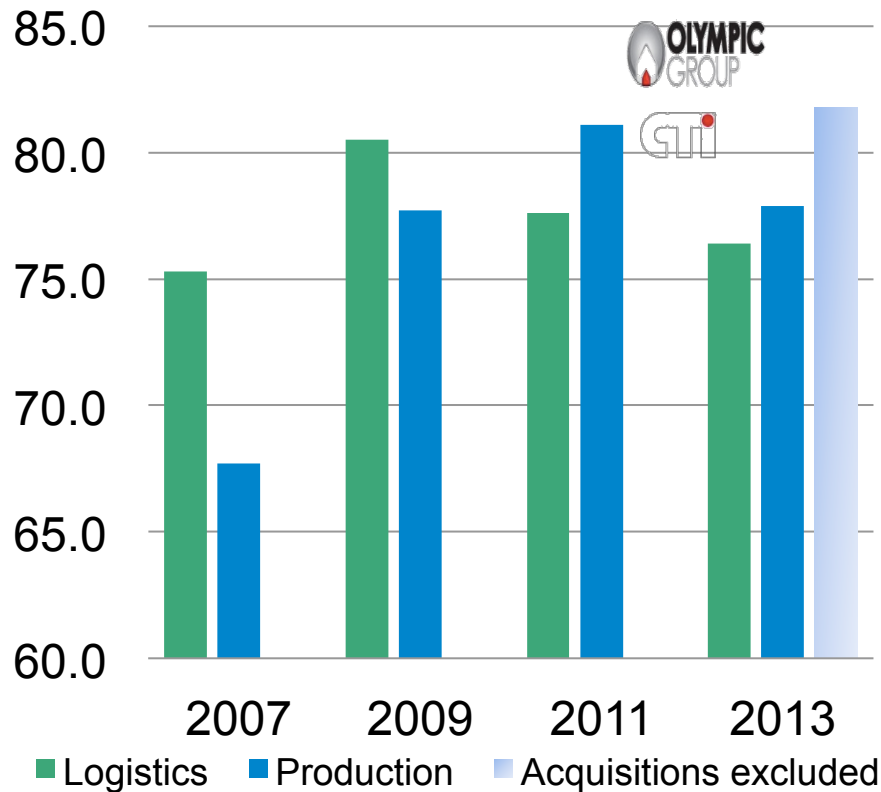


**Logistics losses:
How we use insurance
to drive loss prevention**



Evolution of risk Production vs Logistics

Blue Risk - Group average score



• Production

- Score has continuously improved since 2007
- Some improvements still needed, but loss prevention is now part of daily business in most locations

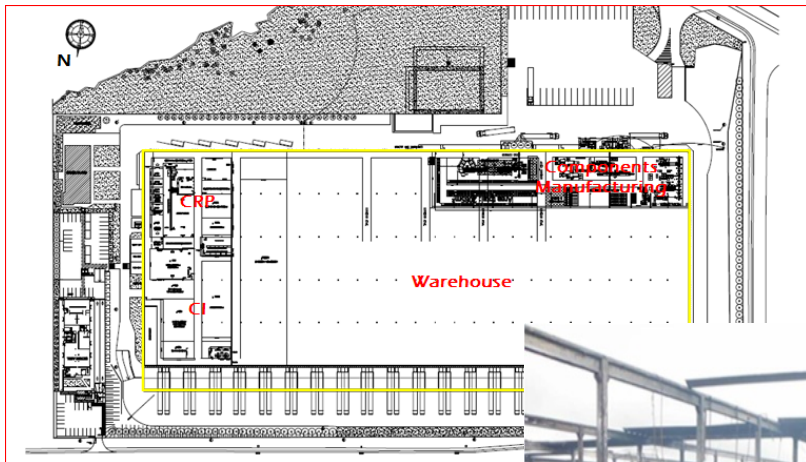
• Logistics

- Score dropped during the last years
- Number of unprotected sites slowly increases
- Stock values have increased strongly in poorly protected regions
- 4 total losses since 2008



JL Warehouse fire

- JL WH was 40.000 m², without fire separation, no sprinkler and no fire alarm installed





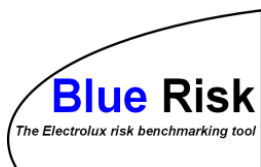
Some facts

- The risk was clearly identified and communicated before the fire
- Even after the fire, some resistance for installation of sprinkler
 - “Few sites available”
 - “Electrolux standard not recognized in LA”
 - “Investors not ready to invest”
 - Etc
- Our Problem: GRM has not the authority to force investments
- Our solution: use the captive and insurance setup:
 1. Any site not equipped with sprinklers will pay a deductible of **1 Million EUR**
 - Other sites will pay 25.000 to 100.000 EUR
 2. Next step is to differentiate the premium in a stronger way



Logistics Latin America

Situation update



Site name	T.I.V.	1. Business Continuity Management					2. Construction & Occupancy					3. Loss Prevention					4. Loss Control					5. External Exposures			6. Security		EBR 14
		1.1 - Emergency Response Organisation	1.2 - Emergency Evacuation Aids	1.3 - Crisis Management	1.4 - Business Recovery	2.1 - Site Layout & Construction	2.2 - Tools & Machinery	2.3 - Electrical installations & other ignition Sources	2.4 - Chemicals	2.5 - IT	3.1 - Internal Resources	3.2 - Management Controls	3.3 - Housekeeping	3.4 - Maintenance of facilities & utilities	3.5 - Hot work / Permit to Work routines	3.6 - Smoking	4.1 - Automatic Sprinkler - Technical Installation	4.2 - Automatic Sprinkler - Maintenance & Management	4.3 - Manual Fire Fighting	4.4 - Fire Alarm	4.5 - Fire Brigade	5.1 - Natural Hazards Exposure	5.2 - Natural Hazards Mitigation Measures	5.3 - Neighboring Exposure	6.1 - Security Organization	6.2 - Physical Protection	
58 400		7	10	9	4	6	10	10	10	7	9	6	10	10	6	10	4	6	10	6	9	10	10	6	10	9	76
55 337		Used by Small Appliances - new site to be found in line with standards – move latest Q4 2015																									60
53 800		Products to move to new site when ready – move Q2 2015																									69
47 300		New site to be built in line with standards – construction start Oct 14, move Q2 2015																									61
20 950		Products to move to new site when ready																									65
18 000		9	10	0	0	8	10	7	10	9	8	4	7	10	3	10	4	1	9	2	8	7	8	2	8	9	61
15 206		Plan to leave the site																									49
13 900		2	3	0	0	3	10	5	10	8	7	0	8	6	0	10	0	0	5	0	5	5	7	5	3	4	36
11 645		2	0	0	0	8	10	8	10	9	5	0	7	6	0	10	0	0	2	0	3	7	7	10	3	2	40
8 572		2	3	0	0	3	10	7	10	8	7	0	7	7	0	10	0	0	5	0	5	6	8	5	7	5	39
7 800		Closed – components moved to BR277 – sprinkler protected retrofit approved and reviewed by AXA – done 2015																									63
6 300		Closed																									69

2014

Average Blue Risk score Latin America	57,2
Average weighted with TIV	62,3



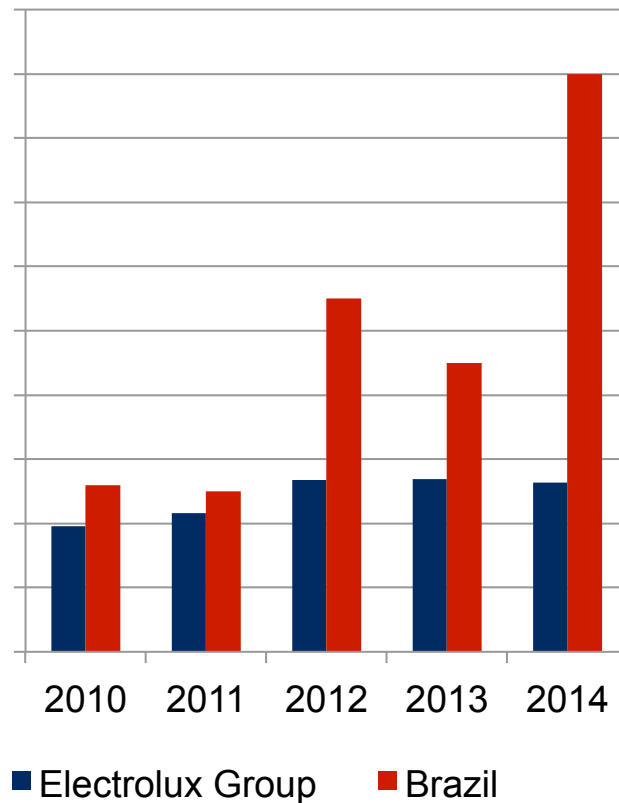
Cargo Insurance in Brazil:

How we use
Loss Prevention
to cut insurance costs



Why Cargo Loss Prevention in Brazil?

Insurance costs Brazil vs Electrolux Group



- Costs for Cargo insurance in Brazil is now three times the cost for the other countries together
- Continuous trend of increased claims
- Brazil represents ca 15% of Group sales
- Adjustment clause:
 - Market Standard in Brazil
 - Automatic premium increase 30% if the loss ratio exceeds 70%
 - NO incentive for the insurer to reduce claims



Cargo Insurance Brazil 2015

- **Insurance situation 2015:**

- New broker
- New insurer
- Adjustment clause is removed
 - Rate is guaranteed for 2 years
 - A turn around case for the insurer
 - A dedicated Loss Prevention team has been appointed by insurer

- **Further changes to come:**

- Deductible will be aligned with ROW
- Cost neutral for the Group, but focus will change from “expansive insurance” to “high operation costs”

➤ **The only way to sustainably reduce costs for the company, is to reduce claims volume**



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**Other ways to
drive loss
prevention**

04/05/15



Other opportunities

- **Global Logistics (Warehousing and transport):**
 - Outsourcing plan: less influence over sites selection, and investments
 - We work with Group Legal, and Operations on new standard contracts putting more liability on suppliers' side
- **Liability insurance in USA**
 - High number of claims with detailed information about products defects
 - The info can be better used to support the Operations to improve products quality



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THANK YOU!