

Not every risk manager in Sweden was kept in place as the Covid-19 pandemic hit. But, as a group meeting for the Risk Frontiers Europe 2020 survey agreed, risk management was an integral part of the crisis response and has proved its value. **Liz Booth** reports

# Sweden

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## Risk management integral to pandemic's crisis response

**W**HILE MANY COMPANIES acknowledged the pivotal role risk managers can play in managing the Covid-19 pandemic, some firms in Sweden chose to furlough their risk managers and appoint others to crisis management teams, explained a roundtable of risk managers and experts from the country.

But they believe risk managers could, and should, be playing a key role in helping organisations manage their way through the Covid-19 crisis.

As Jennie Wallin, a consultant with KPMG, explained: "A lot of risk managers in Sweden were put onto short-term leave, which is very surprising because they should be considered a valuable resource in a crisis."

However, the risk managers speaking at the discussion organised as part of *Commercial Risk Europe's* Risk Frontiers Europe 2020 survey, said they felt that the crisis had given them a unique opportunity to engage with the board and senior management to show the value of risk management.

### OPPORTUNITY COST

Athina Pehrman, group risk manager for Electrolux Professional and chairman of the Swedish Risk Management Association Swerma, said it has been a "fantastic opportunity to get to know the board and management and to show your competence as a risk manager".

"The crisis has given risk practitioners a chance to explain risk management and how it can support the business. I hope risk management colleagues are able to take the opportunity to do just that," she added.

Overall, the group agreed that the pandemic was as great a shock for Swedish organisations as others around the world, particularly its broad reach and severity.

The pandemic showed off the value of risk management, according to Henrik Pääjärvi, risk and insurance manager at Elekta. "We all



Athina Pehrman

knew risk management was important but now we know it is. We had never realised just how important it was until this crisis... Should another pandemic happen, we would all know to react much quicker," he said.

The group agreed that the pandemic has also shown how every organisation faces slightly different challenges during a crisis and need their own, bespoke risk management solutions.

Ms Pehrman said, for example, that her firm

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had a manufacturing base in China and another in northern Italy. Electrolux Professional was able to learn a lot from its colleagues in China as the crisis unfolded, but a slightly different response was required in Italy and, then again, in Sweden.

Ms Pehrman felt the company had been in a fortunate position with its mix of international experiences, and reacted much faster as a result.

Ulrich Adamheit, responsible for business risk oversight at utility giant Vattenfall, believes Sweden benefited from embracing digitalisation before Covid-19 hit.

"We were ahead of many of our European counterparts in our approach to digitalisation and it really paid off because we were in a better position when it came to things like working from home," he said.

Contrary to the image outside of Sweden, the country did effectively lockdown. "The only difference was that some of the younger children were able to continue at school, but even high school children and students were all sent home. And offices were quick to send their staff home to work," said one risk manager.

### RAPID CHANGES

Generally speaking, they said, most companies were quickly able to convert from office to home working. The risk frontier participants believe this has paved the way for a new way of working. After the pandemic risk fades, home working will become the new normal, probably with part office work, they said.

However, Ms Pehrman has some concerns. "In the future, I fear we will be seeing some health issues — staff who have been working too hard, for too long or have not been using the right equipment," she said.

As the pandemic broke, the priority was to ensure workers at home were able to borrow equipment such as chairs from the office, continued Ms Pehrman. But now, she said a longer-term solution is needed and her risk

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team is already discussing how this can be achieved with HR.

Mr Pääjärvi said he is now back in the office, but only with a small group of colleagues and with many new health and safety measures in place. As a provider of critical medical equipment, his firm has had to keep going through the crisis, servicing clients around the world.

## INSURANCE MARKET

That brought him to the subject of insurance. For Mr Pääjärvi, insurers and brokers have helped as much as they could during the crisis — especially when it comes to finding solutions for insurance without physical meetings and discussions.

However, it has not always been clear how insurance policies, particularly travel cover, would respond, he said. “It was a case-by-case basis,” said Mr Pääjärvi.

In particular there were questions about how insurance could help enable his engineers to reach their hospital clients across the world.

“We have been struggling to get our engineers to the right place. Sometimes there was no air service and then, when there were flights, it was sometimes hard to see how insurance would respond should there be an emergency. We need the answer to that to allow our people to still travel,” said Mr Pääjärvi.

His case was unique among the group, but others agreed that engagement between insured, insurer and broker has been critical through the pandemic.

For the Swedish market generally, it was clear to most that pandemics would not be an insured event and there is some sympathy for insurers. The group agreed that no one insurer could be expected to take on the cost of pandemic risk. However, there was criticism of some insurers that have not been crystal clear in their wordings. Ms Pehrman pointed to older policies where the wording had not been updated, or where clauses have been added as the policy evolved, leaving too much ambiguity.

“A broker might say to you that ambiguity is good because it will mean the insurer has to pay. But it is really not good. We all need clarity. We can’t afford to have insurers go out of business because they are paying claims for which they have not collected premium. That is in no-one’s interest at all and will impact those of us who never tried to make a claim on this kind of coverage just as much as those trying to make claims,” she warned.

The risk professionals agreed that insurance prices are on the rise and the pandemic is only likely to fuel the fire. The group also agreed that terms and conditions are changing and capacity shrinking.

“That means insurers who are left are able to charge what they like,” said one risk manager, “Because they know we have no choice but to go with them.”

Mr Pääjärvi said his company had gone through renewals in May. “Firstly,” he said, “it did show that we don’t need to go to the office all the time. I was able to renew our programmes virtually without any issue. It was a learning curve for all of us and showed that we don’t need as many physical meetings as

we had thought we do. However, it did also show that we can do this occasionally, but face-to-face meetings are also very important and that we need that balance.”

His insurance deal also reflected the new normal and rising prices. “We could see a clear difference in terms of the package we were able to negotiate last year to this year’s deal. It was difficult to find capacity and the risk tolerance among insurers has clearly shifted, particularly when it came to the top excess layers. To find those top layers was extremely hard.”

Swerma president Ms Perhman has heard of insurance premium rises across the board and sees no sign of that changing any time soon.

“It is not just about pricing that is hardening. It is about wordings and coverage is getting difficult in many areas.” Ms Pehrman pointed to financial lines, marine cargo and property as problem areas.

With a shrinking number of insurers willing to take on such risks, there is a danger that some buyers might find it all but impossible to get the coverage they want. To make matters worse in Sweden, many companies had chosen to close down their captives in favour of using the commercial insurance market.

“It was easy to do that when the insurance market was soft. And we got lulled into that false sense of security after some ten years of falling prices. But those who choose to close down their captives in the past couple of years may well be regretting that now,” predicted Ms Pehrman.

“Captives did come with an administrative cost and they were complicated with having to comply with the European Union’s Solvency II regulations, but now they could be the only solution for an organisation unable to find the right cover on the open market,” she suggested.

The group was unsure if captives could provide a solution to pandemic risk because the cost would simply be too high for any one entity to take on board. This view also made them sceptical about the potential success of any government backed mutual solution.

“A pandemic re pool could work,” said one, “but I think it will need more than one country involved — maybe a regional structure could work.”

## LESSON LEARNT

The group believes that lessons have been learnt from the pandemic, possibly, even, on climate change.

The world, they agreed, had seen the environmental benefits of less travel and this could bring changes in the future. However, Ms Pehrman was less confident, fearing that unless the pandemic lasts another year, people will slip back to their old ways.

In terms of missed risks, Ms Wallin believes

the greatest risk of all is a missed opportunity. “Despite all that has happened there are real opportunities out there but the risk is that people simply miss them or are afraid of taking them,” she said.

Ms Wallin cited the recent example of someone recruiting a new colleague in New York. “They started looking for a local person and then woke up to the opportunity that they could comfortably recruit a better candidate from California and just meet once a month,” she said.

Mr Pääjärvi said there has been so much focus on the pandemic it can sometimes be hard to think of anything else. “I held a couple of workshops recently and the focus was heavily on Covid-19. We had to be careful that other risks were not being missed as a result,” he added.

Mr Adamheit is confident that things like cyber risk are on the radar — not least because of the increasing number of attacks.

But he warned that “while climate awareness is there, there have not been any concrete assessments done in many companies, because it is seen as a long-term risk and people are struggling to work out how to deal with it”.

For him another huge risk being missed is related to artificial intelligence (AI). “It is not the technical side because people are thinking about the practical, but what about the ethical? I am very worried that people are not paying enough attention to the long-term risks around what is happening,” said Mr Adamheit.

“Who is writing the algorithm that decides an old lady should be hit by an autonomous vehicle rather than the group of children? Who decides that a machine should lift an old person in their bed to protect the workers’ back, but forgets the patient needs skin to skin contact?” he added.

Mr Adamheit is worried that the emotional side of AI developments is not being fully discussed and that companies are too quick to adopt new technologies without considering the long-term risks.

Ms Pehrman agreed, pointing to the way that many of the recently enacted General Data Protection Regulations were, in some cases, abandoned by governments in the face of Covid-19.

“They were very quick to say the protections should be waived to allow them to manage the pandemic. But what will the next “emergency” be that means they can waive the rules?” she asked.

Ms Pehrman also warned of global entities gaining huge powers that individuals and other corporates will be unable to compete against in the future. “We have to watch these developments carefully if we don’t expect to be caught out in the future,” she warned.