

Managing industrial accidents in emerging economies

That “one in one thousand years” event has to be taken very seriously. **Ms Carol Laufer** of **ACE Excess Casualty**, **Mr Stephen Craig**, **Mr Paul Esposito** and **Mr Tim Frazer**, all from ESIS’ Health, Safety and Environmental business unit of the **ACE Group**, spell out the checklist for companies to look out for in preventing, and in the worst case, managing such catastrophes.



Ms Carol Laufer



Mr Stephen Craig



Mr Paul Esposito



Mr Tim Frazer

Few risks pose a greater threat to multinational corporations than a workplace environmental hazard that causes third-party injuries and illnesses, in addition to endangering employees’ health, safety and wellbeing.

In emerging economies, the possibility of such industrial hygiene/environmental catastrophes can arguably be greater, given their spectacularly fast economic and infrastructure growth, often nascent infrastructure, evolving regulatory standards, cultural and language differences, and still-developing disaster response services.

That “one in one thousand years” event

Certainly, more multinational organisations will seek to establish operations in these growing markets. As they do, they would be wise to proactively address the significant financial exposures represented by third-party lawsuits and claims in the aftermath of an environmental disaster.

While many organisations typically devote a greater share of financial resources to managing and offsetting risks that are frequent in nature, it is the financial severity of an environmental catastrophe – the “one in one thousand years” event – that can wind up incurring the lion’s share of total risk expenses.

There is another compelling reason to heed the impact of environmental liability. An organisation’s most valuable asset – its reputation – is imperilled, with consequent damage to its profitability and, potentially, its survival.

Pinpointing vulnerabilities

Managing industrial hygiene/environmental risks in emerging economies requires the application of Enterprise Risk Management principles, in which potential hazards are identified, assessed, measured, managed, mitigated and insured.

Risk managers also must endeavour to think outside the box, departing from their comfort zones to imagine worst-case scenarios giving rise to a Black Swan – a rare, hard-to-predict, and high impact event beyond normal expectations in history, science, finance and technology –and develop plans for both prevention and response.

This thoughtful approach can guide the development of best practices to reduce workplace and community environmental hazards, better prepare for their possibility, and manage the outcomes of an incident swiftly, comprehensively and compliantly, thereby reducing the potential for financial losses while preserving the company’s reputation.



Recent years have witnessed an array of devastating workplace accidents causing injuries, deaths and lingering illnesses to employees and non-employees, culminating in punitive regulatory interventions, costly third-party lawsuits, intense media scrutiny and reputational fallout.

The following are hypothetical examples of workplace environmental hazards causing third party bodily injury and property damage:

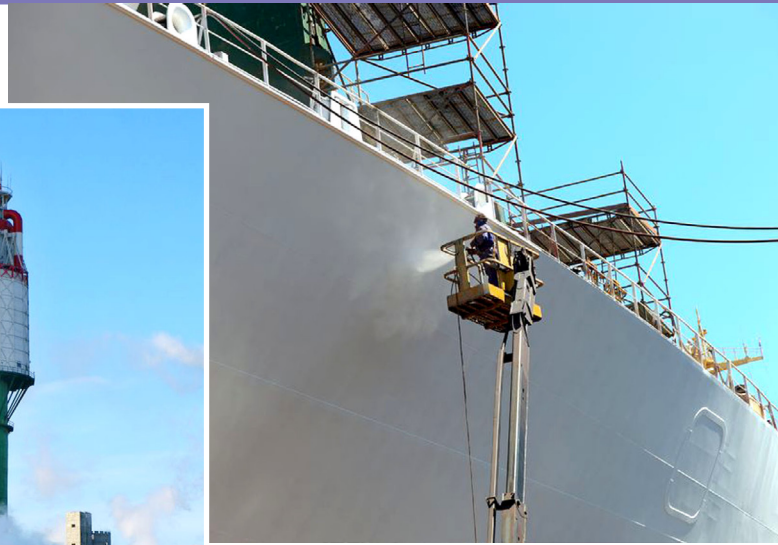
- The control mechanisms in a high-volume spray-painting operation involving a volatile chemical malfunction, resulting in a toxic vapour release throughout the plant and into the surrounding community.
- Poisonous emissions from a volatile chemical transported in a tank truck are released into a high-density population centre following a devastating traffic accident.
- The control system for collecting hazardous metal fumes produced in a smelting operation to reclaim lead from used batteries breaks down, contaminating the neighbouring area.
- The scrubbers in a semiconductor manufacturing facility are improperly installed, resulting in a release of toxic vapours into neighbouring offices.
- Biological contaminants gather in a poorly installed and maintained HVAC (heating, ventilation and air-conditioning) system and are released throughout a multi-tenant office building.

Scenarios like these not only are possible, they have actually occurred. One can imagine similar industrial hygiene/environmental hazards involving the release of chemical and biological agents in the air, soil and water. Indeed, risk managers must imagine such scenarios as part of their catastrophe risk management due diligence.

Less than favourable conditions tend to exist in emerging economies

In an emerging economy, these threats may be compounded by the absence of, or less-than-diligent, enforcement of workplace safety regulations and building codes, infrastructure impediments like poorly built roads and dense traffic conditions, and potentially distant or less-robust municipal services.

Multinational corporations should anticipate such challenges in advance of developing operations. Superior architectural and engineering capabilities may not be available to ensure that plants and office structures are built to the highest standards, nor verified after construction. Similarly, they should expect difficulties swiftly accessing specialised hazmat teams, firefighters, evacuation and medical services, and even the provision of food and potable water in the aftermath of an incident.



Consequently, the most prudent catastrophe risk management begins with imagining a range of potential disasters and making plans now to mitigate each possible one. An operation's geographic location, the condition of local infrastructure, and the depth and range of proximate

municipal and other disaster-related services are factors to be considered in these plans.

Taking action now

Fortunately, there are best practices to guide risk managers in assessing and mitigating industrial hygiene/environmental exposures.

For instance, multinational organisations should consider building facilities in areas close to highly regarded municipal disaster response services. Prior to breaking ground, it is sensible to communicate in person with individuals in these organisations, evaluating their skills while explaining the nature of your business and the risks it poses.

If superior services are wanting, consider retaining external help. Stay in routine touch with the vendors to assure they maintain quality standards and will be there if needed, and routinely audit them to ensure they remain reliable and qualified. Similarly, it makes sense to meet with local regulators to get a firsthand grasp of local rules, while cultivating a relationship that may be crucial if an incident occurs – as always, prevention first.

While even the best prevention efforts are not always successful, know the people you may need to rely on in your greatest moment of need. Have their phone numbers handy at all times. If language is a barrier, retain an interpreter on the payroll at the facility, ready to translate at a moment's notice what has happened and the extent of the damage.

Adopt the safest standards

Ensure that facilities are compliant not just with local regulations, but also with the most conservative and safest exposure standards worldwide. Different countries have different building codes and occupational exposure limits. A company should consider self-regulating – taking extra steps beyond the existing regulatory requirements. A prudent consideration, for example, would be to maintain the threshold limits for potential contaminants articulated by

the American Conference of Governmental Industrial Hygienists, which exceeds both US OSHA and many related limits in the European Union.

Buildings in which potentially hazardous materials are present should be equipped with containment areas to trap toxic materials, and with lockdown facilities to prevent personnel from entering contaminated areas. Backup generators are necessary to maintain heat, refrigeration and air conditioning, in addition to limiting the impact of business disruption. Maintenance of building systems and plant equipment should be ongoing and audited.

Fire drills and other response procedures should be conducted on a regular basis. Where feasible, drills should include first responders, such as fire, hazmat and medical personnel, to measure their response time and quality. And resources must be authorised to specific employees to hire and pay for these services, both before and during a crisis.

Managing reputational fallout

To limit the reputational fallout from an incident, consider employing the services of local public relations agencies, law firms and crisis management professionals – individuals who are media savvy and adept at handling the complex nuances and repercussions of an industrial accident. Such experts should also have good relations with government agencies and regulators. Again, it is wise to nurture these relationships, as they will be the face of the company in the event of a catastrophe.

Finally, it is prudent to have a social media procedure in place to control how information is released to the local government and the public. Misinformation may cause



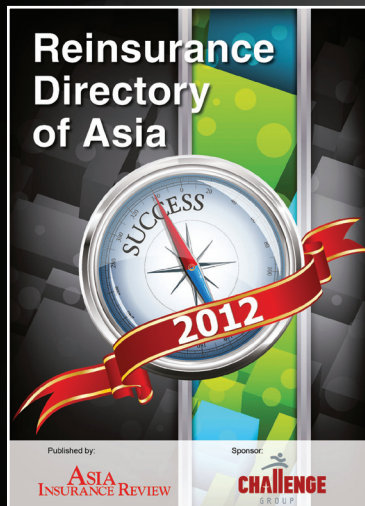
panic, foster more injuries, inflame tensions and tarnish the reputation of a company that otherwise is responding diligently to the disaster.

By developing a well-thought-out catastrophe management plan, and maintaining the highest standards of industrial hygiene and environmental controls, multinational organisations can reduce the possibility of employee injuries and third-party liability claims for bodily injury and property damage, while mitigating reputational damage.

As more multinational companies set up facilities in emerging markets, such proactive due diligence will help keep company employees and neighbouring communities safe – the obligation of an ethical enterprise.▲

Ms Carol Laufer is Executive Vice President, ACE Excess Casualty, part of ACE USA, the US-focused retail company of the ACE Group. Mr Stephen Craig is Managing Director and Vice President; Mr Paul Esposito is Vice President, Management Systems & Assessments and Mr Tim Frazer is Assistant Vice President, Industrial Hygiene, all from ESIS' Health, Safety and Environmental business unit, which is part of the ACE Group.

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