



Nick Newlove - Mitsui Insurance

## **Insurance View of BBS**

BEHAVIOURAL SAFETY USER CONFERENCE 2006

### **Nick Newlove**

Good afternoon everyone. I would certainly like to add my congratulations to all the award winners we've just seen and echo the comment as a theme in my presentation that you should all go back and communicate internally and externally the success you've had in delivering behavioural safety....

From my experience as an insurer for many years behavioural safety is a very successful form of liability risk management. And more successful than most of the things that you've seen deployed over the years.

It's quite interesting in terms of relative cost compared with other forms of risk management, in that addressing the needs of often a whole organisation is rather more expensive in terms of external consultancy. And particularly in terms of the business opportunity costs that goes with delivering behavioural safety throughout the organisation. In terms of what I see on a day to day basis as an underwriter it's fairly evident to me that the communication of this success that's been achieved in delivering the solution is not readily being communicated to us as insurers. I know that isn't necessarily, very evidently isn't the priority of delivering this it's the health and welfare of your organisation and it's employees. And the organisations that you interact with. But I think in terms of deriving further benefit and communication to the insurance sector would definitely help....

In terms of enlightening me to the success of behavioural safety I would sort of, indebted to British Telecom and a conference they organised in early 2004 to show that for an organisation of such scale and geographical diversity through deploying behavioural safety they've managed to achieve a 30% improvement in lost days through accident within a 12 month period. And I was sort of quite fascinated that something can work so effectively so quickly. Quite different to sort of effectively many of the other solutions that we see where see changes being far more incremental and not happening with such rapidity.

I think following on from that to emphasise what behavioural safety was starting to mean to me and the Mitsui organisation. Having checked that we were actually the insurer of this plant in Glasgow which exploded in serious consequences, I think 11 fatalities, was this sort of stand out quote from the paper the morning after, which sort of highlighted the sheer tangibility and practicality of what behavioural safety might mean. Literally in terms of using both hands rather than doing something more carelessly and less safely.... Sort of research from there and this isn't a reference to Coca-Cola's approach to behavioural safety. Research from there sort of indicated that some of the consultants that were being used by organisations to deliver behavioural safety wouldn't necessarily easily align with the sort of risk management which insurers were doing, which was a smaller scale. It was very evident that providers wanted complete board support in terms of actually deploying their services. And we then had an interesting position as to who do we actually utilise what is a fantastic form of risk management to best effect for our business. Effectively it's a business opportunity given that what behavioural safety will deliver was either very rapid improvement or sustain superior performance compared with peer organisations...

The other thing that sort of became clear in terms of what was going on was the consultancy was reassuringly expensive. Tim asked me to convey that point to you... The lessons I was starting to pick up and learn about what behavioural safety meant to an organisation would also have this sort of practical ring to it – something that may complete business sense, something that wasn't specifically to do with safety although it's focus was very much on safety. It was a virtuous virtual process that seemed sustainable. Communication and safety would be a form of tangible leadership within the business. Successful safety leadership would lead to fewer accidents and more time to plan. Planning would allow more people to become

involved. Greater assertion would be shown by all parties within the organisation. Break down some levels of communication – them and us problems that existed which would further sustain and drive the process further on. It's all very practical things that made an awful lot of sense but problems becoming aware would obviously take a lot of time and effort in terms of making it successful...

And again picking out some of the final part of the Bradley Curve in terms of looking at information that's there. The inter-dependency factor was key and was going to sustain better safety within the organisation. Drive safety performance. Team work and commitment were key facets that were coming through and I think what was interesting, what we were seeing that the organisations that we established had delivered behavioural safety were often market leaders within their industry sectors.

So there was, you could see the business benefits of what was going on. Certainly again in terms of talking to consultants that were aware were delivering services it was much an addition to safety. The whole thing again it's an important facet of what I think should be communicated within organisations to the wider world, to the insurance market, is that what behavioural safety does is not just deliver better safety but better business performance in terms of quality, value added and other aspects.... Just reflecting on some of those behavioural safety aspects as I see them I just picked out this article which is a summary from the US hazard, US chemical hazard assessment board I think, relating to a major incident that happened in 2005. I think sort of without wishing to deconstruct this particular summary of the issues that led to the event it's very easy to pick out issues like communication, leadership, team work and commitment within what are the major causes of, within the causes of that particular incident. So again it seems a very relative information within that behavioural safety sphere....

To touch upon the communication aspects as I see it I think the behavioural safety establishment process in itself is fundamental to what it means to the business. For it to succeed in the way that organisations want it to work the way that consultants want to sell their services is there is a requirement that there is a very strong commitment from the top within the organisation that if the commitment is deemed not to be there or it's half hearted then often consultants will not wish to put forward their services to make the whole process work as they see it.

I think the other very interesting thing was that employee attitudes, surveys, assessments of safety culture are also significant precursor to getting the projects underway. And again that's something that's going to address how the whole business works, rather than just touching at the edges or addressing specific issues which are more typical forms or insurance liability and risk management. And the other thing that's certain of our insurance or other people that we got to know who are involved in behavioural safety. It was a strong examination on the part of the purchaser of services and examination of what they actually wanted from this of how the cultural thing worked within the business.

So there are some really powerful messages in terms of why the business is doing it, what they want out of it and how committed organisations are to it. All things that I think are fundamentally very strong messages to give inside and outside an organisation. I think to emphasise that for someone to adopt a behavioural safety approach is a very important and significant decision.... I think another thing that really stood out for us in terms of consideration was the role of the consultant. Consultants were very eager to point out that they were not the safety leader within the process. They were a facilitator and what was required and what was in place where success took place was a business champion or business champions that were either on the board or strongly board supported.

I think again from some of the examples that we've seen it's been quite interesting how that initial consultancy has run its sort of fairly early course and then what organisations have done is they've shaped that, focussed that for their own needs and requirements. And very much developed a bespoke and successful programme for their specific business. I can think in terms of some of the award winners today of organisations where we're aware that that's taken place. And I think it's because of the initial commitment that that's allowed to happen. People are confident, they feel empowered in terms of their role within the organisation bringing about change....

Just to sort of emphasise again this issue for us, I think the insurance community have the importance and significant decision. We as insurers will often try to deploy risk management services that will look at specific issues, they might look at issues like what to do when the events were sold, manual handling, specific identification of weaknesses in risk assessment, particularly in specific issues. Claim defensibility audits. These are services that say we look to

provide them and I'm sure other insurers do as well. The behavioural safety is rather different to that in terms of its absolute scale. And I think in terms of messages that need to be communicated to us it is that there is a very large actual cost. I think the one thing that sort of really stands out is the business opportunity cost that's involved in permeating behavioural safety throughout organisations. Just in terms of cascade training, time taken to get the message through. The follow up. And I think it's very interesting as well that what we then have to do as an insurer and what say an insurance broker would do is say different to tangibly providing services, is that we have to sit back and trust what is going on. And understand and not specifically interfere and manage. And that's the role that we've taken. I'm sure it's the role that other insurers would take if they were aware of what was going on, because the relationship between business and consultant is very strong.

Ultimately the whole process though is something that's very much owned within the business and it's for the business to commit to and succeed in doing. So that's how we see the importance of a decision, it's quite different. It's not something where we're necessarily interfering or very directly involved. But we do see the power of the business opportunity of understanding what's going on in terms of the results that it delivers....

To touch upon the sort of insurance benefits side of behavioural safety, I want to use the analogy or comparison of deployment of fixed protection systems within property as an example. The capital expenditure concerned in installing a sprinkler system may be potentially roughly equivalent to a major behavioural safety project. But the difference would be in terms of the motivation deriving insurance benefit in that I'm absolutely convinced that 99 times out of 100 the motivation for you and other organisations delivering behavioural safety is not the derived insurance benefit at all. It is purely the safety and organisational benefit which would be somewhat different to what a property manager would consider in terms of the deployment of fixed protection systems within an organisation. It's just really to give you some guidance of if the information was communicated then we as underwriters would look at things rather differently.

Employers liability underwriting is generally a retrospective process, which looks at previous loss experience. Because claims take some time to develop in terms of when they notify limitation acts about 3 years for a bodily injury claim to be actually notified and still be allowed. Then there's the whole process of understanding how severe the injuries are. So what you're really looking at is something that's say five years historic rather than one year current, in terms of trying to shape decision. Whereas I think if we had a situation where there was sort of further communication then it would certainly help us make decisions and help us where possible to reinforce the behavioural safety approaches being undertaken within the business.

So my message around communication which I think is key is that we would like to hear and I think the organisation and external parties would like to hear why you've effectively decided to embark on behavioural safety, what are its objectives? What's the vision for the organisation?

To very much understand how the board and the organisation at the top are committed to the process and also I think it's really important to understand the further benefits and the influences over it in terms of regulatory and customary influences. In terms of the involvement we have within the construction industry it's been quite interesting to the extent that one or two major contractors have had a role in driving behavioural safety throughout the supply chain. That then have through a process of acquiring those behavioural safety skills the inter-relationship that those key subcontractors have had with other major contractors is benefited. I think again if it's a business opportunity case that's articulated then it would further support the value of behavioural safety.

I think it's also important without giving too much away to try and give some view of actual costs to the project. Going back to the example of fixed protection then often someone will articulate how much that has cost and the effective return period in terms of insurance benefits that go with it. So if you don't necessarily object I think that's valuable information that could be put forward. Although it's difficult I think it's very important to try and articulate the opportunity costs, maybe in terms of man days rather than actual costs that goes in delivering behavioural safety throughout the organisation.... There's the process of actual delivery takes place then I think it's important to try and relay some of the statistical benefits that are there.

There's a current theme within the UK insurance sector to try and understand more about the relationship between reportable accidents and how they then develop into claims. But if there's better more specific information that your behavioural safety project is delivering in terms of quantitative outcome then I think that will be useful information to provide. Because I said more recently the information is the better informed we are to make decisions on what's

happening now rather than necessarily rely on what's happened in the past. And again from a favourable point of view I think in terms of wanting to be dealing with vibrant, ongoing successful businesses because they tend to make better insurance propositions in terms of outcome than the wider benefits in terms of communication, leadership, lower staff turnover, productivity, business relationship success. Then if those things can be put in context I think there's real value in terms of that level of communication... Whilst my experience of behavioural safety is relatively short-lived. I am conscious it's been there for some time. Some organisations and some representatives here today will have been practising this for many many years. And I think in that context where you feel you're at a point of sustainability and there won't necessarily be the rapid improvement that might be available when you're embarking on the process. Then it's important to explain the history and what's happening within the organisation.

So think from a sort of rating perspective it's important to understand why, because we work off essentially quite simple processes of a guide rate for a particular industry, to understand why your business will be significantly better than a competitor will appear within the industry. And also the focus on what is, because I'm conscious that the whole process requires a lot of effort and commitment to sustain the process I think it would be important to focus on how that sustainability is being demonstrated and delivered within the organisation... Our own experience in terms of successes within are quite varied. There's a variety of businesses and a variety of consultants that have delivered success and I think it doesn't have to be specific. It's very much, it doesn't have to be general, it's very much specific success that should be articulated.... To conclude I think the important thing about what I would like to see, about what we would like to see in terms of deriving insurance benefit from all your considerable successful efforts - is that you communicate effectively within your organisation with the insurance buyer. So that they can then communicate with the broker and the insurer, whoever that may be. I think it's also really important in terms of publicity that if you have news or website articles that will touch that then they too are published because they are often now sort of review of what's on the web is often intrinsic part of the underwriting process... I would just like to conclude by saying I think you're all doing a fantastic job and it's really important that you communicate the success of that work for yours and potentially insurers benefits.

Thanks very much.