

CRO briefing

CRO Forum Emerging Risk Initiative (CRO ERI)

Workplace Related Stress

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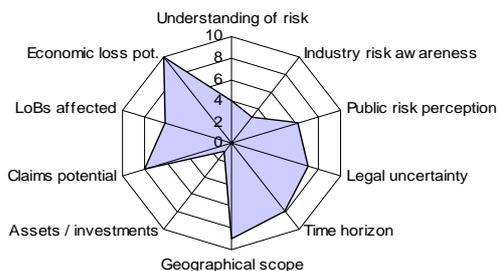


The aim of the CRO Forum Emerging Risks Initiative Risk Briefings is to highlight a risk topic by introducing the risk background, the relevance for the insurance industry as well as a short out-look

Workplace Related Stress is one of the major concerns for the enterprise, risk carriers and all third part.



Workplace Related Stress' characterisation



Rating Description			
	1	5	10
Understanding of risk	very good	medium	very poor
Industry risk awareness	high	medium	none
Public risk perception	low	medium	high
Legal uncertainty	none	medium	high
Time horizon	long term (>20yrs)	medium (10-20yrs)	short term (<5-10yrs)
Geographical scope	Africa or Asia or EU	US	worldwide
Assets/investments	few	several	many
Claims potential	none	medium	high (class action)
Lines of business	<2	=2	>2
Economic loss pot	>100m	>1bn	>10bn

Risk Description

The US National Institute for Occupational Health and Safety defines occupational stress *“as the harmful physical and emotional responses that occur when the requirements of the job do not match the capabilities, resources, or needs of the worker. Job stress can lead to poor health and even injury.”*

Stress is an emotional response to life. Each person is different and as a result, it is difficult to predict when healthy tension peaks and is replaced by detrimental stress.

Conditions brought on by stress can include¹:

- depression;
- anxiety;
- insomnia;
- high blood pressure (hypertension)stomach and duodenal ulcers;
- asthma;
- rheumatoid arthritis, and
- an over active thyroid (hyperthyroidism)

Employees may also become more vulnerable to accidents, either at work or elsewhere, for example, while travelling.

Why does it matter now?

Current economic circumstances highlight occupational stress, as workers have to deal with fear of unemployment and increased demands arising from staff cutbacks. These pressures may also interact with family and money pressures contributing to cumulative strain.

1 NHS Choices—Stress

What are the aggravating factors?

The world is currently experiencing the steepest consecutive fall in Gross Domestic Product in post war history².

There is great pressure on employers to manage labour expenses and by the end of 2010, unemployment rates are forecast to reach 10% in the USA and 12% in the European area³.

Job issues are listed as one cause of stress by the UK’s National Health Service⁴ and as work forces contract and demands on those workers who remain employed increase, workplace stress is expected to rise.

Businesses should take action now, to avoid its worst consequences.

Risk assessment

The European Agency for Safety & Health at work identifies the following factors that potentially drive worker stress⁵:

- excessive workload or exposure to physical hazards;
- how much control workers have in the way they carry out their work.
- whether workers understand their roles;
- relationships, covering issues like harassment and violence,
- what support there is from colleagues and managers, and
- what training workers need to perform their task.

2 OECD Economic Outlook N°.85, June 2009
 3 OECD Economic Outlook N°.85, June 2009
 4 NHS Choices—Stress
 5 European Agency for Safety & Health at Work—Stress and psychosocial risk—advice for Employers

In a similar vein, the UK Health & Safety Executive promotes six Management Standards that cover the primary sources of stress at work. These are ⁶:

- **Demands** – this includes issues such as workload, work patterns and the work environment.
- **Control** – how much say the person has in the way they do their work.
- **Support** – this includes the encouragement, sponsorship and resources provided by the organisation, line management and colleagues.
- **Relationships** – this includes promoting positive working to avoid conflict and dealing with unacceptable behaviour.
- **Role** – whether people understand their role within the organisation and whether the organisation ensures that they do not have conflicting roles.
- **Change** – how organisational change (large or small) is managed and communicated in the organisation.

Liability at law

Should things go wrong, the employers position at law will vary from country to country. Within the EU, enabling Framework Directive 89/391, says that all employers have a duty to protect the health of employees; while employees have a duty to comply with protective measures determined by the employer.

Consideration for the insurance industry

In many cases, the emotional cause of an accident may be obscure but this should not mask the insurance impacts of occupational stress which can be considerable. Lines of business impacted include;

- Accident & Sickness
- Product Liability
- Property
- Motor
- Employers Liability / Workmen's Compensation

- Public Liability
- Machinery Breakdown
- Marine

Where risk improvement surveys are undertaken, there is an opportunity for insurers to evaluate the sources of stress at work which are an underwriting feature. However, operators cannot delegate their accountabilities for managing stress in the workplace to insurers.

Social attitudes towards stress are changing and regulators are responding, as evidenced by EU Framework Directive 89/391. Insurers need to adapt to these changes and ensure that cover continues to meet the needs of operators.

Work related stress will be a continuing issue for the insurance industry.

Outlook

Like so many other aspects of economic activity, Workplace Related Stress is becoming globalized. Decisions made in one country, can now have significant implications somewhere else in the world.

The ability of workers to cope with changing demands and levels of control over their work will vary. In some societies, good support and strong relationships can help workers to adapt. Elsewhere, support may be lacking or relationships may not be strong enough to promote positive working.

Sudden, rapid implementation of change is a particular challenge. Good management and communication can be critical in determining the best emotional outcomes.

Workplace related stress will remain on the agenda for many decades to come and should remain a point of particular focus for operators and insurers alike.

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The CRO Forum's Emerging Risks Initiative

The Emerging Risks Initiative (ERI) was launched in 2005 to raise awareness of major emerging risks relevant to society and the (re)insurance industry. The initiative is currently chaired by AXA and consists of eight members representing Allianz, Hannover Re, Munich Re, RSA, Swiss Re, Zurich Financial Services as well as AIG, and AXA.

Emerging risks are by far the biggest challenge for the insurance industry. Emerging risks are risks which may develop or which already exist that are difficult to quantify and may have a large loss potential. Further, emerging risks are marked by a high degree of uncertainty; even basic information, which would help adequately assess the frequency and severity of a given risk, is often lacking. Insurers have extensive experience in assessing risks but the ever-faster changing risk landscape and its increasingly complex and interconnected risks are making new demands on stakeholders – be they legislators, regulatory authorities, the scientific community, the private sector or civil society – to assume their respective responsibilities in the risk management process.

Governments bear key responsibilities for risk mitigation in society. Jointly with the regulatory authorities, they play a vital role in ensuring the viability of private insurance by creating appropriate legislative and regulatory frameworks. Yet, a systematic approach to risk management has, to date, often been lacking at governmental level, and affecting a nation's ability to identify, assess and manage global risks. Professional and systematic risk management would enable governments to prioritise risk mitigation and response measures more adequately. Individual or corporate insureds need to participate in sharing the risk of financial losses. A significant retention of potential loss is a powerful incentive to prevent or mitigate losses and reduces administrative costs by absorbing small, high frequency losses. The insurance industry can create incentives for these mitigation measures by raising awareness of the cost of having undiversified peak exposures. The insurance industry can further add value by contributing risk analysis and management expertise to help insure that entities and regulatory authorities handle their risks optimally.

By absorbing financial and insurance risk, the insurance industry plays an indispensable role in today's economic system. If this is to continue in the future, the industry must minimise surprises. It is therefore crucial to identify and communicate emerging risks to a broader community, thereby fostering a stakeholder dialogue with representatives of a community bound by a shared risk.

This risk briefing is supported by the CRO forum, which comprises the Chief Risk Officers of the major European and US insurance companies and financial conglomerates. The CRO forum is a professional risk management group focused on developing and promoting industry best practices in risk management. It seeks to present large company views, with three core aims:

- Alignment of regulatory requirements with sophisticated / best practice risk management
- Acknowledgement of group synergies, especially diversification benefits
- Simplification of regulatory interaction

The CRO Forum's views are communicated through its publications and made available to wider audiences, for example, through the CRO Forum web page at www.croforum.org. The CRO Forum supports the activities of the Emerging Risk Initiative. This Initiative pursues the following goals:

- Raising awareness and promoting stakeholder dialogue
- Developing best practice solutions
- Standardising disclosure and sharing knowledge of key emerging risks

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