

"Having to take more responsibility for damage to nature and the environment is unfamiliar to many businesses", writes Morten Thorsrud, head of Industrial Insurance at If.



- [British town to heat pool with crematorium](#)
- [Swedish waste firm makes comeback – in China](#)

Society's helplessness in the face of environmental disasters has proved costly. Responsible authorities lack both knowledge and resources to play their part satisfactorily.

The most recently publicized disaster has been the BP oil spill in the Gulf of Mexico. Not even the superpower United States was able to do anything when the oil spilled from the borehole. The environmental damage was enormous, and the cost to BP is estimated at between USD 40 and 100 billion.

Sweden has not been spared, either. A case involving a Swedish connection is the accident at Boliden's zinc mine in Spain in 1998. The consequences for nature and the environment were extensive, and the clean-up costs were well in excess of SEK 1 billion. The Spanish State is seeking legal redress from Boliden.

Of course, there is the risk that an accident, major or minor, could occur at a company in Sweden.

A recent UN study highlights the enormous global costs of environmental damage. There are warnings that pension funds investing in environmentally hazardous enterprises threaten to decline in value. The discussion of liability for environmental damage, and the need for effective mechanisms to prevent it, has finally reached the highest international level.

Since 2007, there has been a new law in Sweden based on the relevant EU Directive. The Act, contained in the Environmental Code, provides for more extensive corporate liability in case of serious environmental damage. The idea behind the law is that companies must restore or replace any damage they cause.

The main difference in the new law is that it no longer needs some individual to suffer damage caused by a company's activities. It is enough that damage to nature and the environment can be detected, thereby providing it with intrinsic protection. This will avoid disputes and processes

Environmental disasters affect companies, too

Written by Morten Thorsrud

Thursday, 24 February 2011 12:20 - Last Updated Thursday, 24 February 2011 12:35

in which companies claim that their conduct was reasonable, even though serious damage has been caused to the environment.

This is precisely what has previously been shown to be the problem with environmental legislation. Disputes have become complex, and full responsibility for environmental damage has seldom been imposed on companies. Costs have been borne by taxpayers, but, in the end, it is the environment that has paid the price.

The new law has arisen from the need to change this. The major disasters that have been experienced in recent years have meant that people increasingly realize we must have a different approach. Nature will no longer come free of charge. Companies will not be able to use nature and ignore the consequences.

If the new law is to have the desired effect, our authorities need to be more proactive. So far, Sweden has not been very good at prosecuting environmental crimes. But, with the new law, the authorities have much sharper teeth. Even then, for the law to have a real impact, collective resources and knowledge are required. The current fragmentation of authority and responsibility in the field of environmental protection does not work well.

Greater responsibility for damage to nature and the environment may seem strange to many businesses. The cost could be very high. For smaller companies, environmental damage could even mean bankruptcy. However, companies must realize that safeguarding the environment is part of every company's operations.

For companies to be able to fulfill their obligations, and take a more preventive approach, there is now environmental liability insurance. Few companies have taken out policies so far, perhaps in a naive belief that Swedish companies cannot be affected.

When the first environmental disaster occurs, of course, the situation will change, but for the affected company it will be too late. From a social perspective, this is unfortunate in two ways. First a perhaps otherwise healthy company goes bankrupt, and, second, the taxpayer has to foot the bill for the clean up.

One objection often advanced against environmental liability insurance is that companies buy their way out of responsibility. Nothing could be further from the truth. It is of course true that the insurance company pays out compensation for an accident or disaster, but the company which takes out insurance is obliged to develop better safeguards for its operations. In some EU countries, environmental insurance of this kind is a legal requirement.

Simply put, insurers perform an inspection task. It is a type of supervision that functions effectively and is based on knowledge, which is how we can help prevent new disasters. The big winner is the environment.

Morten Thorsrud,
Nordic Head of Industrial Insurance, If

Environmental disasters affect companies, too

Written by Morten Thorsrud

Thursday, 24 February 2011 12:20 - Last Updated Thursday, 24 February 2011 12:35

If is a property and casualty insurance company with approximately 3.8 million customers in Sweden, Norway, Finland, Denmark, Russia and the Baltic countries. It was formed in 1999 through the merger of the property and casualty insurance operations of Storebrand of Norway and Skandia of Sweden.