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ABSTRACT

The risk management behaviour and insurance policy as a part of business decision making

The aim of this paper is to analyse the risk management process in 18 Finnish enterprises. The risk management process has traditionally involved four stages: identifying, measuring, controlling and financing risks. Every firm has a specific risk profile. Typically firms seem to be property-oriented, but also liability, interruption and transportation risks have a matter of great weight.

The risk protection level varies from minimal statutory insurances to high risk protection programmes in several fields. Business interruption and liability risks are typical areas of different decision making. A few Finnish companies have applied global insurance programs and internationalized, big companies have established captives. The basic question is, why high deductibles are used in certain firms and lower deductibles in some other firms? Firms pay premiums (property & casualty) rising up to 0,4% - 5,6 % of their sales. What is the real risk bearing capacity of the firm and what kind of loss prevention and risk financing techniques risk managers should use in order to optimize total risk costs of the firm? Generally accepted rules of thumb, like 0,1 % of sales per occurrence are not used in setting suitable retention levels. The risk management strategic portfolio has been developed for doctoral thesis.

The empirical material has been collected from 18 Finnish firms in which risk managers and CEOs have been interviewed. Qualitative case study analysis is used in this research. The structure and coverage of risk management portfolio seems to depend on a company's size, management philosophy, financial facilities and internationalization politics.

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