

**“Dealing with the Worst Case Loss” in multi-national and industrial projects.**

**A presentation to the Risk Management Group of Project Professionals, Finland**

**7<sup>th</sup> May, 2025 by**

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**Introduction by Kalle Koivula, Risk Management Committee of [www.pry.fi](http://www.pry.fi)**

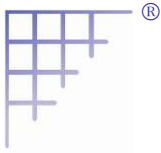
Many of you on this webinar will already know Paul.

He has been involved on claims adjusting and arbitrations in the Finnish multi-national insurance market since 1995. Since he started in insurance 50 years ago he has lived in Europe, the Middle East and Singapore, and dealt with Risk, Claims and Disputes in over 90 countries.

Paul is a Chartered Loss Adjuster, Chartered Insurance Risk Manager and a practising Court Expert. He has a Law degree, an MBA and several post-graduate qualifications.

He leads the Concordia Global Network and is a Senior Fellow at City University in London. In his spare time Paul runs, cycles, and is a keen Offshore Commercial Yachtmaster having sailed over 110,000 kilometres in many places around the world.

This morning Paul will be sharing his experience and critically suggesting ways to avoid, mitigate and recover from the worst case loss incident.



## Paul May “Dealing with the Worst Case Loss”

Thank you Kalle for the introduction and to Project Professionals for the opportunity to share some thoughts.

In the time available I have had to be extremely selective and leave out a lot of things I would like to talk about in some detail from my long list.

Many of you will have heard, and may be sometimes use, the phrase:

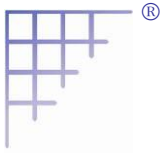
*“Hope for the best, prepare for the worst”.*

Personally, I think that is wishful thinking, and should be shortened to just:

***“Plan for the worst”***

There is no room for hope when seeking to minimise risk or recover from a WORST CASE major loss.

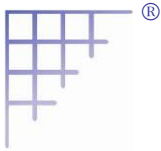
I will be talking today about:



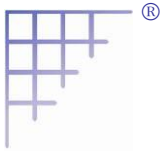
- Risk Registers
- Decision Making
- Strategic Opportunity
- Insurance Companies

These four topics are taken from a much longer list of issues which includes :

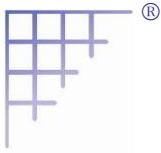
- **Risk Registers:** which I don't have much confidence in
- **Uninsured Losses:** where you aren't reimbursed for all your time, expense and loss
- **Politicians:** who can be gatekeepers, supporters, obstructives, and also corrupt as I found on a multi-million euro major loss near Moscow, where the local mayor demanded a big bribe - which he didn't receive - to grant a rebuilding permit.
- **Suppliers:** who will often increase their prices after an incident especially if you were tough on them in the initial negotiations and their product is critical to the reinstatement of the loss.
- **Customers:** who may seek future discounts or leave you for a competitor.



- **Competitors:** who will be after your customers and project pipeline and possibly circulating stories that your project/process has failed, and you are unreliable.
- **Opponents:** neighbours, environmentalist groups, and possibly even parts of your workforce.
- **Insurance Companies:** without their protection evidenced by an insurance policy your project would not have started and now you are asking them for a lot of money – way more than the premium you paid initially !
- **Strategic Opportunity:** what benefits might now have appeared that your organisation should consider ?
- **Workforce:** will rightfully have concerns about continuing employment especially if their roles wont be needed until after a significant reconstruction possibly of several years.
- **Responsibility for the Loss:** can someone else be held legally responsible for the loss and reimburse you and your insurers?
- **Without Prejudice Co-Operation:** Aviation insurers are good at collaborating on a Without Prejudice basis to establish the root cause of the loss.
- **Settlement Protocols:** How will you resolve disputes with your other project partners and also with your insurers?
- **Recovery Response:** Vital to have pre-incident protocols in place especially with your funders.



- **Publicity:** It is important to gain control of the narrative and influence public opinion. I have appeared on radio and television in several countries after loss events such as hurricanes and bombings. For example , after a massive terrorist bomb at a Central Bank, which killed a number of people and injured many more as well as damaging nearby banks and finance companies, I confirmed on the main television channels news programmes that my clients (Lloyd's of London and major reinsurance companies) were committed to meeting the costs of reconstruction. The aim being to avoid a liquidity event by a “run on the banks” from mass withdrawal of customers’ cash.
- **Cash flow:** Extra lines of credit with pre-agreed triggers for stage payments during the recovery. Don't rely on your insurers as the only source of interim payments.
- **Decision Making:** I will touch on this later but it is absolutely vital to have the main board involved in the pre-agreed protocols.
- **Language:** It helps to reduce uncertainties and disputes by clarifying English language contract and policy terms in the language of the dispute resolution clause.
- **Claims Handling Protocol:** Although time consuming, there are many benefits from the certainty provided by having roles and responsibilities clearly agreed at the outset of the project not just after the loss has occurred.



- **Reinsurers Commitment to Pay:** Often the direct insurer has to follow decisions made by their reinsurers as to if, when, and how much is to be paid. Often therefore your claim is under the control of a lead reinsurer in somewhere like London, Munich, Paris or New York.

I will now talk a little more about:

- Risk Registers
- Decision Making
- Strategic Opportunity
- Insurance Companies

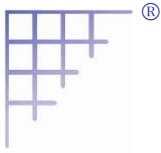
Before I do though I would like to talk about the phrase Worst Case.

As to defining “the Worst Case”, the International Association of Project Managers talk about:

*“the most negative development that is as unfavourable as possible”*

IPMA (the International Project Management Association) refer to the development of a worst-case scenario through

- Identifying risks



- Analyzing impact
- Considering **the most adverse outcome**

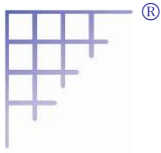
I like the term “**most adverse outcome**”.

In relation to **Risk Registers**, these spreadsheet/database tools are commonly used to capture (or at least give the illusion of capturing) all the risks faced by an organisation.

It is often referred to as a *Risk Repository* that is somewhere to store the information. I see that as often a non-dynamic approach with a poorly considered probability focus. The Risk Register is seemingly comprehensive and detailed, but it can be seen as a “tick-box” administrative exercise rather than a true 360° dynamic approach.

Often the Risk register is only looked at monthly or quarterly. Considering the speed of change in certain risks surely the Risk Register should be re-named the Risk Radar and looked at daily.

The Risk Register for the Fukushima nuclear power station in Japan was probability based. The power station was severely damaged in 2011 by a gigantic wave of sea water generated by a magnitude 9 earthquake. The sea wall was designed with the



probability assumption of maximum waves of 5.5 metres. The Tsunami wave was 15 metres. The surrounding area was badly contaminated and had to be evacuated.

In the subsequent review of the disaster (which was a level 7 Atomic Energy Agency event on a par with the 1986 Chernobyl fire) it was concluded that:

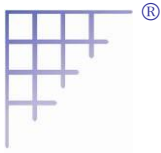
*“Risk assessments that rely on probability do not offer sufficient protection against accidents that happen rarely, or have never happened before.”*

So, I would stress that a Risk Register should be seen as a preliminary and basic process tool not THE risk identification solution.

I am convinced that a much wider, deeper and less involved group should be included in reviews looking at RISK. Outsiders should be involved as they aren't obliged to follow the organisation's financial aims and aren't likely to be limited by *group think*. Such a diverse group may be better able to help identify the “rare” and “never before” risks.

Risks are often overlooked or not considered in adequate detail. In looking at different types of risk to your organisation and project I would stress the importance of





considering, and preparing for, the risk that your Insurer will not pay you at all, or insufficiently for reinstatement to be achieved.

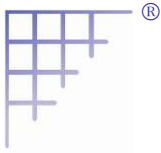
Not all high probability risk events produce high cost and damage exposure, but it is a bad and expensive combination when they do.

We were the adjuster for a US\$100 million oil escape and pollution environmental loss in South America.

A joint venture of two international oil companies had purchased the national energy company in Bolivia whose infrastructure hadn't been maintained as well as international standards would have required. Their Risk Register had identified a fairly high probability of leaks of oil from the extensive pipeline network, but a relatively low-cost exposure. In the event the leak in a pipe – over a large river crossing rather over land - created a massive oil slick of many hectares that badly polluted the river and damaged nearly 200km of shoreline, farmland and livestock.

The clean-up took almost two years.

The assumptions in the Risk Register had not been robustly and independently challenged.

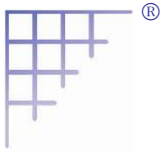


Moving on to **Decision making protocols**, these sometimes seem to be a second thought after the event consideration. A worst-case event needs to have the engagement of the most senior directors of the organisation. Not just after the event, but as part of the frequent “worst case dry-run” drills that should be run periodically.

There are many moving parts to recovering from a major loss, and the organisation is vulnerable, wounded and at risk from actions of competitors, suppliers, and often opponents such as neighbours, politicians, environmental groups, and sometimes even elements of its own workforce.

It is not unreasonable to ask your insurers (and potentially their key reinsurers) to explain and commit to a timetable that dovetails with your practised and rehearsed decision-making process. Likewise, your suppliers, banks, key shareholders and (cautiously) your key customers should be consulted.

Your organisation’s reputation, financial health and even survival are the justifications for risk managers to ensure that their senior executives including the CEO are fully involved.

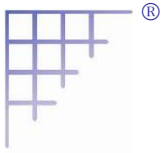


On a major property and Business interruption explosion case here in Finland it took us over 4 weeks to realise that the senior managers we were closely dealing with had no real authority, despite the way they were presenting themselves.

It was only once we asked for a clear written explanation of their internal decision-making process did it become clear that one of their main shareholders held the real decision-making authority. Once he was brought into the discussion things progressed well.

This leads me on to the legitimate concept of **Strategic Opportunity**. It is key for us to understand what the form of loss reinstatement will take. It may be that a change in production process, project layout, product or location would be better for your organisation. In Asia, we dealt with a major glass bottle manufacturer's loss arising from an accidental catastrophic failure of their only glass making kiln. After a detailed discussion with the main board it became clear that the manufacturing could be re-located to a neighbouring country with lower labour costs and better land and marine links to supply the 8 or so countries where they had their own bottling and distribution facilities. The site on which the kiln was located was re-developed into a series of luxury condominiums !

The end result though was a new manufacturing plant at less cost than the re-build of the damaged factory and kiln.



**Insurance** is my last key issue in the time still available. For a relatively small premium the Insurer takes on a significant risk. In a competitive market the price and the specific terms in the policy wording can often seem to some claims managers in the insurance companies as providing cover for a lower price than the amounts at risk.

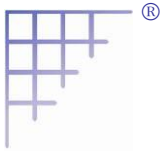
Such individuals in an insurance company can often present a risk to your organisation. There is often a “hero” personality who can be something of a rebel within his own company and seek to ‘*retrospectively underwrite*’ the policy.

*“We surely never intended to cover that !”*

*“This project process is experimental and isn’t proven – why should we cover such a loss “?.*

*“The equipment lost wasn’t state of the art so why should we pay 100% of the replacements”?*

It is vital that, with your insurance broker, you openly and frequently share with your Insurer the progress on your project and business generally. During contact with your Insurers try to identify, isolate and ignore the “heroes”.

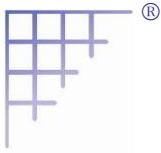


Involving the Insurer in your *Recovery Response* plans, drills and rehearsals is a great way to create a common purpose. It is also important to have a written Claims Protocol with your Insurer setting out key contacts, commitments on the payment of Interim Payments on Account, decision making process especially involving co-insurers and reinsurers, and any clarifications on how disagreements will be handled.

Usually the Insurance Policy is in English.

However, the dispute resolution clause often stipulates Court or Arbitration proceedings in the country of the Insured organisation. It is possible therefore that the Finnish Court or Arbitration Tribunal will be required to “try” a dispute between a Finnish policyholder and a Finnish Insurer in the Finnish language whereas the contract is in English.

I would encourage you to consider holding scenario discussions and clarification discussions in Finnish prior to and during the insurance coverage. Specific written queries and explanations can of course be translated into English but it doesn’t make for efficiency to have two Finnish contracting parties using English when the dispute resolution process will be in Finnish.



Before closing I would like to say a brief word about **Cyber risks**. As an attacker will lock you out of your systems it is vital to have Response Protocols in paper format with all key personal and response actions listed.

Satellite phones/email such as Starlink powered by batteries will likely be the best and most resilient way to communicate.

Insurers should also offer such “off the grid” emergency contact names and numbers.

In the recent Spanish “all country outage” Starlink users were able to maintain some form of inter-connectivity.

It has been a real challenge for me to fit some of these key issues into a 30 minute talk.

I would be happy to take part in a follow up event, maybe focussing on one or two key issues.

I am happy to now take questions or separately by email if you wish to write to me at

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Thank you.