

Press release  
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## **EUROPEAN RISK MANAGERS “VERY CONCERNED” ABOUT SOLVENCY II, WANT BROKER REMUNERATION ISSUE SOLVED**

The Federation of European Risk Management Associations (FERMA) is “very concerned” about the impact Solvency II will have on the market for commercial insurance and these implications extend across the world, the organisation's President Peter den Dekker said today.

Opening FERMA's biannual Forum here in Prague, den Dekker, stated: “Something happened between April and now. In April, Solvency II got a warm welcome from the insurers. Now the European insurance Committee, the CEA, has issued a letter saying it has major concerns about the impact on the insurance industry and on insurance buyers.”

He explained said that although Solvency II would formally only apply to European Union insurers, other important jurisdictions were looking to achieve equivalence by adopting similar solvency regimes.

FERMA, said den Dekker, continued its view of a cautious welcome for Solvency II with a number of reservations. It is concerned that large insurers with more diversified portfolios are likely to gain competitive advantage with the possible result over time of consolidation, reduced competition, increased insurance costs and less facility to insure emerging risks. FERMA is also concerned that although the Solvency II framework directive does acknowledge that captive insurers do not need the same level of regulation as a commercial insurance company, the definition of captive is very narrow and the regime applies only to EU domiciles.

Speaking this morning, den Dekker added another aspect that worries risk managers. “Solvency capital calculations will rely strongly on models. We wonder if this emphasis on modeling could shift underwriting decisions to a senior manager, such as the CRO or even CFO. In that case, buyers would lose the understanding of their business that they have built up with an active underwriter who has the knowledge and experience to shape coverage appropriately. Models are no holy grail, as we have seen in banking.”

### **Broker remuneration**

Also this morning, den Dekker admonished the brokers for failing to conclude an agreement on their remuneration. He was disappointed, he said, that yet again the issue of contingent commissions had arisen six years after it had first been discussed at a FERMA Forum. FERMA does not take a stand on how brokers should be paid, but rather that there should be complete transparency between the broker and the client.

Den Dekker also urged the brokers through their European organization BIPAR to play a public role in the debate on Solvency II. With a note of impatience, he said: “Get the remuneration issue settled, so that we can get on with things that are really important like Solvency II.”

As a voice for corporate insurance buyers, FERMA has become a recognised stakeholder at European level and it is actively involved, for example, in working with the CEA, on the detailed implementation proposals for Solvency II.

FERMA decided on the theme of the global village for the 2009 Forum nearly two years ago, before the financial crisis, but den Dekker commented that it had been a far sighted choice, because “it makes us examine the future of risk management in a world which we see - more than ever - is inter-dependent.”

The Forum, which takes place in alternate years, has attracted more than 1,000 risk managers, service suppliers and other professionals. It continues until Wednesday.

#### Notes to journalists

##### Contact during the Forum

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FERMA is made up of the national risk management associations of 17 countries. It represents over 4,000 individual members and a wide range of business sectors from manufacturing to financial services, charities and health organisations as well as local government organisations.

Member associations are from the following countries: Belgium (BELRIM), Bulgaria (BRIMA), Czech Republic (ASPAR CZ), Denmark (DARIM), Finland (FinnRiMa), France (AMRAE), Germany (Bfv & DVS), Italy (ANRA), Netherlands (NARIM), Poland (POLRISK) Portugal (APOGERIS), Russia (RusRisk), Spain (AGERS and IGREa), Sweden (SWERMA), Switzerland (SIRM), Turkey (ERMA) and United Kingdom (AIRMIC).

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