



Message from FERMA President, Jo Willaert

The 2016 FERMA Survey asks whether FERMA members are concerned about insurance market capacity. I expect that, as in the past, the answer will be no, perhaps with the exception of specific, niche risks. At the same time, since the previous Survey in 2014, we have watched a number of mergers between large primary insurers and wonder what the implications will be for capacity and for choice.

It is clear that several major reinsurers currently see opportunities in the corporate insurance market and in general, this is good for the market. The reinsurers are well positioned to deal directly with corporate customers. They have huge capacity and can take on big risks independently. They can provide choice in a market that is consolidating, and with their immense technical skills, they may be able to offer a new approach to some specific, difficult risk issues. Currently, it can be hard to find protection in the traditional primary market for earnings protection-related risks, such as contingent business interruption, and some niche areas. New options would be welcome.

Without even considering regulatory constraints, I do not expect – nor would I want – reinsurers to take a significantly larger role in corporate risk transfer. Reinsurers cannot replace primary insurers in global programmes. because it is much more difficult for them to write local policies as part of a global programme. They do, however, provide reinsurance capacity to the primary insurers and also give the benefit of their extensive experience. Thus, the reinsurers’ approach can be complementary to primary insurers rather than competitors.

Another factor is that reinsurers have a very technical financial approach to risk when they formulate products. Primary insurers are more used to considering the traditional financial technicalities of coverages, and they also have the experience to take into account the service needs and the business realities of their clients.

Today, the insurers and reinsurers are in a period of evolution in response to their business environment and regulatory changes, especially Solvency II. Yet, this is far from the first period of change in the market that I have seen in my career, first as a broker and then as a risk manager. I believe that even if there are some temporary difficulties, the re/insurance market will remain our most important risk management partners.



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FERMA presses the value of ERM in corporate transparency

FERMA has called for the European Commission to acknowledge the value of enterprise risk management (ERM) and the skills of risk managers in increasing corporate transparency on issues such as corporate social responsibility.

Since the financial crisis, the European Union, its member states and other bodies such as the OECD have been pressing large companies for greater disclosure, including risk-related information. “As risk managers, we believe that we have an important role to play in helping our organisations meet these requirements through ERM,” states FERMA President, Jo Willaert.

Most recently, the Commission conducted a consultation exercise on the guidelines to be issued to large enterprises in meeting the requirements of the Non-Financial Reporting Directive. A large proportion of the 4700 European risk and insurance managers represented by FERMA work for companies that are within the scope of this Directive and so will be involved in this process.

The Directive has been agreed and will be implemented by the end of 2016 in all EU countries. It specifically asks that the non-financial statement that companies will have to provide from 2017 contains a description of the principal risks and how the organisation is dealing with them. These non-financial elements are principally environmental, social and employee matters, or what are often called corporate social responsibility (CSR).

In its response to the consultation, FERMA urged the Commission to recognise in the guidelines the fundamental role of risk managers and the value of enterprise risk management (ERM) methodology in the reporting of non-financial elements, which requires a deep understanding of the business model of the organisation.

When deploying an ERM methodology for the organisation, the risk manager is already doing what the Directive would like to see about risks related to non-financial issues.

“Risk reporting is already a key element of the risk manager’s role. Because of the cross-functional nature of the risk manager’s mission, he or she is well placed in the organisation to identify the various types of risks and develop mitigation plans,” commented Jo.

**FERMA & ECCIIA working breakfast
“Country by Country reporting:
from risks to opportunities?”**

**28 June, European Parliament,
Brussels**

**More information:
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**The role of the risk manager and international financial transparency initiatives will be the subject of a risk-managers only roundtable discussion at the FERMA Seminar on 3-4 October 2016.*

FERMA’s response to the European Commission’s consultation :

<http://www.ferma.eu/app/uploads/2016/04/FINAL-response-to-the-2016-consultation-on-non-financial-reporting-guidelines.pdf>

Letter from Brussels

Cybersecurity and the Digital Single Market



In EU jargon, the single market is a space where people, goods, services and capital circulate freely across the Union. It is one of the greatest achievements of the European Union. Applied to the digital economy, it relates to a market of 500 million European customers, who are now almost all engaging in online activities.

To function effectively, the digital marketplace must guarantee a high level of trust for all players: consumers, companies and regulators. From a public policy making point of view, this has been already reflected in a number of EU legislative proposals like the Network and Information Security Directive, currently being discussed by the European Parliament, or the recently adopted General Data Protection Regulation, which will be applicable as of May 2018 in all EU member states.



One year ago, the Juncker Commission presented for the first time a comprehensive Digital Single Market strategy aimed at “bringing down barriers to unlock online opportunities” in Europe.

In order to make the EU’s internal market go digital, the Commission focusses its work around three pillars:

- Building better access for consumers and businesses to digital goods and services across Europe;
- Creating the right conditions and a level playing field for digital networks and innovative services to flourish and
- Maximizing the growth potential of the digital economy

FERMA’s recent contribution to the European Commission consultation on cybersecurity, mentioned in our last newsletter, is part of the second pillar of the Digital Single Market strategy. It should lead to a public-private partnership on cybersecurity in the area of technologies and solutions for online network security. FERMA is currently discussing with the Commission the initiative and the opportunity to be associated with such a partnership to develop industrial and technological resources for cybersecurity. Risk managers are doing great work on how to quantify digital risks in an organisation.

Building on the expertise of our member associations, we at FERMA work for recognition of the value of the enterprise-wide approach and role of risk managers at EU level in digital risk management.

Typhaine Beaupérin, CEO of FERMA

Navigating a wider risk landscape

Jonathan Blackhurst examines the growing role of the risk manager in managing non-financial risks



Every risk can be expressed in financial terms.

Every risk can end up hitting the bottom line.

Therefore, whatever the risk, it is ultimately financial – right?

Well, no. While some will argue strongly in support of the above statement, I believe concentration on this, admittedly important, but still narrow perspective actually hinders an organisation from considering the full spectrum of risks that it could face – thereby, ultimately threatening its bottom line.

What if the tangible financial outcome of the risk is not the most immediate concern for the organisation to consider? What if the potential exposure could make the operations of the business uncomfortable, notorious or distressing, yet still at least temporarily ‘affordable’ in terms of the overall bottom line? Should we not learn from the slew of market scandals where it was non-financial risk that set the ball rolling on the collapse of the business?

This traditional, myopic focus on financial risk no longer stacks up. Failures, losses and prickly moments within businesses so often stem from non-financial exposures (for example regulatory action, product related failure, employee/management behaviour and so on...). Smart organisations are now looking to a more comprehensive approach to risk management. They are evaluating non-financial risks in a more granular way by devoting more time and resources to redefining the policies, procedures and data to manage and monitor such risk more thoroughly. .

Changes for the risk manager

This expanding definition of risk clearly means that the role of the risk manager also needs to change and keep evolving at a rapid pace. The risk manager has a wider landscape to navigate, and the degree to which risk management can lead this consideration of ‘all’ risks in an integrated way will depend on the extent of a common risk language, the consistency of the organisation’s risk framework and the level of comprehensive risk-based discussions.

This strategic importance of the risk management role is leading to greater visibility within organisations. There is a need for systematic inclusion across the company and at a senior level, ensuring a seat at the table when decisions are made. Today, the role of the risk manager must move from ‘facilitator’ to ‘principal advisor’. As a consequence, it is paramount that risk managers acquire knowledge about categories of risk that have traditionally been outside our domain.

From a practical perspective this means:

- Renewed alertness to emerging risks;
- Forward-looking risk assessments and prevention versus after-the-fact analysis of a risk failure;
- Improved ‘plain language’ risk and appetite definitions to drive increased business ownership and accountability; and
- A determination to build reporting indicators that are naturally part of the business’ DNA and not shoe-horned risk analytics.

Perhaps above all, the key to achieving this transition is for the risk management profession to build smart collaboration across the full suite of executive management, organisational units and governance functions on a range of risk-related issues. This will allow us to fulfil our potential as credible trusted advisors.

Jonathan Blackhurst is Head of Risk Management for Capita. He is a member of Airmic and a Chartered Fellow of the Institute of Risk Management.

FERMA Seminar 2016: the place to be in autumn

Interactive, Dynamic, focussed

Registration is open for the FERMA Seminar 2016 taking place on 3 and 4 October in St Julian's, Malta. The Seminar is a professional event – focussed on risk and insurance managers and risk management. This year, FERMA has expanded the programme to include a wide range of sessions on the themes of leadership, education and communication, in addition to the publication of the FERMA European Risk and Insurance Management Report.

The day and a half programme has dynamic and interactive sessions to stimulate discussion and exchange of knowledge, as well as networking opportunities – all in a wonderful and historic setting. This is the first time FERMA has ever hosted an event in Malta and it has the enthusiastic support of MARM, the national risk management association. New also are three presentations organised by member associations on key issues for the profession.

Programme highlights

Round table discussions for risk managers only on five of the most topical subjects:

- Digital risks
- Business continuity and resilience
- Risk management in SMEs, a follow up from the session at the FERMA Forum 2015
- ERM and leadership
- Financial transparency initiatives and the risk manager

Register now to get your first choice of sessions:

<http://www.ferma.eu/ferma-seminar-2016/register/>

Video what you can expect at the Seminar:

<http://www.ferma.eu/ferma-seminar-2016/ferma-seminar-2016-awaits-you/>

Headline sessions organised by member associations:

- Insurance captives and cells from host association MARM
- Risk leadership on the board agenda from Airmic, led by former FERMA President and now Airmic Technical Director Julia Graham
- Cyber attack scenario by organised by BELRIM and presented by experts Prof Marco Gercke and Peter Hacker

“Where does the profession stand?”

- Key results of the FERMA European Risk and Insurance Management Survey 2016

For more detail, see the Seminar website at

<http://www.ferma.eu/ferma-seminar-2016/>

A journey in digital opportunities – Ola Ahlvarsson

FERMA Seminar guest speaker Ola Ahlvarsson embodies in one person the three FERMA themes: leadership, education and communication. For more than 20 years, Stockholm-based Ola has been at the cutting edge of digital entrepreneurship as a businessman, investor, thought leader and advisor.

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The only European Risk managers' survey extended of 2 weeks and closes now on 10th June 2016!



“Why is it so important for risk managers to complete the survey?” asks FERMA President Johan Willaert.

“In this data-hungry world, the FERMA European Risk and Insurance Report enables us to demonstrate risk leadership and focus on our key messages. With the report, we can increase recognition of risk management and risk managers and position ourselves within our companies.” More than 2 weeks left to be part of the 2016 FERMA European Risk and Insurance Survey.

Still waiting to respond?

You can use the link sent by your national risk management association or click [here](#) to receive the invitation.

The online questionnaire closes on Friday 10th June. If you have not completed the questions by then, you will miss the opportunity to join your colleagues in contributing to the largest pan-European survey of opinion of risk and insurance managers. The questionnaire is available in seven languages: English, French, German, Italian, Polish Spanish and Turkish. It can be completed in 25 minutes and most questions are optional.



Continued from page 5 : A journey in digital opportunities – Ola Ahlvarsson

A popular speaker and moderator, Ola Ahlvarsson has led discussions in some of the world's most prestigious events, including the World Economic Forum in Davos. Ola holds an MBA from the University of Stockholm and has been a guest lecturer at Harvard Business School. He has also been a world champion in martial arts.

In his talk, Ola will share his experience of having started 22 companies. He believes that intrapreneurship is the most important form of entrepreneurship. Intrapreneurship means giving employees authority to act as entrepreneurs within the company– being allowed to take risks to develop new products and services.

FERMA asked Ola some questions :

What have you found to be the biggest uncertainties other than finance to sustainable success in starting new businesses?

Change happens when many dots are connected in new ways. No taxi driver thought he would be unemployed when the iPhone came out. No record store owner thought he would go bust when peer to peer computing was invented. The difference between vision and hallucination is difficult to assess; the only secret source is passion and a long term commitment to brilliant work. questions about his approach to risk.

What is your approach to managing these uncertainties?

By always testing my hypothesis against reality with a data-driven approach through cheap and fast iterations taking me closer and closer to the goal, rather than going on gut feeling thinking that I have a silver bullet nobody else has seen. In summary: test to real customers.

Entries Open for the First EDWIN MEYER Award

Entries for the first Edwin Meyer Award for young and new risk managers are now open. The award is part of FERMA's focus on education and honours former FERMA Secretary General and board member Edwin Meyer, who died in February 2015. The award will be granted every two years.



Subject 2016:

Today's risk managers are tomorrow's risk leaders. What should young risk professionals be doing to raise their game and profile to support the board and c-suite in delivering their increased risk management responsibilities?

For more details, see:

<http://www.ferma.eu/risk-management/education/edwin-meyers-award/>

The winner will receive:

- An award of €2500;
- An invitation to attend and address the 2016 FERMA Seminar;
- A bursary of up to €1000 to cover the costs of attending the Seminar.

Who can apply:

Applicants must have been under 30 years old on 30 April 2016 or have less than three years' experience as a risk management or insurance professional. They must also be members of a FERMA association.

How to apply:

Application is by a short dissertation in English, up to 2500 words, on a set subject linked to FERMA's strategic objectives.

Closing date:

30 June 2016

About Edwin Meyer

Edwin Meyer was a European risk manager par excellence. In addition to his important roles with FERMA, he also served as a board member of the German risk management association DVS and was a member of the Dutch risk management association NARIM. An engineer by education, Edwin started his career with the Industrial Risk Insurers in the United States where he subsequently became Manager for Europe, Middle East and Africa. He moved into broking, working in the Netherlands and Germany before returning to the insurer side of the business. Edwin joined ArcelorMittal in 2005, and as the company's General Manager Risk and Insurance, he had global responsibility for setting ArcelorMittal's worldwide insurable risk strategy.

"Your ideas deserve highlighting."



Environmental Liability Directive: new EU action plan in the pipeline

An action plan aimed at improving the implementation and the evidence base of the Environmental Liability Directive (ELD) is due to be presented this week at a stakeholder conference organised by the European Commission in Brussels. FERMA and several risk managers will be present to react to the proposals.

The Commission published its final report on the implementation of the ELD on 14 April 2016. The report states that since the implementation of the ELD in the 28 EU member states in 2010, the new legal framework has improved the environment in five key areas:

- Standards of prevention and restoration of environmental damage
- Application of the 'polluter pays' principle
- Strict liability across the EU for environmental damage
- EU-wide liability for biodiversity damage
- Public participation and access to justice for people affected and NGOs

To further improve the impact of the Directive, the Commission now proposes an action plan with the following priorities:

- Clarification of key concepts to support the common understanding of the ELD;
- Assistance and support for ELD practitioners. FERMA encourages the Commission to continue funding specific ELD training sessions tailored to the needs of the industry operators such as the one organized by FERMA for risk managers in June 2015;
- The creation of an EU-wide ELD register which will record and monitor the incidents with environmental damage. The initiative that will provide an evidence base for insurers, operators and competent authorities for better baseline setting, calculation of risks and decisions on remediation, etc. FERMA will pay particular attention to the information that could be required from/on operators.

For a quick overview of the results of the evaluation, we recommend reading the two page executive summary:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016SC0122&from=EN>

For more details, see

- ELD report to the European Parliament and the Council of the EU

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016DC0204&from=EN>

- ELD REFIT evaluation

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016SC0121&from=EN>

Insurance Block Exemption Regulation: moves towards a non-renewal

FERMA participated in a stakeholder meeting organised by the European Commission on 26 April ahead of a possible renewal of the Insurance Block Exemption Regulation (IBER) in early 2017. The IBER is an insurance sector-specific legal instrument of the EU that currently exempts certain industry practices like co(re)insurance pools, compilations and tables from European antitrust rules.

According to a Commission's preliminary report published in March, renewal of the IBER for (re)insurance pools does not seem justified because of its limited use and relevance. It believes that such pools would continue to work well under the existing EU horizontal competition rules' instruments – i.e. the horizontal guidelines. These are initial conclusions at this stage and the Commission is continuing to gather evidence until the end of 2016.

A point of concern for FERMA relates to the use of horizontal guidelines rather than a legally binding regulation. If a co(re)insurance pool is active in more than one EU member state, it is crucial to avoid the possibility of a conflict of interpretation of the guidelines between two national competition authorities. The Commission maintains that this situation is unlikely; out of 42 insurance pools identified in the EU, only 12 pools are active in more than one member state.

Next steps: FERMA will continue to monitor closely the developments.

- Publication of two studies in June-July.

- One will consider how easily insurance coverage can be switched between different insurance products, particularly for unconventional risks such as nuclear or terrorism.
- The second will look at different forms of cooperation between insurance companies – such as pools and cooperative arrangements - and their respective impact on competition.

- Publication of the Commission's proposal to renew (or not) the IBER in early 2017.

Data protection

10 things you need to know about the General Data Protection Regulation,
BELRIM, English

<http://www.belrim.com/10-things-you-need-to-know-about-the-gdpr/>

Duty of care and profitability

European companies see duty of care as a business tool, but inconsistencies in provision, insurance cover persist
ACE, English

<http://news.chubb.com/2016-05-18-European-companies-see-Duty-of-Care-as-business-tool-but-inconsistencies-in-provision-insurance-cover-persist>

Insurance

Broker tender guide

Airmic, English

<https://www.airmic.com/technical/library/broker-tender-guide>

The Market for Insurance in Latin America

AGERS-Fundación Mapfre, Spanish

<http://www.agers.es/blog/fundacion-mapfre-jornada-tecnica-el-mercado-asegurador-latinoamericano/>

Marine

Safety and Shipping Review 2016

<http://www.agcs.allianz.com/insights/white-papers-and-case-studies/safety-and-shipping-review-2016/>

Risk management

Excellence in Risk Management — Emerging Risks

Marsh, English

<https://www.marsh.com/us/insights/research/excellence-in-risk-management-xii1.html>

Interview with Juan Carlos López Porcel, President of AGERS, Spanish

<https://www.inese.es/noticias/si-los-riesgos-se-controlan-adecuadamente-de-forma-previa-se-obtienen-resultados-positivos#.Vz4BxJErL4a>

Airmic Risk Leadership Advisory Board

Airmic, English

<https://www.airmic.com/news-story/airmic-launches-leadership-advisory-board>

AMRAE – publication of the 8th RMIS Panorama to identify and analyze more accurately the big picture of the IT insurance or risk solutions market evolutions

<http://www.amrae.fr/panorama-sigr-2016-8ème-édition-en-partenariat-avec-ey>

Terrorism and political violence

Risk Map 2016

Aon, English

<http://www.aon.com/terrorismmap/default.jsp>

Member newsletters

Die Versicherungspraxis, (German)

<http://www.dvs-schutzverband.de/publikationen/die-versicherungspraxis-ausgabe-05-2016/>

<http://www.belrim.com/10-things-you-need-to-know-about-the-gdpr/>

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