

## Record responses to FERMA benchmarking survey

Well before the deadline, FERMA had received a record number of responses to its European-wide risk management and insurance benchmarking survey. By the beginning of June, more than 520 people from 18 countries had replied to the questionnaire. An independent survey company is now analysing the responses to prepare the results for announcement at the FERMA Seminar in London on 29 and 30 September.

This is fifth version of the benchmarking survey, sponsored by AXA Corporate Solutions and Ernst & Young as before. Its primary objectives are to discover the current status and development of risk management in Europe, analyse risk management job responsibilities and discover corporate insurance buyers' views of the insurance market and assist insurers in meeting their future needs.

The questions – and the results – are in three sections:

- Risk governance: internal governance of risk management, the company's risk management objectives and risk disclosures.
- Risk management practices: the internal organisation structure and how risk management is involved and coordinated with other activities. These questions also focus on the way risk management is perceived.
- Insurance management: perceptions of the insurance market and expectations for insurance solutions.

This year, to promote the involvement of its 20 national risk management associations and widen participation, FERMA had the questionnaires translated into German, French, Italian, Polish and Spanish in addition to the original English.

For a rounded perspective on risk management in European organisations today, FERMA has encouraged replies not just from risk and insurance managers but also from people in a wide range of business positions with an interest in risk: heads of finance, general counsel, heads of internal audit, CFOs, legal counsel, treasurers and company secretaries across Europe.

AXA Corporate Solutions and Ernst & Young also circulated their mailing lists to increase the number of participants and make the results as representative as possible.

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## Two new FERMA vice-presidents and three new board members

Julia Graham, Chief Risk Officer of law firm DLA Piper UK, and Jorge Luzzi, Group Risk Management Director of Pirelli Group, have become the new vice-presidents of FERMA following a meeting of the FERMA board on 9 June.

The FERMA general assembly, held the same day, elected three new directors: Julia Graham, Günter Schlicht, Executive Director of the German risk management association DVS, and Tamer Saka, Chief Risk Officer of the Turkish-based conglomerate Sabanci Holding.

Graham was chairman of Airmic in 2008-2009, and she is member of Airmic Council and the executive committee. She is already involved with FERMA as a member of the committee organising the 2011 FERMA Forum.

Jorge Luzzi's career has taken him to Switzerland, Spain, Argentina, Brazil, Bermuda, Ireland and Italy. In addition to his FERMA responsibilities, he is serving as chairman of the International Federation of Risk and Insurance Management Associations (IFRIMA).

Tamer Saka is FERMA's first Turkish director. After an academic career, he worked as a risk management consultant with two international firms and joined Sabanci Holdings in 2004.

Günter Schlicht has worked for DVS since 1993 and will continue as its executive director and a member of the board until his retirement on 30 June. He will deal with the business activities of DVS until 30 September, at which point he will take on risk management and insurance functions.

## A message to Airmic from the FERMA President

*Airmic was one of the first members of FERMA, and often takes a lead in the development of risk management practice, such as the creation of the original risk management standard, adopted by FERMA, and the publication this year of A Structured Approach to Enterprise Risk Management (ERM): the Requirements of ISO 31000.*

*The annual conference is always stimulating and I am delighted to be attending, especially this year when FERMA is working closely with Airmic on our risk management seminar, which will take place in London on 29-30 September.*

Peter den Dekker



## Supporting captive owners in Solvency II

FERMA and the European Captive Insurance and Reinsurance Owners' Association (ECIROA) are playing a key role supporting the interests of captive owners in the final discussions on the implementation on Solvency II.



The European Commission has selected FERMA and ECIROA as stakeholders in the fifth quantitative impact study (QIS 5) on Solvency II.

The two associations have urged the owners of all 500+ European captive insurance companies to participate in the exercise to demonstrate the substantial value of captives to European business and why they need specific treatment under the directive. QIS 5, expected to take place between August and October 2010, will propose the final test for the full solvency calculation requirements under the directive.

According to FERMA and ECIROA, although the Commission accepted the need for proportionate regulation for captives in framing Solvency II, the implementation proposals so far put forward by the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) would actually impact most captives negatively through limited access to simplification measures.

FERMA and ECIROA say that the capital and corporate governance requirements as now proposed are inappropriately onerous for captives. They state:

- The standard formulas are intended to be a conservative calculation of the solvency capital requirement and are not appropriate for captives. We want to propose simplifications, but we need data to support them.
- The captive data from the QIS4 was not representative of the captive industry - only 99 out of around 550 European captives participated and 69 of these were Luxembourgish.
- The Solvency II regime requires the board of directors of captives to understand the models used for the solvency calculation. QIS 5 will be the final exercise before implementation and this is an opportunity for boards to ensure they are compliant before the law comes into force.

Link to Solvency II - QIS5 web page:

[http://ec.europa.eu/internal\\_market/insurance/solvency/index\\_en.htm](http://ec.europa.eu/internal_market/insurance/solvency/index_en.htm)

## Solvency II and captives webinar for members



FERMA, the European Captive Insurance and Reinsurance Owners' Association (ECIROA) and a group of actuaries which has been assisting them on the final implementation proposals for Solvency II have organised a webinar for their members at 15.00 CET on **18 June 2010**. An invitation to attend will be sent to FERMA and ECIROA's members.

## Broker remuneration discussions

Thanks to constructive discussions with the European insurance intermediaries' association BIPAR, the President of FERMA Peter den Dekker hopes to be able to present a joint paper on transparency of broker remuneration at the FERMA seminar on 29-30 September and have a final agreement in place by the end of the year.

Discussions between the two organisations have been continuing since early February 2010, although the whole issue of the way brokers are paid goes back much longer.

## FERMA has applied to become European safety and health partner



FERMA has applied to become an official partner of the new healthy workplaces campaign 2010-2011 by the European Agency for Safety and Health at Work, which focuses on safe maintenance risks.

FERMA's role will involve disseminating information about the campaign to member associations and promoting the campaign in other ways. For FERMA, the benefits include publicity on a dedicated section of the campaign website and in promotional events at the European Union level.

The campaign intends to raise awareness of the risks associated with maintenance activities, promote good practice and support European and national initiatives in this area. The organisers say that although maintenance is essential to reduce workplace hazards, it is itself a high risk activity for the workers who carry it out. It is estimated that in Europe 10-15 percent of fatal accidents at work occur during maintenance operations, and in some sectors over half of all accidents are maintenance-related.

The official campaign guide, other materials including presentations, publications and promotional material in 22 languages, and list of events are available on the Healthy Workplaces Campaign 2010/11 website:

<http://hw.osha.europa.eu>

## Topics for FERMA Forum 2011

The scientific committee responsible for drawing up the programme for the FERMA Forum 2011 is developing topics and a title for the event. It has been meeting sponsors and exhibitors and welcomes ideas from associations and members for workshop topics and speakers. Contact: [info@ferma.eu](mailto:info@ferma.eu).



## FERMA broadens seminar programme

The FERMA Seminar from 29-30 September already has over 97 registrations. The seminar has moved from its usual venue of Brussels to London, and FERMA has increased the content of the programme to make it a broad examination of European level trends in risk management.

"I am delighted by this demonstration of interest," says FERMA President, Peter den Dekker. "The seminar is a free, members only event for risk managers. It is one of the benefits of FERMA membership."

The programme has two main themes: the announcement of the results of the 2010 European risk management benchmarking survey and European issues affecting risk managers, including Solvency II. The draft programme is now available on the FERMA website at <http://www.ferma.eu/Events/Seminar/tabid/109/Default.aspx>.

The seminar begins on 29 September with an exclusive summit for the presidents of all the FERMA member associations. It is a unique opportunity for them to discuss national issues and action at European level. FERMA President Peter den Dekker has put great emphasis on contact among the heads of member associations and he hosts a regular conference call with them.

The results of the benchmarking survey will occupy the second half of the first day, with presentations by Ernst & Young on the key findings on risk governance and risk management practice throughout Europe, followed by a panel discussion led by Julia Graham, Chief Risk Officer of law firm DLA Piper UK.

Regis Demoulin, Chief Commercial Officer of Axa Corporate Solutions, will present the key observations from the insurance section of the survey followed by a panel discussion and question and answer session.

The second day will begin with a focus on European issues, especially on Solvency II and the implications for captives. Among the guest speakers are Alberto Corinti, Deputy Director General, Director Economics and Finance, from the European insurance association CEA, and Ulf Linder, Deputy Head of Unit, insurance and pensions, DG Competition at the European Commission.

There will be a session on the research commissioned by Airmic on major risk events and their consequences for companies, presented by Professor Mohan Sodhi of Cass Business School at City University London.

The two final sessions of the seminar are forward looking: the first deals with current drivers of change and the second will examine future options for the development of risk management. FERMA board member Paul Taylor, Director of Risk Assurance for Morgan Crucible, will moderate both discussions.

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## New president and new role for IFRIMA

FERMA members are playing leading roles in the newly elected board of the International Federation of Risk and Insurance Management Associations (IFRIMA). Carl Leeman, Chief Risk Officer of Belgium-based Katoen Natie group and a member of the Belgian risk management association BELRIM, has been elected president. Jorge Luzzi, Director, Corporate Risk management of Pirelli based in Italy, has taken over as chairman from Susan Meltzer from Aviva Canada. Alessandro De Felice, Group Risk Manager at Prysmian Italy, is the secretary.



IFRIMA intends to become a global risk management exchange platform between the regional associations, such as FERMA and the Latin American risk and insurance management association ALARYS, and their member associations. Leeman explains that IFRIMA is not in any way trying to take over the roles of regional associations but to act as a facilitator bringing them together on common interests.

IFRIMA has already revamped its website and now plans to recruit a part-time secretary to manage the process of collecting and exchanging information. There is no shortage of issues on which IFRIMA can stimulate cross-border discussion: environmental liability, climate change, supply chain, insurance regulation, broker remuneration and risk management standards, among them, according to Leeman.

## FERMA President joins fellow NARIM members in Noordwijk aan Zee

*As a member of NARIM and one of its past presidents, I have not missed a congress of the association for 10 years. The congress is always the highlight of the risk management year and the largest market gathering in the Netherlands. It is a pleasure to attend as FERMA's president and as a member of NARIM.*



*I also welcome the achievement of our countryman Arnout van der Veer, Chief Risk Officer of Reed Elsevier, in becoming the Strategic Risk- European risk manager of the year. Peter den Dekker*

## A truly European risk manager

Arnout van der Veer is Dutch. He's based in London and works as chief risk officer for an international company. Reed Elsevier is a worldwide publisher and information provider specialising in risk, business, science, medicine and law, employing 32,000 people, and with very substantial exposures in the United States. He is the 2010 Strategic Risk European risk manager of the year and a member of the UK association Airmic and the Institute of Risk Management. ➔



Van der Veer moved to Reed Elsevier in 2001 after a long career with KPMG's consulting practice in Amsterdam and New York and extensive internal audit experience. In response to the question – what makes a successful risk manager – he still replies: "Communication skills!"

He explains: "Knowledge and expertise are never the problem. We know what we are talking about when it comes to risk, but the ability to communicate and influence people is what really makes a difference. We have to translate what we know into terms which make sense for the business leader."

To be effective, says van der Veer, risk professionals must be able to adapt to different people, cultures and situations. "You need an international perspective to understand how people deal with risk." Therefore, the cross-European platform that FERMA that provides for risk managers is "hugely important".

He welcomes the way FERMA enables risk managers to share best practices and lessons learned and contributes to the development of risk management through conferences and education. Risk managers, van der Veer points out, aren't at the sharp, commercial end of their businesses and so can be open about sharing standards and values.

Taking positions on behalf of members is a valuable role for an organisation like FERMA, believes van der Veer. The regulatory environment is a major influence for businesses even outside the highly regulated sectors such as finance and energy. For example, data privacy requirements are a major concern for Reed Elsevier, particularly in the United States. Van der Veer says he spends about 25 percent of his time on data privacy and security.

Another significant risk is possible changes to copyright law. He states: "We will defend our position that copyright is essential and beneficial for a publishing business".

Reed Elsevier not only has businesses in many countries, it is quoted on two European bourses, London and Amsterdam, and has a secondary listing on the New York Stock Exchange. This means three corporate governance codes and three sets of risk statements to prepare. The Dutch and English statements are principles-based, while the US is rules-based and more detailed but narrower, focusing on financial control. The different corporate governance approaches do condition the approach of board members and executives, according to van der Veer, who comments: "I think it is good that executives and boards take risk management seriously and they become embedded in the way we think."

Changes are planned to the UK regime; he expects it to become more nuanced, but he's concerned that companies aren't really ready to start discussing risk appetite in a way that will be useful for investors. "It needs more time thinking through to make it meaningful for investors."

## Around the associations

### **Airmic to strengthen members' legal position**



Airmic is working to strengthen the legal position of its members as buyers of commercial insurance if they inadvertently or innocently fail to disclose material information to their underwriters. At its annual conference on 14-16 June, Airmic will announce a project to develop best practice guidelines and guidance for members in co-operation with its partner-insurers. The intention is to publish a full and final version by this autumn.

English law, Airmic believes, places an excessive burden on the insurance buyer to anticipate what an underwriter might deem 'material' information. Failing to do so can mean having a claim disputed or even the policy voided. An online survey of Airmic members earlier this year revealed that even professional insurance buyers run into difficulties on these issues; nearly one-third said they had faced potential non-disclosure challenges in the past five years and only half of them had ended satisfactorily. On five occasions, the dispute resulted in litigation.

CEO John Hurrell explained: "In practice insurers are normally willing to be flexible and to pay all claims made in good faith, but the system depends crucially on goodwill. There have been occasions when it hasn't worked, where large claims have been repudiated using what our members have described as technicalities," said Hurrell. "In a large company it is simply not possible for the risk manager to be certain that every piece of information that an underwriter might deem material has been disclosed."

### **At home with a risk manager in Sweden**



The Swedish association SWERMA plans to offer "at home with a risk manager" sessions with an invitation from members to visit their companies, in addition to regular activities and networking groups.

SWERMA welcomed several FERMA board members and foreign press to its annual risk forum in Stockholm at the end of March. The topic was "Inspiration for successful risk management" and it featured aspects of climate change and corporate social responsibility (CSR).

The moderator, television meteorologist Madeleine Westin, spoke about weather changes and their impacts, while Folksam's Carina Lundberg-Markow discussed climate change and CSR. H&M's Karolina Dubowicz described the internal and extensive threats and opportunities in her company's CSR work. Ulf Rönndahl, Risk Manager at Telenor, received the Gustaf Hamilton prize 2010, named after the man who introduced risk management in Sweden.



**FERMA Risk Management Forum 2011**  
**See you in Stockholm Waterfront Congress Center**  
**2-5 October 2011!**



FEDERATION OF EUROPEAN RISK MANAGEMENT ASSOCIATIONS - FERMA AISBL.

This Newsletter is produced by FERMA. If you have any questions concerning this Newsletter, please contact Florence Bindelle at FERMA on +32 2 761 94 32 – email: [info@ferma.eu](mailto:info@ferma.eu)

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