

FERMA to respond to European proposals on corporate governance and risk management

Risk management, particularly in relation to the role and functioning of company boards, is a key element of the European Commission's latest discussion paper on corporate governance. Board members Marie-Gemma Dequae and Michel Dennery are developing a response for FERMA.

Although no legislative initiatives are yet scheduled to follow this consultation, the Commission is looking toward a further revision of the Company Law Directive, now in its eighth edition.

A key element of the paper focuses on the role of directors in managing risk. The Commission says that business today needs high-performing, effective boards to challenge executive management. "The role of chairman of the board is particularly important, as are the board's responsibilities for risk management," it states.

Section 1.5 of the paper is devoted entirely to risk management and makes the following points: that companies should develop an adequate risk culture specific to the organisation and that the board should bear primary responsibility for defining the risk profile and adequate monitoring of compliance with their strategy.

The Commission recognises it would be difficult to propose a single risk management model for all companies, but says that the roles and responsibilities of all parties involved in risk management should be clearly defined.

FERMA will consider its response to two questions posed in the document:

- *Should the board approve and take responsibility for the company's "risk appetite" and report it meaningfully to shareholders? Should these disclosure arrangements also include relevant key societal risks?*
- *Should the board ensure that the company's risk management arrangements are effective and commensurate with the company's risk profile?*

Dennery comments, "FERMA will answer in a way that balances two kinds of interests. On one hand, risk appetite, risk taking and risk culture must serve the development of companies and the economy. On the other hand, risk management must serve businesses' responsibilities, including their enterprise social responsibilities."

Dennery and Dequae welcome comments from other FERMA members in good time before the consultation deadline of 22 July 2011. The consultation paper is available at:

http://ec.europa.eu/internal_market/consultations/2011/corporate-governance-framework_en.htm

Roundtable on European corporate governance and risk management

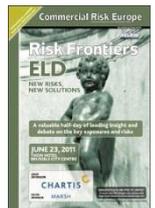
FERMA is to organise a roundtable discussion on the green paper proposals with a leading member of the European Parliament and a representative of the European Commission. The event will take place on **Thursday, 23 June 2011, 17:30 – 20:30** at the **Royal Museums of Art and History in Brussels**.

Malcolm Harbour, Chairman of the European Parliament's internal market and protection committee, and Marc Hertgen of the Commission's DG Internal Market and Services are the speakers. FERMA board member, Michel Dennery, Deputy Chief Risk Officer of GDF Suez, will follow their presentations with comments from a FERMA perspective.

There will be a reception after the discussion, and the next day will be the FERMA general assembly.

Members are cordially invited to attend. To register, please contact FERMA before 16 June at info@ferma.eu.

New risks, new solutions- environmental liability



FERMA members are invited to a free half day seminar organised by *Commercial Risk Europe* on identifying key exposures and risks resulting from the Environmental Liability Directive. The programme will cover the latest changes proposed by the European Commission, the differing interpretations by national governments and optimal risk management and risk transfer strategies for risk and insurance managers.

23 June 2011 at Thon Hotel, Brussels city centre

For more information and booking, see www.commercialriskeurope.com/events/

A message to Airmic members from the President of FERMA Peter den Dekker

I am looking forward to meeting my colleagues from Airmic at their annual conference in June. The UK risk management association is one of the most active members of FERMA and there is always a good exchange of views and information.



Airmic has chosen embracing new horizons as its theme this year. It will draw out the qualities and skills that risk managers of the future will need. From here, it is a natural progression to the question we will ask at the FERMA Forum in Stockholm in October: how best can risk managers shape up for tomorrow at the European marketplace?

I urge Airmic members to come to Forum. The opportunity to hear influential speakers, take part in practical workshops and network with other risk professionals from across Europe will help us prepare for the challenges that await us.

I wish Airmic a highly successful conference and hope to see many members in Stockholm.

Supporting risk managers' interests in Brazil



Brazil is the B in BRIC, that group of rapidly developing economies in which European countries are taking a great interest. When the executive branch of Brazil's National Board of Private Insurance (CNSP) unilaterally enacted two resolutions that could reduce the availability of insurance for large projects, FERMA reacted to support its members and helped get a measure of compromise.

FERMA believes that more still needs to be done to limit the expected negative impact of the regulations on insurance capacity and cost, although it welcomes the flexibility and understanding that the Brazilian government has so far shown in response to the world-wide concerns.

FERMA took the unusual step of appealing to the Brazilian government to rescind the new regulations to support the large number of its members whose companies have invested in Brazil and to strengthen the lobbying efforts of the national and regional risk management associations, the Asociación Brasileira de Gerencia de Riesgos (ABGR) and the Asociación Latinoamericana de Administradores Riesgos y Seguros (ALARYS).

The background is that in 2007, the Brazilian Parliament abolished the monopoly control of local reinsurance market by the Instituto de Reaseguros do Brasil (IRB), which dated from 1939, and phased in competition from other domestic and multinational reinsurance companies.

Within two years the market had grown substantially and from January 2010, Brazilian insurers were allowed to place 60% and sometimes more of any reinsurance abroad with pre-approved reinsurers.

In December 2010, however, the executive branch of CNSP passed two new resolutions without public consultation that came into effect on 31 March 2011. One resolution forbids insurers to cede business to an affiliated, intra-group reinsurer, which greatly affects foreign players who have obtained licenses or set up local operations to write Brazilian risks and cede them back to a group company for greater capacity. This restriction has been relaxed but only allows a 20% cession. The second regulation mandates placement of 40% of reinsurance business with local reinsurers.

FERMA believes such obstacles to accessing foreign capacity can hinder the completion of large programmes which rely heavily on reinsurance, such as the vast infrastructure projects for the 2014 FIFA World Cup and 2016 Olympics in Brazil.

Jorge Luzzi, Vice-President of FERMA and Director Group Risk Management for Pirelli, says, "Some further modifications are under discussion with the Brazilian authorities. We continue to lobby on behalf of FERMA members, and we are available to assist with any explanations and clarifications from the insurance buyer's viewpoint that can help reach a consensus that is reasonable for all the involved parties."



No need for European consumer collective redress

FERMA has urged the European Commission to develop quicker and less expensive ways of resolving consumer complaints rather than creating a new collective redress legal framework. The Commission, it says, should direct the limited resources available to improving out of court settlement methods which are the best means of providing quick and relatively low-cost dispute resolution.

In its response to the European Commission's staff working document, "Towards a Coherent European Approach to Collective Redress," FERMA has asked the Commission to conduct a thorough economic assessment of the collective redress proposals before taking any further steps towards a new framework, including careful consideration of the possible impact on the professional and product liability insurance market.

It shares the concerns expressed by the insurance industry that a collective redress legal system would have a major adverse effect on the professional liability insurance market. "Claims would become more frequent and the risk would ultimately fall on insurers. In time, insurers would be forced to increase premiums for coverage. Risk managers would either have to increase spending on insurance or seek

alternative solutions. It is likely that any additional costs would have to be passed on to the consumer," FERMA says.

Having taken part in the continuing European debate on collective redress over the last two years, FERMA expresses some frustration that the Commission seems to have a fixed objective. Instead, it wants the Commission to keep open all options and to reflect, in particular, key European principles such as proportionality and subsidiarity, so that the least restrictive action is pursued.

"The EU should continue to encourage member states to work with industry to improve the range of alternative dispute resolution schemes (ADR) on offer. There is a clear need to increase consumer awareness of what is already available, so that ADR mechanisms become the preferred option to resolve disputes. This need not be achieved under threat of consumer collective redress, but a more conciliatory and constructive approach whereby both consumer groups and industry come together with the member states to design effective solutions," FERMA has told the Commission.

In its letter, FERMA reiterated that scope remains to exploit and expand the dispute resolution mechanisms already available to consumers. It does not believe there is sufficient evidence of a need for a collective redress system to protect consumers in the single market.



To infinity ... and perhaps beyond

Trendspotting is not a job suggested by careers advisers at school, but Sweden's Magnus Lindkvist has made it one. He describes trendspotting as "a job I kind of manufactured myself."

His company, Stockholm-based Pattern Recognition, describes its core product as "inspiration." The delivery mechanisms for inspiration include keynote speeches, such as the one he will make to the 2011 FERMA Forum in October.

The concept of trendspotting was not entirely new, Lindkvist explains. During the 1990s, consumer goods companies started sending scouts out to find out what kids in the streets were wearing because fashion was coming from there.

Lindkvist's first degree is in film, so he began with a focus on narration and the visual. He then took a master's degree in business and economics, and so is interested in their thought processes: what is measurable, how can a company make money and how can it make people content as consumers? He put the two together, and somewhat to his surprise the idea turned into a business.

"At first it was something of a hobby," he explains. "It was a kind of trial and error. Then I found that people liked what I did, so I started the company in 2005."

The work began with bit of "cool" hunting, which meant tracking down what was new and what was cool and telling other people about it. This, he says, was a bit like rare bird spotting; it tended to irritate those who missed the sighting! As a result, he turned to a much more far reaching question- what is this thing we call the future? As he says, "We all ask ourselves what is going to happen in the future."

Pattern Recognition now has five people and works around the world. Lindkvist describes what they do as "intellectual acupuncture", to prick the imagination of his listeners, which he promises to do for FERMA members in October. Another metaphor he uses is that he tries to impersonate the dangerous world around us, but in a safe environment so that people can try out ideas.

He first really encountered corporate risk managers at a conference about a year ago and found that they had much in common, though a different perspective. "I discovered we are both thinking about how the individual shapes the future."



Lindkvist promises that he will not go over topics like climate change, the rise of China and social media, which have got to the point where repetition has built up immunity to further listening. What interests him, he says, are the points where the human brain, business, society and technology bump into each other. "Take, for instance, the question of whether a vegetarian could eat meat which has been grown in a petri dish in a laboratory!"

Lindkvist is the author of several books on his subject: *Trendspotting*, *Everything We Know is Wrong*, a handbook for trendspotter, and *Attack of the Unexpected*. A review in the UK *Director* publication described the latter as an "engaging, approachable and almost bite-sized read" which still delivered thought-provoking content.

Marketplace

Over 40 sponsors and exhibitors have already signed up for the October Forum, and only a few stands remain for the exhibition.

Platinum sponsors are ACE, Aon, IF P&C Insurance, JLT International Network, Marsh, XL Insurance and Zurich. Gold sponsors are FM Global, QBE European Operations, Swiss Re and Torus.

For information about remaining sponsorship opportunities and exhibition stands, contact Silke Huber at the FERMA office by email at silke.huber@ferma.eu or by phone at +32 (0)2 761 94 35.



Five reasons to register before 1 July:

1. Save up to €200 on early bird discount
2. Save even more by bringing colleagues with you
3. Help your national association reach its attendance target
4. Get your first choice of workshops
5. Secure your hotel preference and flights at the best rate

Registration for the 2011 FERMA Forum in Stockholm is open:

www.ferma-forum.eu/site/-Registration,2082-

Europe's got (female) talent

Europe has female talent, nobody doubts, but how is European business using it? All women European risk and insurance management professionals taking part in the Forum are invited to attend a special lunch session to consider this pertinent question. The event is supported by the Zurich Insurance and Aon Women's International networks.

Mirella Visser, Managing Director, Centre of Inclusive Leadership, will moderate and also give her vision on leadership and the war of talent in Europe and beyond, following the international launch of her book *The Female Leadership Paradox*.

Josephine Green, former Trends and Strategy Director, Philips, will give her refreshing perspective "from pyramids to pancakes" including how traditional leaders are giving way on multi-change agents including women, Generation Y and cultural creatives and ex-1960s baby boomers. She says: "The pyramid and pancake worlds are not divided by demography (the old and the young) but by world views, values and behaviours."

The lunch is open to all women registered to attend the form, but must be confirmed on registration. Places are limited and will be reserved on a "first come, first served" basis.

Future proofing

The Forum brings together a number of initiatives to benefit young risk managers and students as part of FERMA's aim of supporting the profession and its member associations.



New this year is a training programme offered by Lloyd's for up to 15 young risk management professionals. The programme will cover the operation of Lloyd's and the London market and the international (re)insurance market, and general risk topics such as claims and loss control.

It is open to people with three to five years of experience who are working as risk managers or in the risk or insurance management functions of a national association member. They will need to have good spoken and written English.

The training programme will take place during three sessions of two days each in April and October 2012 and April 2013. The training is free but the cost of transport to London and accommodation are not covered.

Applications should be made through the FERMA member national associations and successful candidates will be announced at the young professionals' breakfast at the Forum on Tuesday 4 October.

"The knowledge that young risk professionals can gain from this training about the working of the most important insurance and reinsurance markets will be valuable in managing international insurance programmes," said Edouard Thys, FERMA's director of education.

Student scholarships

FERMA also awards student scholarships. Each member association is allowed to name a risk management student or recent student to attend the Forum at FERMA's expense. The student will need to provide a thesis or paper on a risk management topic to be considered. Applications should be completed by 30 June.

At the Forum, Thys will act as mentor for the students helping them to get to suitable workshops and meet members of FERMA associations who have relevant interests. After the event, students will write a review in English of their experience and what they have learned. This feedback helps FERMA in the design of future content.

Thys noted with approval that a number of FERMA member associations, including SWERMA in Forum host country Sweden, Airmic in the UK, AMRAE in France, Belgium's BELRIM, DVS in Germany, INRA in Italy and SIRM in Switzerland, have been developing their own education and training programmes.



ACE risk thesis competition

ACE is again working with an important academic institution to encourage students to investigate risk management topics. In partnership with the Stockholm School of Economics, ACE is offering a prize of 1 000€ plus free attendance at the FERMA Forum for the best student thesis on risk research or risk management. Winners will also have the opportunity to present their thesis at the Forum.

Among the possible topics for students to tackle are the effect of risk management on the share performance of listed companies or the financial performance of smaller companies, measuring reputational risk, enterprise risk management case study, cyber risks and social media, risk management in non-profit organisations and environment risk in mergers and acquisitions.

Countdown to the Forum

Silke Huber joined FERMA earlier this year as project coordinator. She's involved in the day to day preparations for the Forum. Here's her update.



Since the last newsletter I've been fairly preoccupied with coordinating the opening of registrations for the Forum. We had to set up a communication plan and let everyone, members and non-members, know when they can register. We really appreciate electronic registration and not having to re-enter everyone's details from mailed or faxed forms, but we need to make sure it runs smoothly.

The whole programme is pretty well settled now. We've got our two keynote speakers and a wonderful range of sessions. Personally, I hope I can manage to slip in and listen to our futurologist and trendspotter, Magnus Lindkvist. Of course, over the next five months there will be some last minute changes to speakers or sessions and I need to keep the website up to date. Note to session leaders: please don't forget to let me know if you do have changes!

Another important job now registration is open is to work with the national risk management association to promote the Forum. We want the largest ever number of risk managers to attend this Forum. We know that one of the main reasons for coming to the Forum is to meet up with other risk managers. We're also hoping we'll draw many first-timers who will see the value in having colleagues and service suppliers on hand in one place.

Since I only joined FERMA early this year, this will be my first Forum, but everyone tells me there's a wonderful atmosphere and I'm looking forward to seeing Stockholm again. It's a beautiful city, though I probably won't take up the suggestion of SWERMA committee member Hans Brandt about the possibility of swimming. Not in October, I think.

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

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