



New FERMA-ECIIA collaboration offers senior executives crucial support on risk management responsibilities



FERMA and the European Confederation Institutes of Internal Auditing (ECIIA) have joined forces to provide practical advice for senior managers on how to help their companies meet risk management, internal control and internal audit responsibilities under European law.

The fruit of this collaboration is Part 2 of the *Implementation Guidance on the 8th Company Law Directive* for Senior Managers and Executive Committees*, which was launched on 14 December in Brussels. It is now available free to download from the FERMA website: <http://www.ferma.eu/wp-content/uploads/2011/12/eciia-ferma-guidance-on-the-8th-eu-company-law-directive-part-2.pdf>

This is the second part of the Guidance on the 8th Company Law Directive produced by FERMA and ECIIA. Part 1 for boards and audit committees was published in September 2010. Both cover article 41-2b of the Directive: "Monitoring the effectiveness of internal control, internal audit and risk management systems."

At the time, FERMA and ECIIA stated that boards and audit committees would need the support of their senior executives to fulfil their responsibilities under the Directive, but that there was no practical implementation guide for management. Part 2 of the Guidance now fills this gap.

FERMA has presented copies of the Guidance to members of the European Commission, and plans to have further discussions with the Commission on its use and wider diffusion.

Jorge Luzzi, President of FERMA, said: "Our collaboration with ECIIA allows us to take advantage of the experience of risk managers and internal auditors to produce practical guidance that senior managers can adapt to the culture, activities and organisation of their companies. Good governance depends on managers being conscious that good control reinforces management systems."

One of the authors of the Guidance, former FERMA President Marie Gemma Dequae explained: "It may be that today not all companies are already fully aware of the contents of art.41 2.b and how to apply it. The focus of both documents is to give more information on how to improve internal processes and reporting processes to audit committees and boards, so

that corporations are able to comply with the monitoring function explained in the article."

In an environment where the Commission is not generally happy with the way corporate governance is performing in Europe, such compliance can help reduce further unwanted regulatory attention, according to Carolyn Dittmeier, President of ECIIA. She said: "Today, it is crucial for organisations to think clearly about their internal assurance processes to avoid being subject to additional external regulation."

She added: "The 8th EU Company Law Directive coupled with our papers gives organisations the necessary guidance to enable them to move forward with a governance framework that provides a risk aware culture to maximise the opportunities of success."

The Guidance is not intended to deliver definitive answers but offers best practice lessons drawn from the real-life experience of members of FERMA and ECIIA. It takes managers through a series of questions that show how they can support the board in managing risks, and making best use of internal control and assurance from internal audit.

Sample questions:

Among the general questions the *Guidance* prompts the executive committee ask are:

- Are risk management and control processes in line with the company's objectives and in accord with the policies in place?
- Is the independence of risk management, internal control and internal audit guaranteed so that the executive committee is informed of major risks and control activities?
- Is the executive committee informed of the major risks of the organisation at each level?

Other sets of questions specifically cover internal control and internal audit.

**The 8th European Company Law Directive is 2006/43/EC and specifically deals with statutory audits of annual accounts and consolidated accounts.*

Letter from Brussels



This is the last FERMA newsletter of 2011. We are at the close of one year and at the beginning of a new one. It is a good time to look what we did during this year, but more important to see what is ahead of us in 2012.

It is amazing to see how FERMA has changed this year. The activities we have been involved in have never been so numerous: the Forum, a completely renewed website, the new logo, social media, European representation, new members... And there will be more in 2012. It used to be quiet for several months after a Forum, but those days are gone!

Increased cooperation between the FERMA team and all actors involved has made it all happen, and I thank all of them for their dedication.

For 2012 we are planning, among other things, to engage the membership and raise awareness among our communities through our growing social media presence, with thought leadership from board members and national presidents. We are revisiting the project list for next year to fulfill the expectations of our members. More will be revealed in the next edition. In the meantime, I wish you a very merry Christmas and a Happy New Year!

Florence Bindelle
Executive Manager

Risk managers look for FERMA action on supply chain risks

Risk managers want FERMA to stimulate discussion about supply chain risks and insurance solutions at European and member association level, according to the results of an online survey.

The FERMA survey, which received 153 responses with a high proportion from members in manufacturing, found that more than half – 52 percent – were very concerned about continuity of supply from direct suppliers, and 36 percent said they were somewhat concerned. When it came to disruption to their suppliers' sources, 35 percent said they were very concerned and 48 percent somewhat concerned.

Most respondents want FERMA to encourage national member associations to open discussions with their local insurance market and promote discussion of the issues. A smaller proportion, 31 percent, would like to see FERMA commission more research on members' experience and 28 percent were interested in research on non-insurance solutions, such as securitisation. (Multiple answers were allowed.)

In terms of recent experience, 21 percent or 32 risk managers said their business had suffered a material breach in its supply chain over the past two years. The Japanese earthquake and tsunami in March

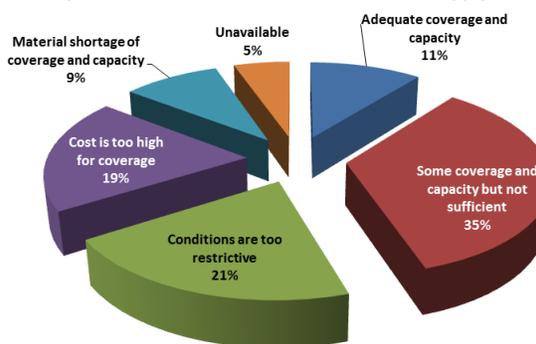
2011 were the principal causes, followed by the Eyjafjallajökull Iceland volcano eruption in 2010 that caused widespread disruption to air traffic. Only 13 of the 153 responses cited political upheaval as a source of business disruption.

FERMA conducted the survey following comments at the 2011 FERMA Risk Forum in Stockholm in October from then President Peter den Dekker who said that the insurance market was not meeting risk managers' needs for protection against supply chain disruption.

The results of the survey confirmed his comments. Half of those responding to the survey say they do not buy contingent or non-damage business interruption and 46 percent said coverage and capacity were not sufficient; 28 percent found conditions too restrictive and 26 percent stated the cost was too high. Only 14 percent felt that existing insurance coverage and capacity were adequate. (Multiple answers were allowed.)

FERMA board member Igor Mikhaylov commented: "In light of the current limitations of insurance, businesses need to apply risk management to the whole supply chain. Risks of partners and subcontractors should be considered to reduce their vulnerability to supply chain ruptures."

What is your view of the market for insurance for supply chain risks?



Igor Mikhaylov
Board Member
of FERMA

Seminar 2012 venue announced:

Versailles, France
22 & 23 October 2012

Benchmarking survey to start in early spring



Versailles Tourist Office/C. Millet

The historic French city of Versailles will be the venue for the 2012 FERMA Seminar on 22 and 23 October. The Seminar, which takes place in alternate years from the FERMA Forum, is the occasion for the announcement of the results of the biannual risk management benchmarking survey.

A city on the western edge of Paris, Versailles is best known for its vast royal palace with its mirrored hall and its gardens built in the late 17th century by King Louis XIV. The seminar will not take place in the palace - but in the dedicated congress centre with views of it.

FERMA considered both Paris and London for the 2012 Seminar. Its reasons for choosing Versailles were exclusive use of an attractive conference centre with sufficient room for more than 400 delegates, easy access from central Paris and the quality of the location.

This is the also first FERMA event to take place in France, and since most of the members of the French association AMRAE are based in Paris, FERMA hopes to attract risk managers who do not regularly attend FERMA events. The 2010 Seminar in London was very successful in interesting members of the UK association Airmic. Both AMRAE and Airmic were keen to host the Seminar, and FERMA is grateful for their support.

More information on the Seminar, including accommodation and transport, will be provided in the new year.

Axa Corporate Solutions and Ernst & Young have confirmed that they will again sponsor the FERMA risk management benchmarking survey, the widest research into the status and implementation of risk management in Europe. Planning is taking place over the next few months, and the launch is expected in early spring.

With the experience of five previous surveys, FERMA and its partners are looking to deepen the value of the results with interviews with senior executives to capture stakeholders' expectations of risk management and possible future developments. The aim, says FERMA Executive Manager Florence Bindelle, is to make the results very useful for FERMA members.

The themes will be similar to previous surveys with an emphasis on the implementation of risk governance and processes and risk maturity. There will also be a question on the deployment of the FERMA-ECIIA *Guidance on the 8th EU Company Law Directive*. In 2012, FERMA hopes to top the record number of 782 responses received from risk professionals in companies and public organisations across 19 countries in Europe.

From a practical perspective, FERMA and the partners are looking at ways at making it simpler for members to respond to the questions and at increasing the number of languages in which the survey is available.

Members who would like to comment can contact Florence Bindelle at florence.bindelle@ferma.eu.

A step forward on global compliance

FERMA has welcomed progress on the creation of a global insurance compliance database taken by UK member association Airmic. Airmic asked now potential service providers for an expression of interest in providing a database of international insurance requirements by the end of January 2012.

Airmic is looking for firms able to create and then maintain a database, which will contain details of regulations on a territory-by-territory basis. It will consider splitting the two functions, so that interested parties can bid for one or other. Insurers, brokers, specialist data companies and international legal firms are among those who have shown an interest informally.

"The wide level of market interest in this project shows what an important issue it is – one that unites underwriters, brokers and buyers," said Airmic board member Helen Hayden, who spoke on the subject at the FERMA Forum in October. "The work will underpin the integrity of insurance programmes and ultimately their ability to deliver for clients."

The main focus will be to provide global guidance on admitted and non-admitted insurers by jurisdiction. This varies not only between countries, but also within some territories such as the US. It can also depend on the class of business being written. Failure to comply can result in fines, cancellation of cover, reputational damage and, in exceptional cases, imprisonment.

The project also has the support of the International Underwriting Association, London and the International Insurance Brokers' Association. Other organisations are being kept abreast of developments, including the North American risk management association RIMS and the World Federation of Insurance Intermediaries.

Spotlight on Slovenia (SI.RISK)

The small country of Slovenia is truly at the centre of Europe. It touches the Alps and the Mediterranean and has borders with Italy, Croatia, Hungary and Austria. It also has a small but enthusiastic risk management community whose association, SI. RISK, is one of FERMA's newest members.

The capital Ljubljana was the venue for a presentation on FERMA by Secretary General Pierre Sonigo and Executive Manager Florence Bindelle in November which brought together members of SI. RISK and the faculty of economics at Ljubljana University, and representatives of the national insurance, broking and audit associations.

According to SI. RISK President Maja Sustersic, the seminar was very useful in strengthening contacts with the university and industry representatives, and for them to see the value of the association's FERMA membership. The university, she said, currently has risk management as part of separate courses, but it is now looking at bringing together the different topics into a single short course and wants to work with SI. RISK. There is also interest in the FERMA-ECIIA Guidelines on Implementation of the 8th European Company Law Directive.

SI. RISK has three events so far planned for 2012. In March there will be an event on supply chain risks. In May, a practical seminar on risk management in subsidiaries, which will cover also how to do international programmes, since companies in Slovenia are doing business in other parts of the former Yugoslavia and abroad, and risk managers need to understand the regulatory and political exposures. The third will take place in September when the members will discuss risk management standards.

Agers (Spain)

More than 300 risk managers and representatives of the insurance industry took part in AGERS's 17th annual seminar on expectations for the coming insurance renewal season, held in Madrid in November. Much discussion covered the current economic and Eurozone crises and their implications, followed by consideration of the current market for specific insurance classes, including liability, property damage and financial risks. Delegates also learned from the office of the insurance regulator that Solvency II could enter into force in Spain in January 2014.

AGERS says the seminar day on insurance programme renewals 2012 was particularly valuable in the current, volatile economic situation and as a way of approaching the strategies that the insurance sector will use to face the realities of the coming months.



Airmic (UK)

Annual dinner

The annual Airmic dinner held in London drew 761 members and guests who heard the CEO of Lloyd's Richard Ward as guest speaker and Airmic chair, Paul Taylor, a former FERMA board member.

Survey: Risk managers' concerns little changed, despite turbulence

Global economic and political uncertainty has had little impact on global insurance programmes,

according to the second annual Airmic casualty benchmarking survey. The key issues remained consistent with last year's results: global compliance with local tax laws and with legal, regulatory and insurance regulations. Another top priority is getting policies issued in a timely fashion.

The benchmarking survey was sponsored by Chartis which drew attention to the contrast between the economic environment and the insurance strategies employed by many companies.

Annual conference: The 2012 annual Airmic conference will be held in Liverpool from 11-13 June.

AMRAE (France)

The 20th Rencontres de l'AMRAE, the association's annual gathering, will take place in Deauville from 8-10 February 2012. At one plenary session, FERMA President Jorge Luzzi and the President of AMRAE, Gilbert Canameras, will provide a tour of risk management practice across Europe with the help of risk managers from several countries.

There will also be a workshop dedicated to FERMA themes, moderated by Vice President Michel Dennerly with the participation of Jorge Luzzi.

ANRA (Italy)

Recent ANRA events have included its annual conference on the subject of "Back to insurance: which solutions in less secure world?", plus a training course on claims handling and a presence at a workshop on finance and administration at a top Italian management forum.

Activities in early 2012 include training courses on risk management 1st and 2nd module and claims handling.

BELRIM (Belgium)

At the annual cocktail of the association in December, Etienne de Callataÿ, Chief Economist of the Bank Degroof, gave a lively presentation entitled "From one crisis to the next: macro-economic risks in Belgium and Europe".

Gaëtan Lefèvre, Chairman of the association, welcomed over 150 guests, pointing out the challenges that lie ahead in these economically difficult times. He urged insurers and brokers to keep in mind the needs of their clients during the coming contract renewals.

In November, all members were welcomed at the Château CMI in Liège for an exchange on travel and foreign operations risks, enhanced by some televoting. The audience greatly appreciated this innovation as it made the meeting very interactive.

BELRIM invites all FERMA members to attend their meetings. On the agenda for the coming months:

January: CAR - EAR

February: Credit management

March: Social media risks

DARIM (Denmark)

DARIM will celebrate its 25th anniversary with a major event in February and other activities throughout the year. More details to come in the next FERMA newsletter.

DVS (Germany)

The annual symposium will take place from 4-6 September 2012 in Munich.

FinnRiMa (Finland)

FinnRiMa is to merge with the SME Risk Management Forum (SM RM Forum) which will provide more access to this business sector and new opportunities, including developing risk management training. SM RM Forum has been active with various universities and other education providers.

FinnRiMa is collaborating strongly with various players within Finnish society, for example working with the Confederation of Finnish Industries to clarify the role of risk management in large and smaller companies. During 2012, FinnRiMa will continue to support implementation of ISO 31000 in Finnish businesses and other organisations with the help of the Confederation of Finnish Industries, among others.

During 2012, FinnRiMa will hold official members' meetings in April and November with three or four regular mini-seminars on topical issues during the year. However, the association's main event for year will be its 25th anniversary seminar and dinner on 16 October in Helsinki.

IGREA (Spain)

A day on insurance renewals was the title of an event organised by IGREA in Madrid at the end of November for members to discuss prospects for property, liability and directors' and officers' programmes for 2012.

On 3 January, IGREA will hold a working session with a representative of the new European Insurance and Occupational Pensions Authority.

SIRM (Switzerland)

SIRM recorded a record number of participants for its 2011 Forum held at Pfäffikon on Lake Zurich on the subject of cyber crime and cyber security. The moderator was Thomas Dübendorfer a software engineer and tech lead at Google, Zurich.

SIRM is now preparing its 2012 programme, with two well established cornerstones: the general assembly in Basle on 9 May to deal with statutory matters and to present a topical risk management subject and the 39th SIRM Forum on 6-7 November 2012, at a venue to be announced

Throughout the year, the SIRM board will also lead the association's relaunch programme, strengthening communication channels with members, as well as with market partners and the regulatory authorities. Another sign of the association's renewal is the updated SIRM website - discover it at www.sirm.ch.

New associations

FERMA is pleased to support individual risk managers in other European countries in setting up their own risk management associations, and eventually joining the FERMA community.

Most recently, risk managers in Hungary and Croatia have sought FERMA's advice on setting up local organisations.



FEDERATION OF EUROPEAN RISK MANAGEMENT ASSOCIATIONS - FERMA a.i.s.b.l.

This Newsletter is produced by FERMA. If you have any questions concerning this Newsletter, please contact Florence Bindelle at FERMA on Tel. +32 2 761 94 32 – email: florence.bindelle@ferma.eu

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