



# FERMA™

Federation of European  
Risk Management Associations

# European Risk and Insurance

## Full Report of the FERMA Risk Management Benchmarking Survey 2014

### 7<sup>th</sup> Edition

XL Group  
Insurance  
Reinsurance



**EY**  
Building a better  
working world

  
**ZURICH**®

 **MARSH**

 **CORPORATE  
SOLUTIONS**  
redefining / standards

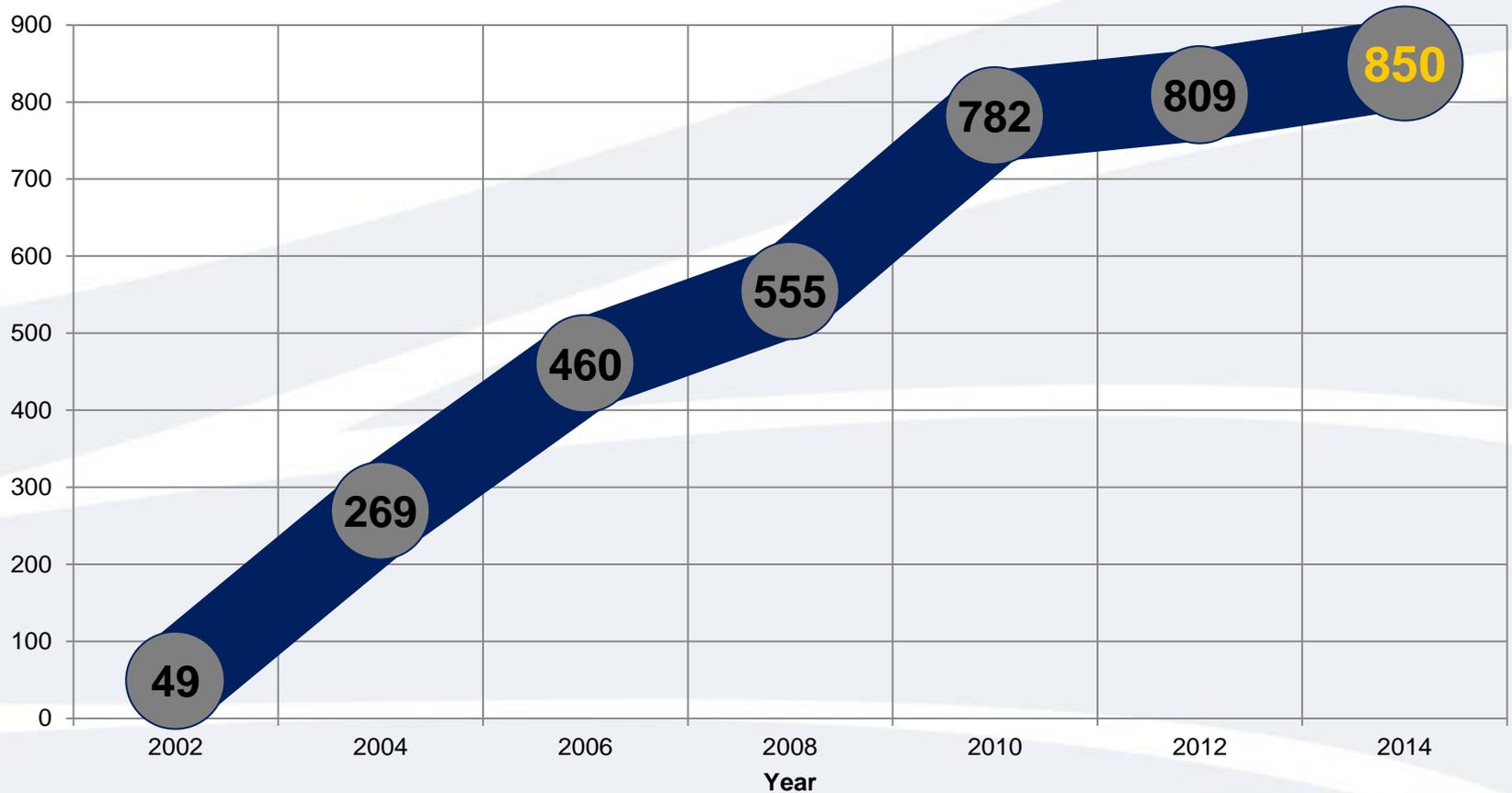
# Presentation of the survey

Seventh biennial benchmarking survey  
conducted by the Federation of European Risk  
Management Associations (FERMA in  
collaboration with XL Group, EY, Zurich, Marsh  
and AXA Corporate Solutions

# Key Facts

- The survey (39 questions) received 850 responses and was conducted from April to June 2014
- The survey was divided in 4 parts
  - **Introduction** : from S0 to Q8
  - **European insights on risk management practices:** from Q9 to Q16
  - **European perspective:** from Q17 to Q29
  - **Insurance: Evolution of the Insurance Market and Risk Managers' Expectations:** from Q30 to Q39

# Total Number of responses since 2002



# Table of Content

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# 1. Introduction

## Age, Gender and Compensation

	total	T leader	T member	<30 yrs		31-35		36-45		46-55		56-60		>60	
female	232	162	70	20	66,7%	22	36,1%	80	30,1%	80	24,9%	24	21,8%	6	9,7%
male	618	491	127	10	33,3%	39	63,9%	186	69,9%	241	75,1%	86	78,2%	56	90,3%
	850	653	197	30	100,0%	61	100,0%	266	100,0%	321	100,0%	110	100,0%	62	100,0%
female	27,3%	24,8%	35,5%	66,7%		36,1%		30,1%		24,9%		21,8%		9,7%	
male	72,7%	75,2%	64,5%	33,3%		63,9%		69,9%		75,1%		78,2%		90,3%	
				<b>T leader</b>	<b>T member</b>										
female				6	14	13	9	61	19	59	21	19	5	4	2
				30,0%	70,0%	59,1%	40,9%	76,3%	23,8%	73,8%	26,3%	79,2%	20,8%	66,7%	33,3%
male				4	6	27	12	145	41	194	47	74	12	47	9
				40,0%	60,0%	69,2%	30,8%	78,0%	22,0%	80,5%	19,5%	86,0%	14,0%	83,9%	16,1%

The survey shows that the typical risk manager in a leadership role is around 50 years of age ( 78,8 %) and male (80,5%). Within the younger generation of risk managers women are the majority in number, however women lose this position quickly as the survey findings move through the risk management career time line and male risk managers predominate in leadership roles from the age of 35.



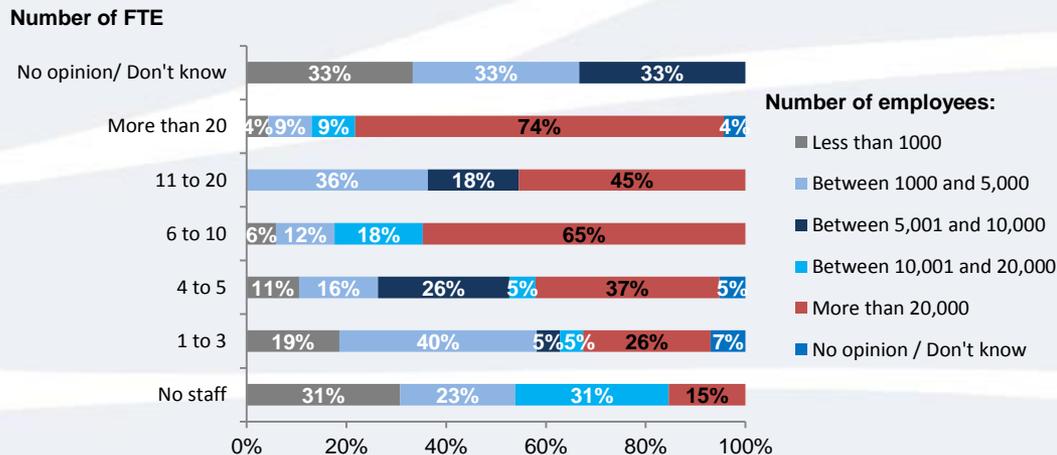
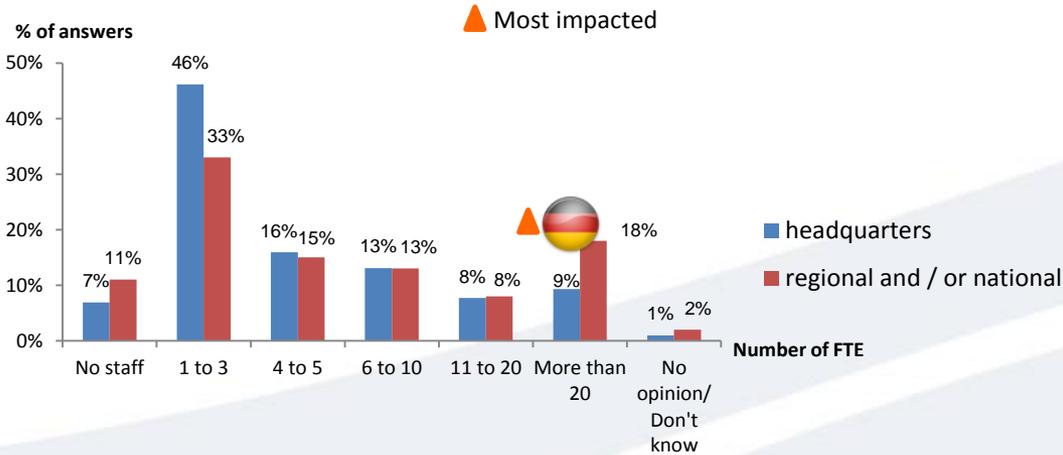
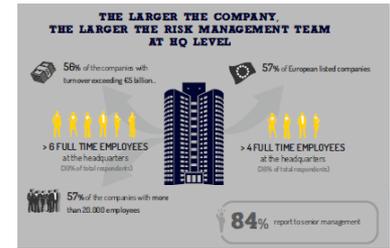
## Age, Gender and Compensation

	total	%	female	%	male	%
less than €60	186	18,4%	82	28,4%	104	14,4%
between €61-€80	176	17,4%	55	19,0%	121	16,7%
between €81-€100	177	17,5%	65	22,5%	112	15,5%
between €101-€120	123	12,1%	30	10,4%	93	12,8%
between €121-€150	149	14,7%	26	9,0%	123	17,0%
between €151-€200	114	11,3%	21	7,3%	93	12,8%
more than €200	88	8,7%	10	3,5%	78	10,8%
total	1013	100,0%	289	100,0%	724	100,0%
			28,5%		71,5%	



Salary levels for risk managers in leadership positions are also typically higher for male risk managers than for women.

## Full Time Equivalents dedicated to Risk/Insurance Management



The study reveals that among European organizations, almost half of them (46%) has between 1 and 3 FTE at headquarters level.

41% of 'Banking and Financial Services' have more than 20 FTE at headquarters level, far ahead from the second industry which is 'Consumer goods' with 17%.

On the other hand, the 'Automotive' industry appears to be more decentralized as 50% of the respondents in this sector indicate that they have more than 20 FTE in the regional and/or national teams.

As expected, large organizations (turnover over 5 Billion € and/or counting more than 20,000 employees) tend to dedicate more FTE to the Risk Management function (respectively 56% and 57% of them have more than 6 FTE at Headquarters level).

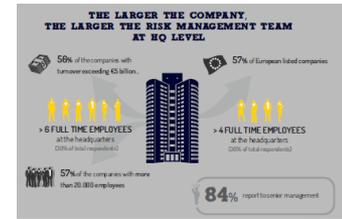
The study also highlights that 77% of listed companies have less than 10 FTE at headquarters level versus 87% for non-listed companies.

Germany appears to be the country that dedicates the most resources to Risk/Insurance Management as respectively 20% and 25% of German respondents have more than 20 FTE in the headquarters and in the regional/national teams.

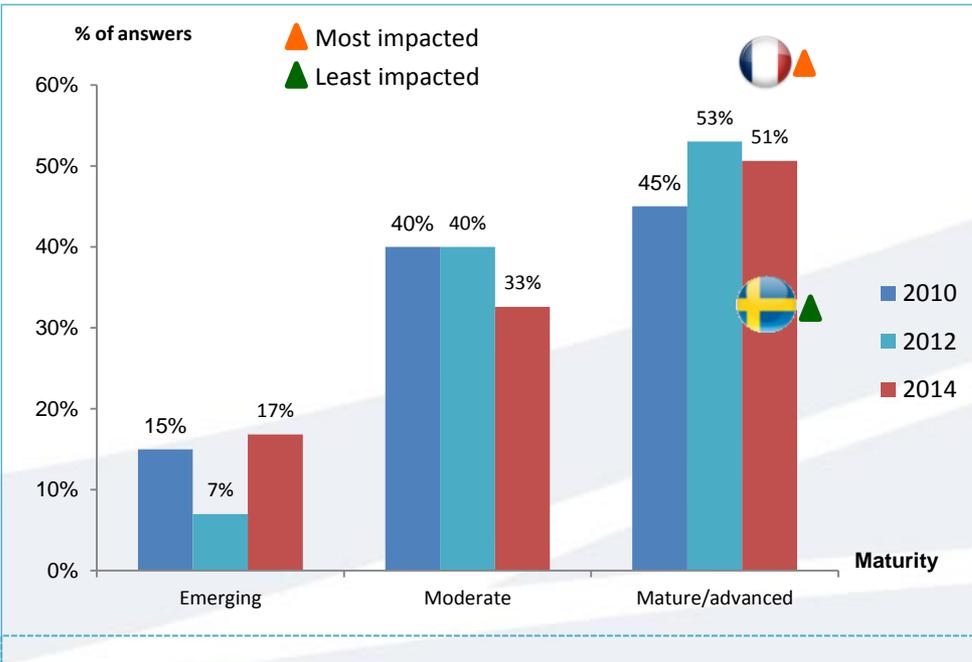
Other European countries reported consistently that less than 10% of them dedicate more than 20 FTE to Risk/Insurance function at Headquarters level.

## 2. Risk Manager's Profile





## Risk Management reporting: a reporting at Top Management / Board level



GRAPH CAPTION		
Emerging	Moderate	Mature/Advanced
Reports to other function or department	Reports to CFO, General counsel/Head of Legal Department, Head of Internal Audit	Reports to Audit (and/or risk) Committee, Board of Directors/Supervisory Board, CEO/Managing Director or General/Company secretary

**Risk Management function globally reports at Top Management level (84%)** however this practice is declining compared to 2012 (93%) and 2010 (85%).

The main reporting lines of Risk Managers are respectively CFO (22%), Board of Directors/Supervisory Board (18%) and CEO level (17%).

France (63%), Italy (60%) and Germany (58%) have the most mature reporting structure among respondents on the contrary to Sweden (33%) and Spain (37%).

## CFOs remain the primary reporting line for Risk Managers across Europe



**Reporting at CFO level (22%)** remains widespread among Risk Managers. This trend is especially observed in the 'Consumer goods' (43%) 'Food and beverages' (44%) and 'Government contracting' (30%) sectors.

The study highlights that **Board of Directors/Supervisory Board level (18%)** is the primary reporting line of the 'Automotive' (39%), 'Banking and financial services' (32%) and Insurance (43%) sectors.

Among small companies (less than 1,000 employees – 37% / turnover less than 100 Million € - 34%), reporting to the Board of Directors / Supervisory Board is the most commonly shared practice.

**Reporting at CEO level (17%)** is the practices mostly observed in the 'Healthcare' (57%), 'Pharmaceuticals' (33%) and 'Real estate' (39%) industries.

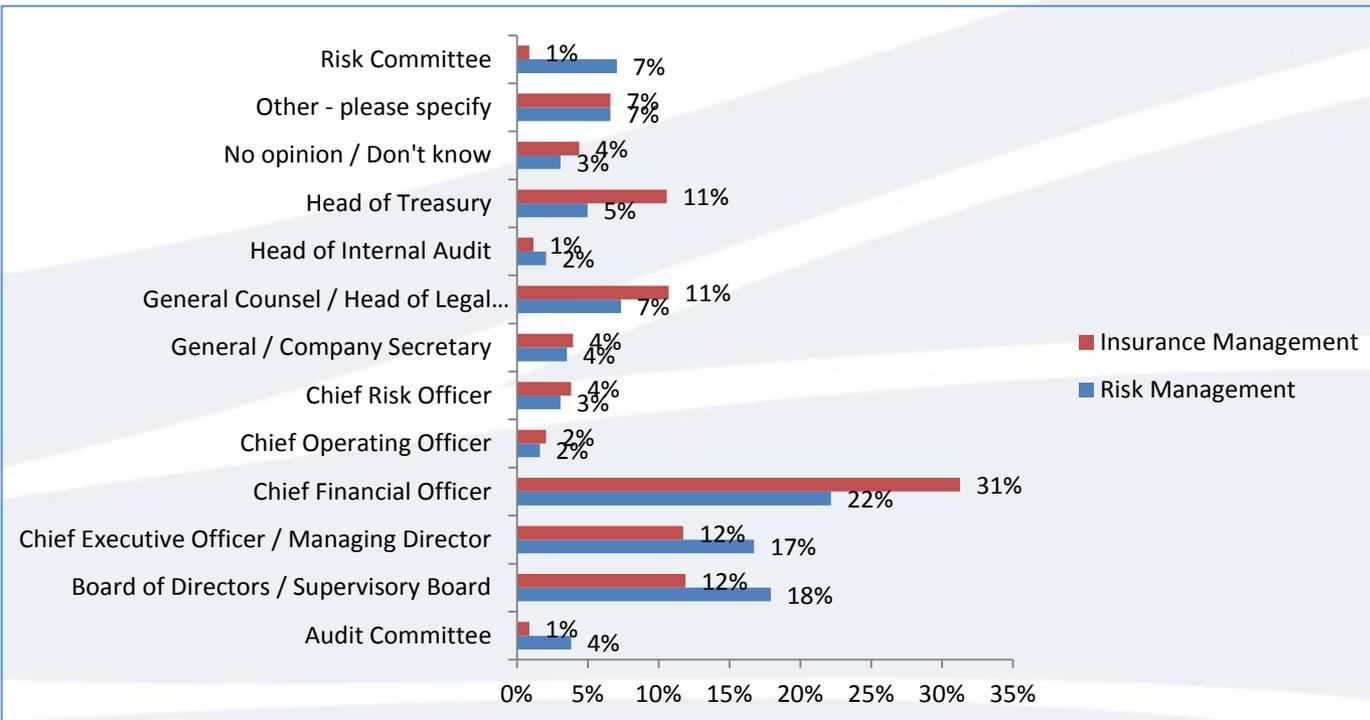
**Reporting to the Audit (4%) and/or Risk (7%) Committee** remains marginal whereas they represent advanced practices.

We note that among the 'Other' reporting lines are emerging functions such as VP Business Development, Corporate Affairs Director, Group Controller, Commercial Assurance Director, Shared Services Director or VP Financial Compliance. These functions are taking greater stakes in Risk Management and arise as new relays for Risk Managers.

## Risk and Insurance Management functions mostly report to Top Management / Board

**85%** of Risk management functions and **78%** of Insurance management functions report to Top Management level

The main reporting lines are respectively CFO (22% for RM and 31% for IM), Board of Directors/Supervisory Board (18% for RM and 12% for IM) and CEO level (17% for RM and 12% for IM).



## Risk/Insurance Managers' roadmap: towards the development of Risk management as a strategic tool deployed at all levels of the organization

### Top embedded activities:

1. Insurance management and claims handling / Insurable loss prevention
2. Development of map of risks
3. Assistance to other functional areas in contract negotiation, project management, acquisitions and investments

### Activities planned for 2014-2015:

1. Development and embedding of Business Continuity Management
2. Development and implementation of Risk culture across the organization
3. Alignment and integration of Risk Management as part of business strategy

### Activities not planned:

1. Analysis of capital projects and delivering business plans
2. Design and implementation of risk financing strategy and association solutions
3. Definition of compliance policy

### Risk and Insurance Management roadmap: quantification methods out of the short-term radar

Survey results indicate that traditional Risk and Insurance management activities are now fully embedded in the scope of responsibilities of Risk and Insurance Managers.

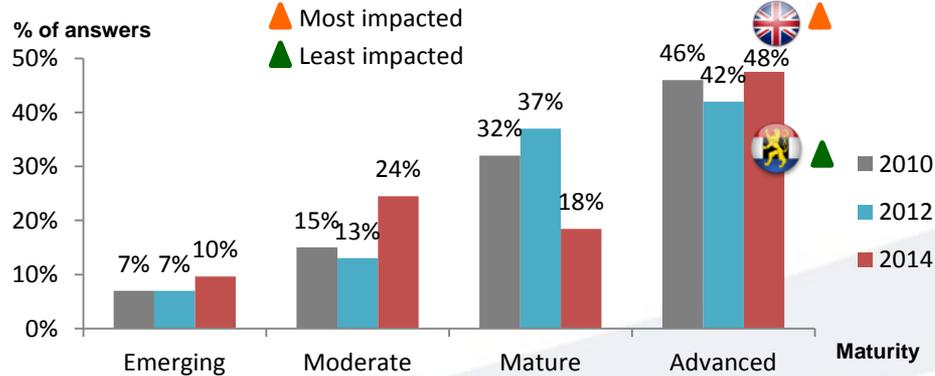
Risk/Insurance Managers' short-term stakes are converging towards the enhancement of their role into the strategic dialogue and becoming a business partner through risk culture awareness and business continuity.

Nevertheless, respondents highlight that the implementation of risks' quantification methodologies is not necessarily on their agenda.

Indeed, the 'Analysis of capital projects and delivering business plans' is the least activity (34%), it is also the top activity not planned for 2014-2015 (31%). Additionally, 'Design and implementation of risk financing strategy' is not planned for 23% of the respondents.

These topics do not appear to be enough considered by the European companies whereas metrics monitoring, such as the cost of risk, is a key challenge to gain maturity and pursue business objectives.

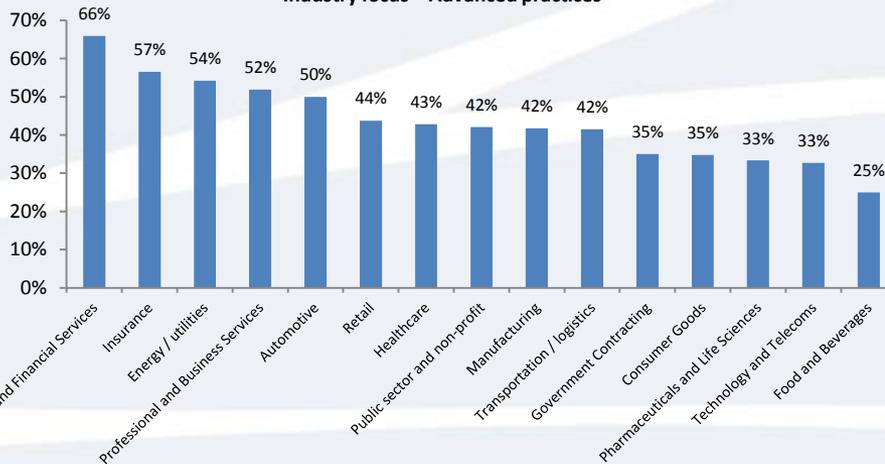
## Risk Management interactions with Top Management/Board



### GRAPH CAPTION

Emerging	Moderate	Mature	Advanced
There is no mechanism in place to formally report about risk management	Meets Board and/or Top Management members on a requested basis	Formally presents to the Board of Directors and Top Management once a year	Formally presents to the Board of Directors and Top Management several times per year

### Industry focus – Advanced practices



**Risk Management activity is globally interacted with “the Board” (66%) and Risk Management topic is generally formally addressed by the board at least on an annual basis.**

**48%** of Risk managers formally present Risk Management activities to the Board/ Top Management several times a year.

The survey demonstrates that advanced practices are mostly observed in the services (banking; insurance; professional and business services) and these two industries : energy/utilities, automotive.

Mature practices are observed in the UK (58%) and in Spain (56%) whereas Benelux reports less formally to the Board (36%).

## Relations between Risk Management and other functions: basic coordination but room for improvement



### Risk Management functions are globally coordinated with other functions but...

Functions/partners working with the Risk Management function can be split into three categories:

First-rank partners with whom the Risk Management function holds a regular or very close relationship. These functions include Ethics/Compliance/Legal, Business Continuity/Crisis Management and Internal audit/internal control.

Second-rank partners with whom Risk Management function holds more distant relationship. These functions include Mergers & Acquisitions, Supply chain/Quality, and Sourcing/Procurement. We note that the relation between Risk Management and the 'Mergers & Acquisitions' functions is growing compared to 2012 conversely to the relation with 'Corporate Social Responsibility' and 'IT' functions which become third-rank partners in 2014.

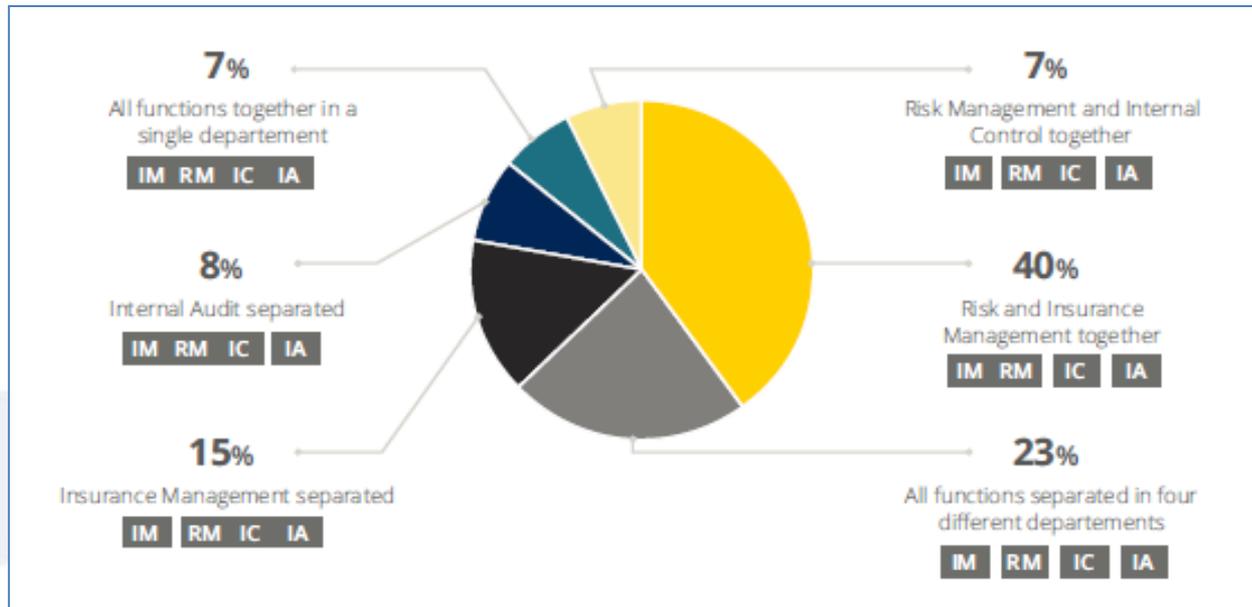
Risk Management function first rank partners are confirmed compared to 2012 but relationships could still be improved with IT (for major projects), investments & investors relations, Human Resources, strategic business planning, CSR functions. Especially as we see the function evolve to becoming a business partner through risk culture awareness and Business Continuity.

**1** Risk Management first-rank partners  
No relationships < 20%

**2** Risk Management second-rank partners  
No relationship < 35%

**3** Risk Management third-rank partners  
No relationship > 35%

## Relationships between Risk Management, Insurance Management, Internal Control and Internal Audit: unchanged organisational model with Risk and Insurance Management together

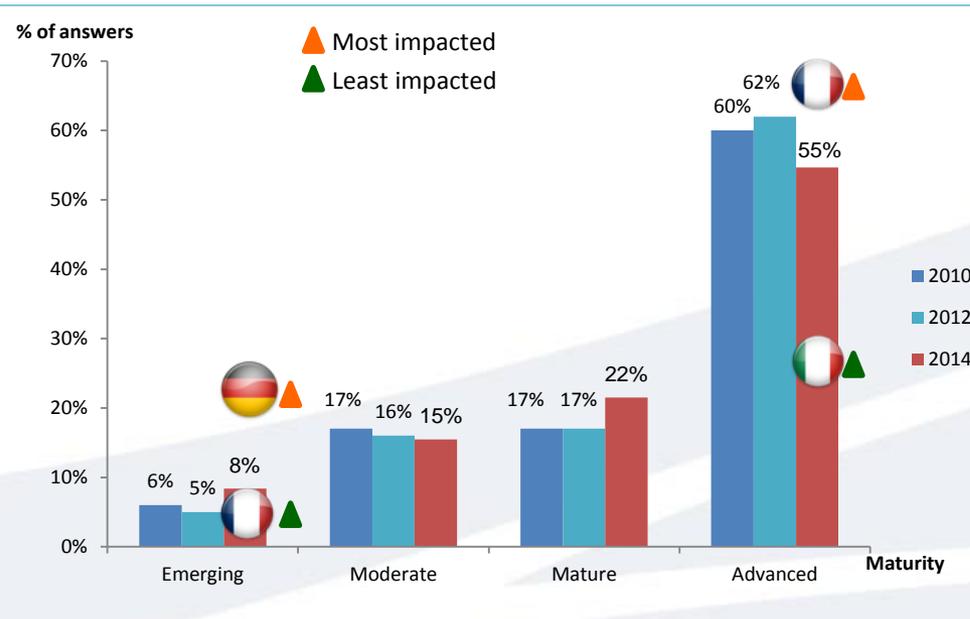


### Risk and Insurance Management: a close and perennial relationship.

In line with 2012 survey results, the most commonly used organisation remains Risk and Insurance Management together and separated from Internal Control and from Internal Audit (40% of respondents vs. 39% in 2012). This trend is confirmed when the size (turnover and number of employees) of the company is getting more significant. Small firms rather organize all functions together in a single department due to the resources they allocate to these functions.

Whatever the organisation is, advanced practices require a close coordination between these risk functions in order to provide an integrated vision of risk management to the Top management/ Board, notably in terms of mandate, risk taxonomy, risk assessment methodology, risk reporting and risk IT tools.

## Risk mapping is established as a Risk Management standard within European companies



### GRAPH CAPTION

<i>Emerging</i>	<i>Moderate</i>	<i>Mature</i>	<i>Advanced</i>
No risk mapping approach in place yet	Partial approach in place (certain business units/areas, risks...)	Approach in place at global corporate level (strategic, financial and operational)	Approach in place from corporate level down to divisions and business units

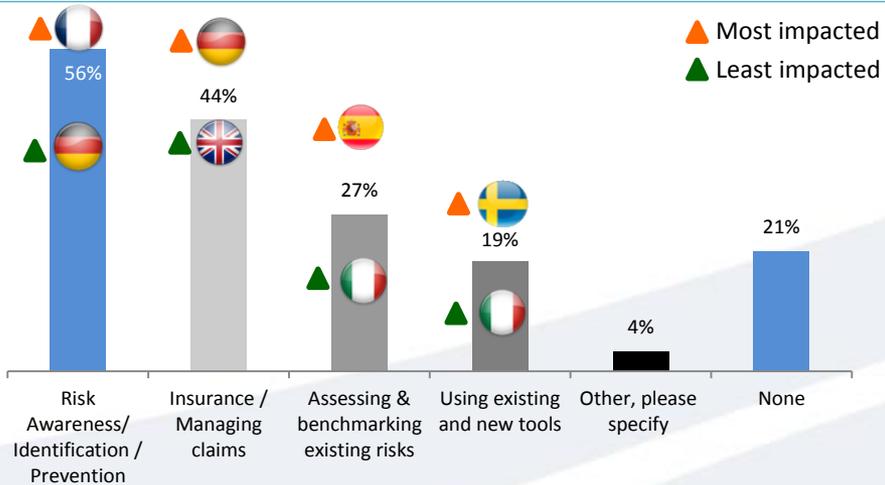
### Risk mapping exercise is established as a Risk Management standard within European companies.

The survey results revealed previously that risk mapping was an embedded activity in Risk Managers' agenda. The above graph confirms this trend as 77% of the respondents perform a risk mapping: 55% from corporate level down to divisions and business units and 22% at corporate level.

We nevertheless observe that the deployment of the risk mapping from corporate level down to divisions and business units is decreasing (55% in 2014 vs. 62% in 2012).

We note that 8% of the respondents (including 6% of listed companies) still did not deploy risks mapping exercise among their organization.

## Risk/Insurance Management trainings: need for the enforcement of advanced practices



**Trainings are provided on a regular basis for standard Risk/Insurance practices but the deployment of advanced practices remains limited.**

The study reveals that training is provided for baseline risk/insurance practices such as Risk awareness / Identification / Prevention (56%) or Insurance / Managing claims (44%).

However more advanced practices are still poorly deployed among European companies. Indeed, only 27% of the respondents indicated providing training regarding the assessment and benchmark of existing risks and 19% regarding the use of IT tools to manage risk/insurance activities.

Among the 'Other' areas covered during training programs, we note the following 'hot topics': Compliance Management; Anti-Bribery; Fraud; Data protection; Corporate security; Crisis Management; Safety quality data; Ethics.

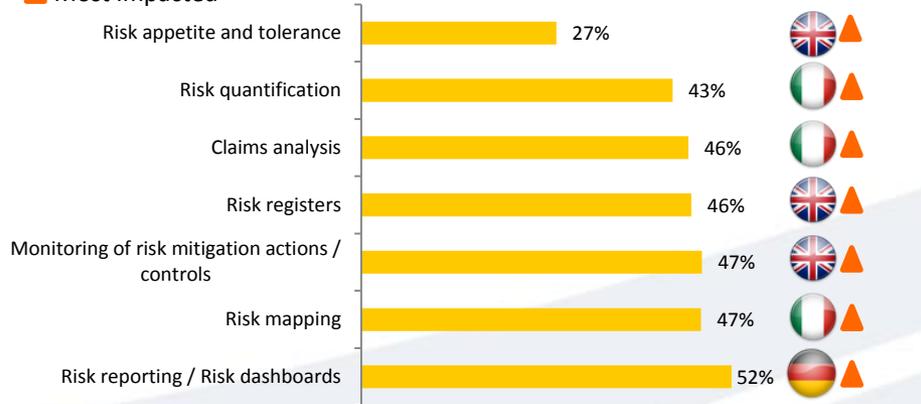
Finally, the study highlights that 21% of the companies do not provide any training on a regular basis.

Trainings on Risk Awareness/Identification/prevention are widely provided in France (70%), Sweden (67%) and Benelux (66%) whereas Insurance/Managing claims topic is mostly provided in Germany (65%) and Italy (53%).

Risk/insurance trainings	Listed companies	Non-listed companies
Risk Awareness/ Identification / Prevention	60%	53%
Assessing & benchmarking existing risks	31%	23%
Insurance / Managing claims	46%	42%
Using existing and new tools	22%	17%
Other, please specify	4%	3%
None	19%	23%

## IT / GRC tools: tomorrow's leverage and key success factor for Risk Management

### ▲ Most impacted



**The use of IT/GRC tools remains too limited to face increasing stakes and work's complexity.**

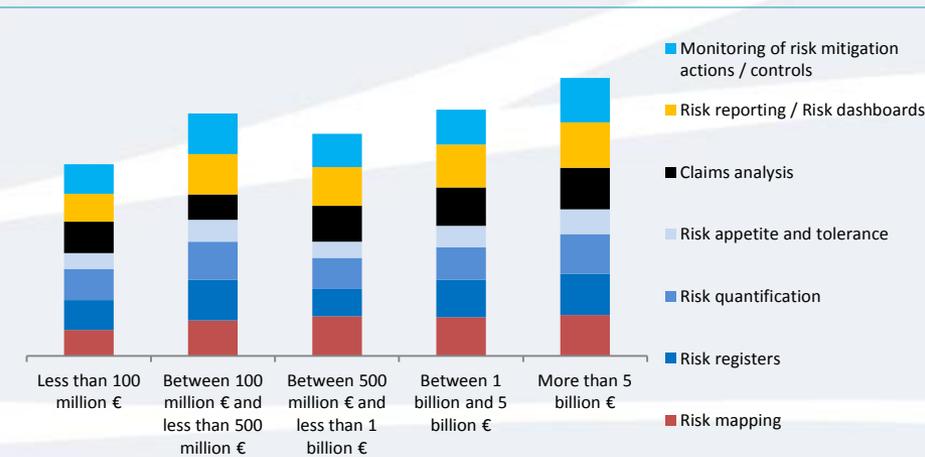
The study reveals that the use of IT/GRC tools by European organizations remains limited.

Less than half companies are strengthening their risk management activities with supporting technologies whereas expectations around risk reporting, risk quantification and monitoring of risk mitigation actions are increasing notably due to Stakeholders request. (Board, Shareholders, Banks...).

If traditional activities such as maintenance of risks registers (46%) and update of risk mapping (47%) can be performed outside of IT/GRC tools, their integration to such systems can significantly improve work efficiency and provide a robust set of data for more complex activities such as risk quantification (43%) or claims analysis (46%) that should ideally be supported by IT tools.

Furthermore, the monitoring of risk mitigation actions/controls (47%) and the production of risk reporting/dashboards (52%) should also be supported by IT/GRC tools to ensure continuous monitoring.

Finally, we observe that industries such as Insurance, Public Sector, Real Estate, Retail or Technology & telecoms are poorly using IT/GRC tools whereas this practice is more commonly shared in the Banking & Financial Services, Energy/Utilities, Automotive or Transportation industries.



# 3. Risk Environment and Perspectives

## In 2014, how are the top 10 risks mitigated and are Risk Managers satisfied by this level of mitigation?

Top 10 2014	2012	Mitigation level	Satisfaction level
Political – Government intervention, legal and regulatory changes			
Reputation and brand			
Compliance with regulation and legislation			
Competition	n.c*		
Economic	n.c*		
Market strategy, client	n.c*		
Planning and execution of strategy			
Human resources / key people, social security (labour)			
Quality (design, safety & liability of products & services)			
Debt, cash flow	n.c*		

\*n.c\* not comparable

High

Medium

Low

The study reveals that ‘Political’ risk became the most important risk for European organizations in 2014 whereas this risk was only ranked #10 in 2012.

Among the Top 5 risks:

- three remained unchanged since 2012 (reputation; competition; regulation & legislation). They are still key concerns and triggers for Risk Management strategies.
- three risks are assessed with a low level of mitigation (political, competition and economic condition)

The risk linked to ‘Market strategy’ was merged with ‘Competition’ in 2012 and has been split in 2014 in order to highlight the two dimensions. Nevertheless, both have been significantly scored by the respondents.

## What are the five risks for which European Risk Managers are the most/least satisfied in terms of mitigation?

### Highest level of satisfaction

1. Safety, health and security
2. Corporate social responsibility, Human Rights and Ethics
3. Interest rate and Foreign exchange
4. Quality ( design, safety and liability of products, and services )
5. Civil or criminal liabilities against the organization's directors and/or its officers

### Lowest level of satisfaction

1. Increase of fiscal and taxes regulation (including fiscal optimisation)
2. Demographics
3. Political - Government intervention, legal and regulatory changes
4. New ways of communication and social media
5. Economic

We observe that among the top five risks with highest level of satisfaction, no strategic risks were reported.

## How do European organisations assess their risk mitigation level for every risk?

The improvement zone represents risks high risks with a low level of mitigation.

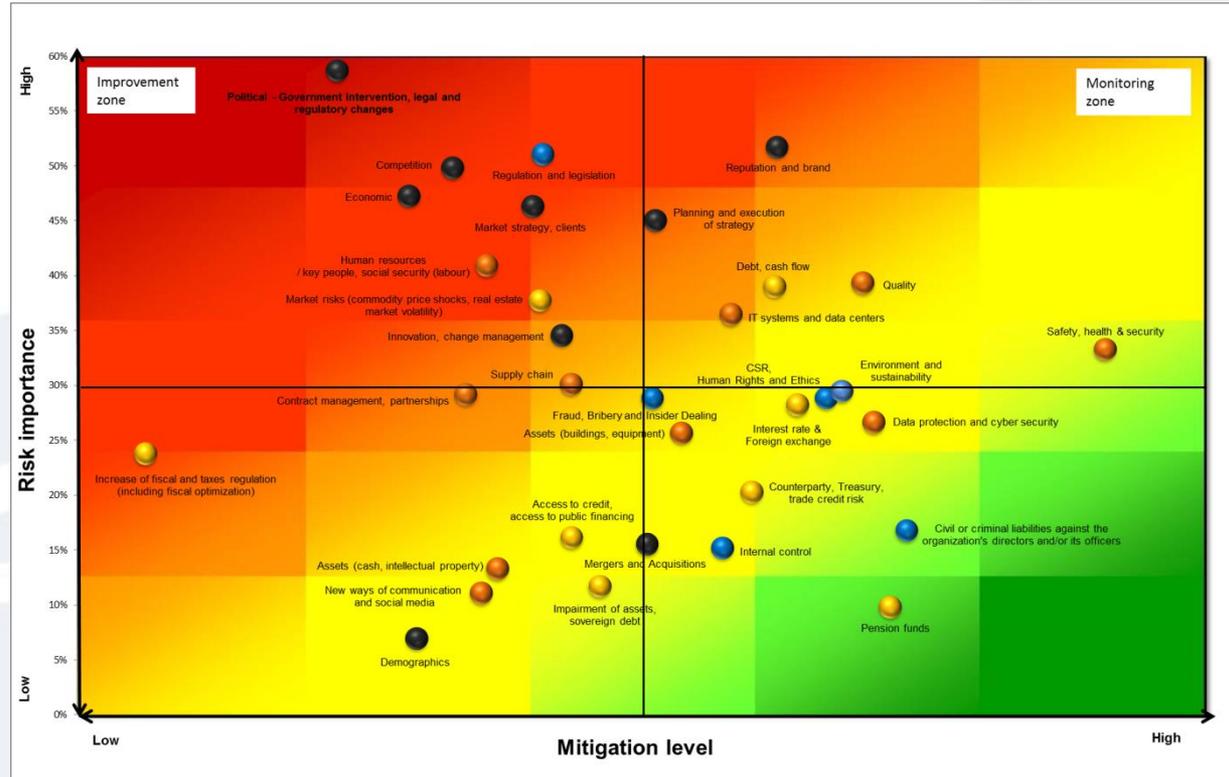
The survey indicates that out of the nine risks in this zone, five are strategic/external risks.

In addition, we observe that three risks in the improvement zone are not included in the Top 10 risks:

- Financial market risks (commodity price shocks, real estate market volatility)
- Innovation
- Supply chain

As a consequence, Risk Management needs to be involved in defining mitigation action plans on these priority items for European organizations.

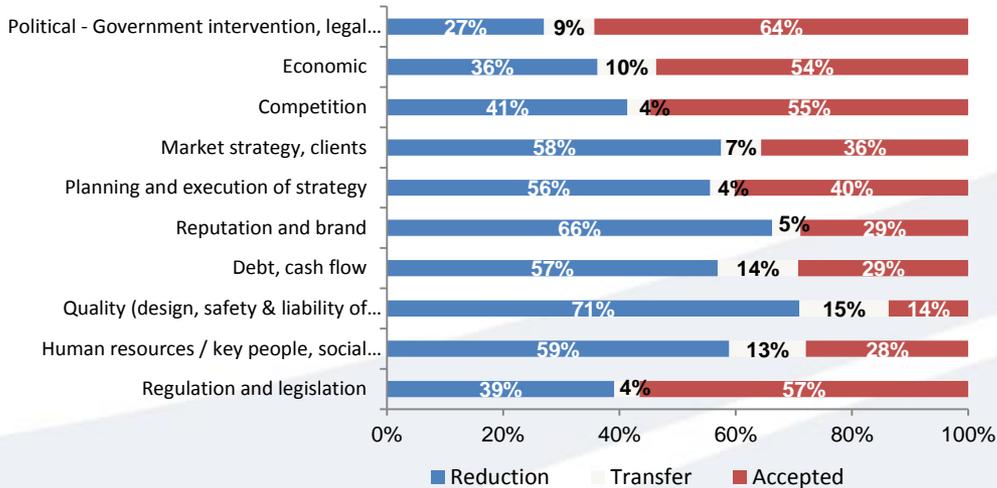
The monitoring zone represents high risks that are assessed with a better level of mitigation. We observe that in this zone, we have a majority of operational risks (Quality; IT systems and data centers; Safety, health and security).



- Ethics and compliance
- Strategic and external
- Financial
- Operational

## Risk coverage strategy: tailored approaches to risks' specificities

**Top 10 risks focus**

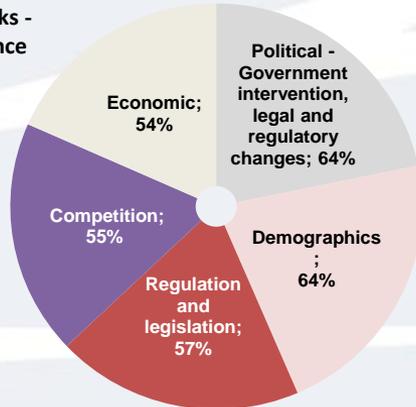


**External risks are generally more accepted by European companies whereas internal risks are aimed at being reduced.**

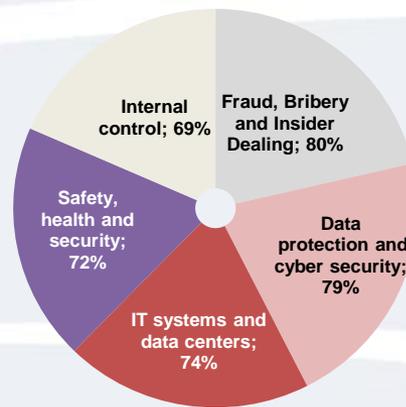
The survey results show that respondents adopt a 'reduction' coverage strategy for the internal risks whereas external risks (such as political situation, economic environment, competition and regulation & legislation) are generally accepted.

"Transfer" strategy is not applied for top 10 risks reported in the study, however we notice that 3 risks are managed through this strategy: Interest rate & foreign exchange; Assets (buildings, equipment); Civil or criminal liabilities.

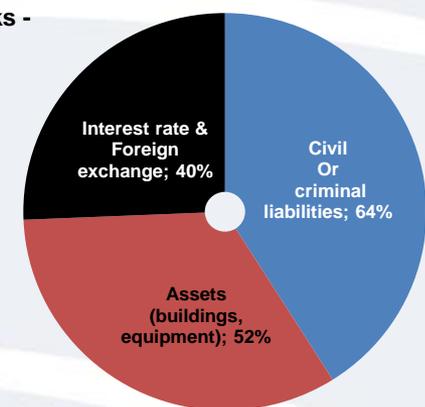
**Top 5 risks - Acceptance strategy**



**Top 5 risks - Reduction strategy**



**Top 3 risks - Transfer strategy**

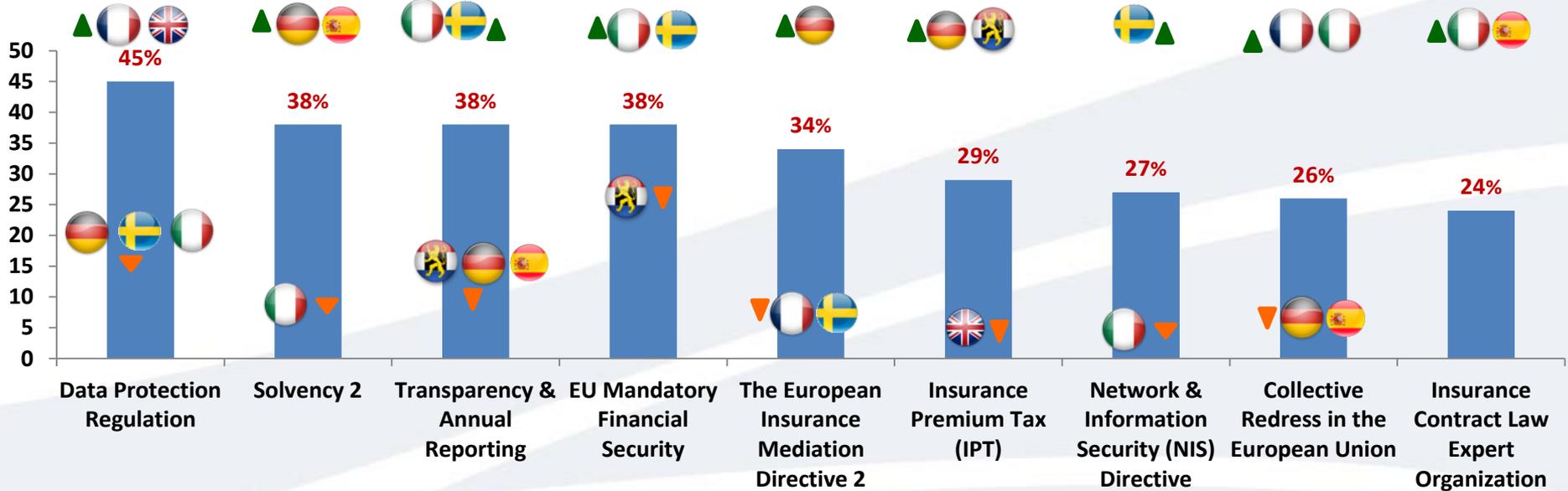




# Ranking of EU-level Regulatory topics

38% Average rate

▲ More than 10 pts above average  
▼ More than 10 pts below average



## Risk and Insurance managers expressed various concerns regarding regulatory topics currently on the European Union agenda

- **Data Protection Regulation:** expected to enter into force in 2015, **France and UK ranked it at 56% and 52% respectively**, well above the other 5 countries assessed in this graph
- **Solvency 2 & the treatment of captives:** date of implementation is set at 1<sup>st</sup> January 2016. This file has been chosen unanimously except for **Italy where only 13% of respondents** chose this as a priority for FERMA
- **Transparency & Annual Reporting:** the disclosure of new non-financial information and possible country-by-country reporting is a **high priority for Swedish (53%) and Italian (47%) respondents**



# Ranking of EU-level Regulatory topics

## Ranking per country



### Benelux

1. Insurance Premium Tax 48%
2. Solvency 2 & captives 45%
3. IMD 2 39%



### Sweden

1. Annual reporting & Transparency 53%
2. EU financial security 53%
3. Solvency 2 & captives 40%



### Italy

1. EU financial security 67%
2. Collective Redress 47%
3. Annual reporting & Transparency 47%



### Germany

1. Insurance Premium Tax 61%
2. Solvency 2 & captives 50%
3. IMD 2 44%



### Spain

1. Solvency 2 & captives 50%
2. Insurance Contract Law 47%
3. IMD 2 42%



### United Kingdom

1. Data Protection Regulation 56%
2. EU financial security 46%
3. IMD 2 39%



### France

1. Data Protection Regulation 56%
2. Collective Redress 52%
3. Solvency 2 & captives 38%



# Ranking of EU-level Regulatory topics

## Most notable figures to remember are:

- **The possibility of an EU-wide mandatory financial security (bonds, letter of credit, provisions...) or an insurance scheme to cover some industrial incidents is a topic of concern for 67% of Italian respondents**
- **Insurance Premium Tax: wide spread between British respondents (only 5%) and German respondents (61%)**
- **Collective Redress:**
  - **High priority for French respondents (51%),** probably linked to the implementation in 2014 of a national collective redress scheme.
  - On the opposite, it does **not seem to be a concern for German (11%) and Spanish (5%) Risk Managers,** interestingly, some collective redress schemes exist in these 2 countries for several years

# 4. Leveraging Insurance to optimize Risk Management



## Insurance Purchasing Strategy

### INSURANCE PURCHASING STRATEGIES

#### HEURISTICS\*

77% use maximum possible loss estimates.

45% rely on claims histories.

#### LIMITING FACTORS

27% take note of available market capacity.

20% are influenced by budget limitations



#### CONSULTANT ADVICE

57% rely on their external consultant

#### BIG DATA

ONLY 15% use Enterprise Risk Management tools.

*\*heuristics: experience-based problem solving strategy including methods like: trial-and-error, rule of thumb, and educated guesses*

Insurance purchasing decisions: aligned to an organisation's risk management strategy, or based on the rule of thumb?

## Insurance Purchasing Strategy (continued)

### FERMA 2014

#### Most significant use of insurance-related data

1. Program retention optimisation
2. Program limit optimisation
3. Understand the company's risk appetite and tolerance
4. Assess the cost of uninsured risks
5. Captive optimisation

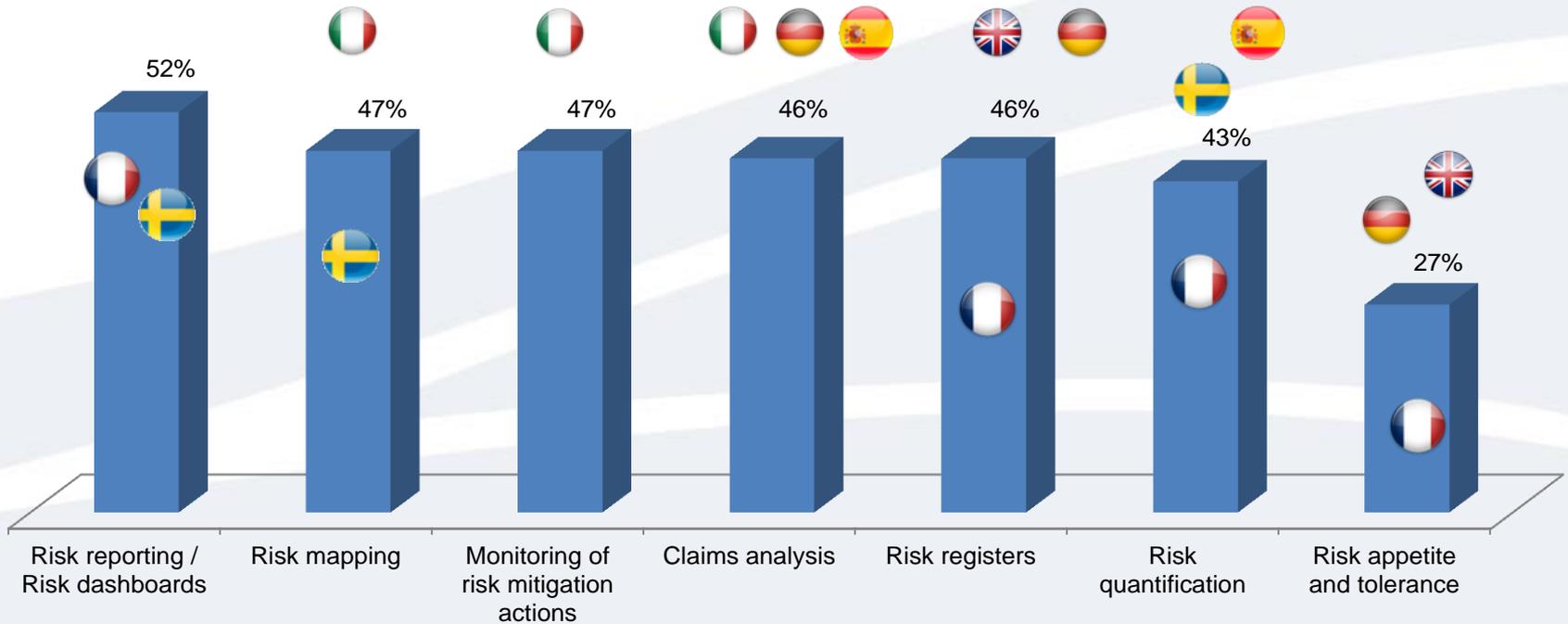
### RIMS 2014

#### Most significant areas of improvement for analytics use

1. Understanding the organisation's risk bearing capacity
2. Finding the right mix of analytics and qualitative methods
3. Risk quantification
4. Risk reporting
5. Risk mitigation

Risk management and insurance data is under leveraged both in Europe and in the USA.

## Insurance Purchasing Strategy (continued)



Analytics use varies across Europe, with the UK, Germany, Italy, and Spain appearing to be the most advanced.

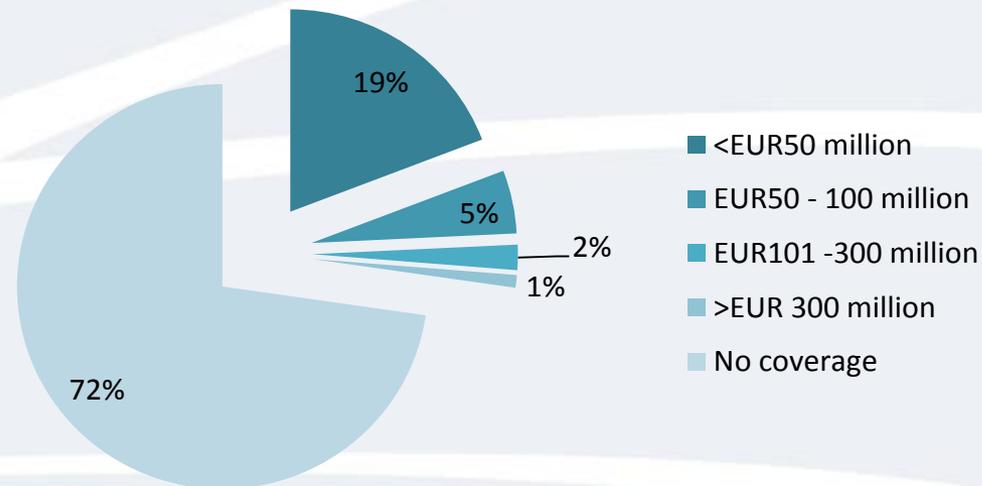
## Insurance Purchasing Strategy (continued)

- With analytics' slow integration into risk and insurance management processes, European risk managers tend to make decisions based on the rule of thumb and on financial limitations.
- Traditional insurance lines can benefit from this approach.
- Evolving risks, such as cyber and gradual environmental liability, can pose significant problems in terms of mitigation and insurance strategies.

## Evolving Risks & Coverages

### Cyber

- 72% of companies surveyed do not purchase stand-alone cyber coverage (defined as a separate cyber insurance policy, and not as a sum of partial coverages granted under property, liability, and crime policies).
- Surveyed companies across all European industries fall in the below distribution in terms of cyber insurance purchasing.



## Evolving Risks & Coverages

### Cyber

Top Students		Improvement possible	
	% of respondent companies covered		% of respondent companies covered
Financial services	58%	Contracting	8%
Professional services	50%	Energy	20%
Telecommunications	50%	Life sciences	22%
		Retail	29%

**72%** of European companies do not purchase stand-alone cyber coverage.



## Evolving Risks & Coverages

### Cyber

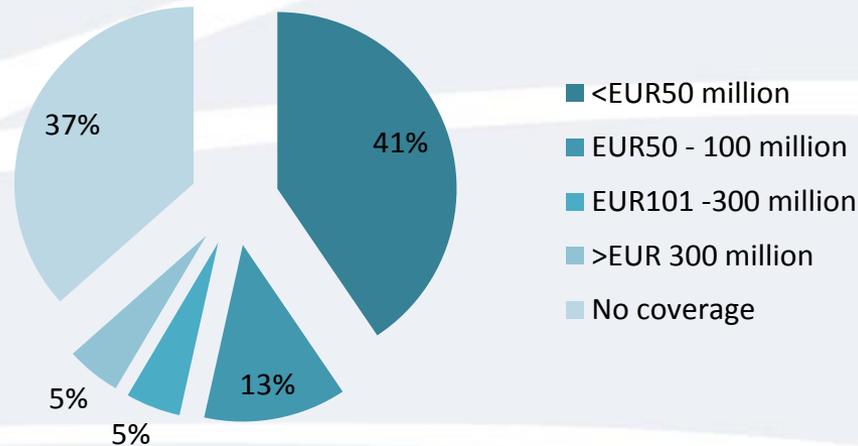
Top countries		Improvement possible	
	% of companies with cyber coverage		% of companies with cyber coverage
 France	43%	 Italy	27%
 Spain	40%	 Germany	21%
 United Kingdom	34%	 Sweden	14%

**72%** of European companies do not purchase stand-alone cyber coverage.

## Evolving Risks & Coverages

### Gradual Environmental Liability

- The insurance market is making efforts to develop adequate solutions to meet specific demands in terms of gradual environmental liability protection.
- Overall, limits purchased are low.
- Exception: 38% of companies with over EUR5 billion in revenue buy limits exceeding EUR50 million vs a 22% average.



## Evolving Risks & Coverages

### Gradual Environmental Liability

Top Students	Coverage & Limits
Manufacturing	72% covered 44% of limits >EUR50 million
Automotive	70% covered 45% of limits >EUR50 million
Energy / Utilities	70% covered 29% of limits >EUR50 million

Improvement possible	Coverage & Limits
Mining	75% covered 38% of limits <EUR50 million
Real Estate	69% covered 62% of limits <EUR50 million
Contracting	58% covered 58% of limits <EUR50 million

**37%** of European companies do not purchase gradual environmental liability coverage.

## Evolving Risks & Coverages

### Gradual Environmental Liability

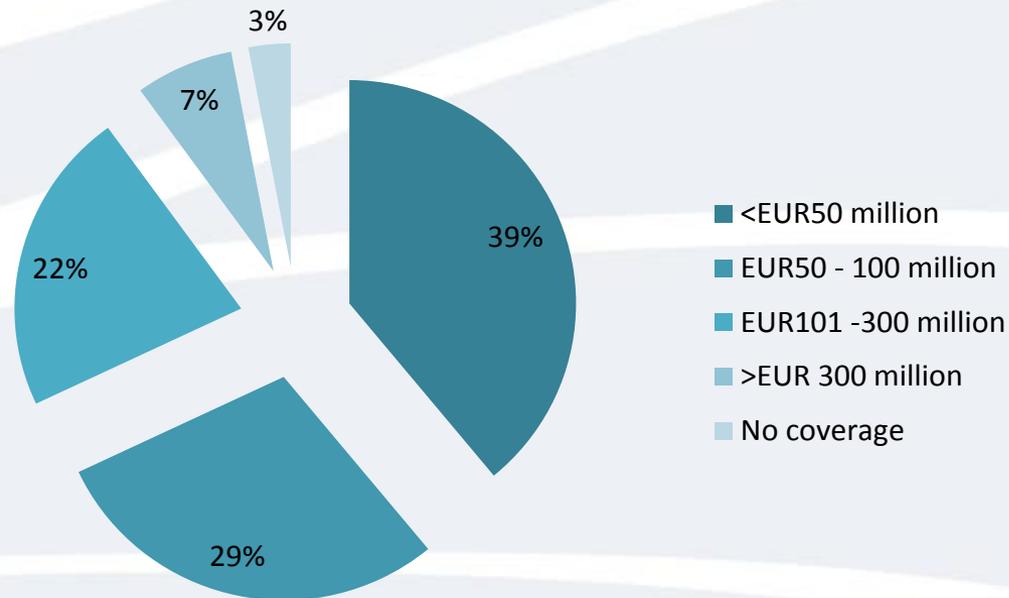
Top countries		% of companies with GEL coverage	Improvement possible		% of companies with GEL coverage
	Germany	85%		United Kingdom	46%
	Italy	85%		Sweden	43%
	Spain	84%			

**37%** of European companies do not purchase gradual environmental liability coverage.

## Traditional lines

### Directors' & Officers' Liability

Buying patterns are normal, with high-risk industries, listed companies and large enterprises buying higher limits.



## Traditional lines

### Directors' & Officers' Liability

Top buyers	Limits
Companies with over 20,000 employees	54% >EUR100 million
Financial services	83% >EUR50 million
Listed companies	75% >EUR50 million
Life sciences & healthcare	50% >EUR50 million

Low limits prevail in all other sectors: 81% of organisations with a turnover between EUR1-5 billion buy less than EUR50 million in D&O coverage.

## Traditional lines

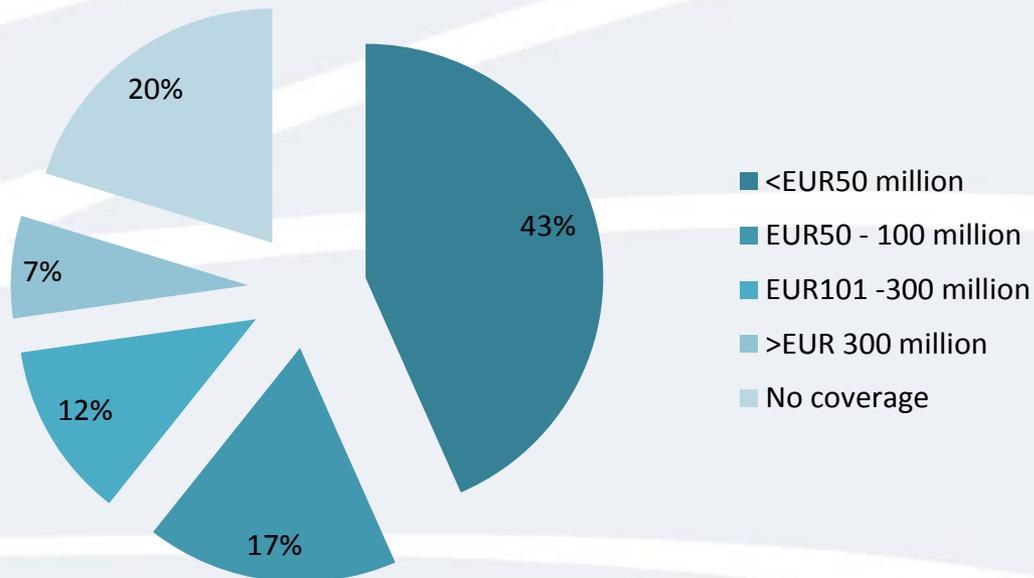
### Directors' & Officers' Liability

Country	Coverage & limits	Country	Coverage & limits
 Germany	17% of limits >EUR300 million VS 7% average	 France	47% <EUR50 million VS 39% average
 United Kingdom	50% of limits >EUR100 million VS 29% average	 Spain	52% <EUR50 million VS 39% average
 Benelux region	75% of limits >EUR50 million VS 58% average	 Italy	62% <EUR50 million VS 39% average
 Sweden	65% of limits >EUR50 million VS 58% average		

D&O purchasing patterns and limits vary across European countries.  
Spain and the Benelux report **100% D&O coverage**.

## Traditional lines Errors & Omissions

Buying patterns are normal, with high-risk industries and larger organisations buying higher limits.



## Traditional lines

### Errors & Omissions

- E&O purchasing patterns and limits vary across European countries, due mainly to differences in key industries.
- France is the only country reporting 100% coverage, and limits above average (30% >EUR100 million VS 14% average). 

Top buyers	Limits
Financial services	51% >EUR100 million
Professional services	47% >EUR100 million
Companies with a turnover >EUR5 billion	50% >EUR50 million
Companies with over 20,000 employees	48% >EUR50 million

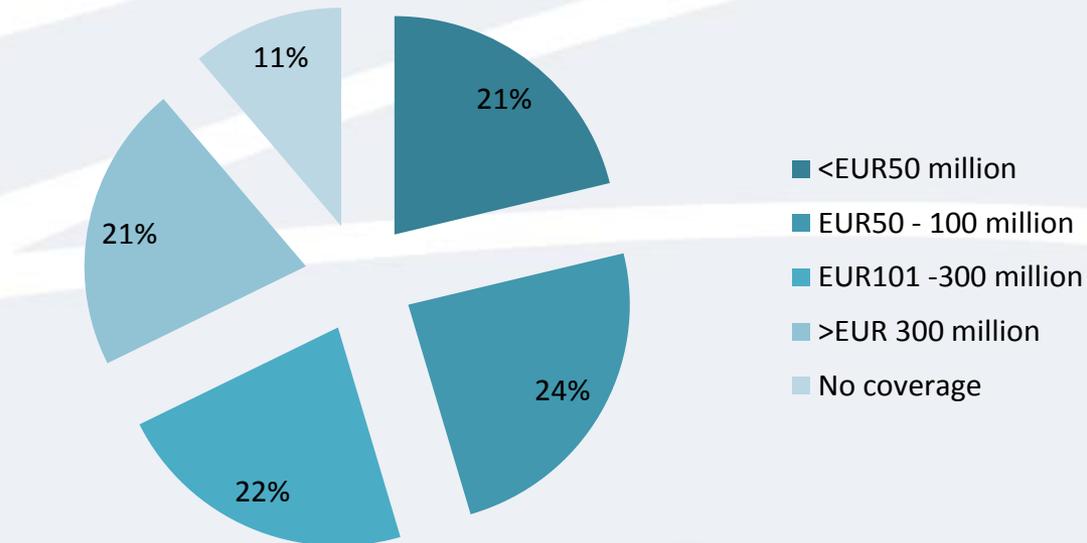
## Traditional lines

### Errors & Omissions

Country	Limits purchased
 Benelux	32% of limits >EUR100 million VS 19% average
 France	30% of limits >EUR100 million VS 19% average
 Spain	40% of limits >EUR50 million VS 36% average
 Germany	36% of limits >EUR50 million VS 36% average
 United Kingdom	36% of limits >EUR50 million VS 36% average
 Italy	19% of limits >EUR50 million VS 36% average

## Traditional lines Product Liability

Buying patterns are normal, with company size and US exposure driving higher limits.



## Traditional lines

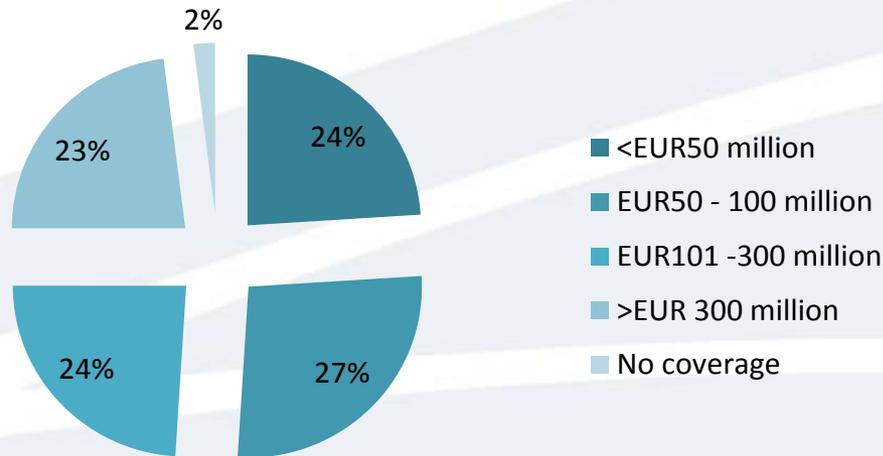
### Product Liability

- Limits purchased are generally higher, with 43% of European companies purchasing over EUR100 million.
- Amongst top buyers 68% of companies with more than EUR5 billion in turnover purchase limits exceeding EUR100 million.

	Country	Limits purchased
	United Kingdom	64% of limits >EUR100 million VS 43% average
	Germany	52% of limits >EUR100 million VS 43% average
	Sweden	50% of limits >EUR100 million VS 43% average
	Italy	64% of limits >EUR100 million VS 43% average
	France	52% <EUR100 million VS 45% average
	Spain	64% <EUR50 million VS 45% average

## Traditional lines Public Liability

Buying patterns are normal, with turnover, US exposure, and stock-market listing determining higher limits.



- 78% of companies with a turnover between EUR1-5 billion purchase over EUR50 million in coverage.
- 60% of public companies purchase limits exceeding EUR100 million.
- 61% of companies in the life sciences sector purchase limits under EUR100 million. This anomaly can be explained by the long history of self insurance in the life sciences sector, coupled with high insurance market rates.

## Traditional lines Public Liability

Country	Limits purchased
 United Kingdom	65% of limits >EUR100 million VS 47% average
 Germany	60% of limits >EUR100 million VS 47% average
 Sweden	82% of limits >EUR50 million VS 74% average
 Spain	60% <EUR100 million VS 51% average
 France	52% <EUR100 million VS 45% average
 Italy	42% of limits <EUR50 million VS 21% average

## Insurance Coverage & Limits

- Established and well-understood risks benefit from affordable and comprehensive insurance coverage, together with low limits.
- Coverage for evolving risks lags behind, despite the potentially severe consequences resulting from a cyber or pollution incident.

## Insurance Programme Coverage and Structure

Due to the economic climate, Risk Managers are considering the following when reviewing their current programmes:

- Negotiation of long term agreement or rollover (50%)
- Strengthening loss prevention activity (43%)
- Changing Insurance buying pattern (34%)
- Implementation or further use of captives (30%)
- Selection of more financially robust insurers (28%)
- Acceleration of claims settlement process (24%)
- Purchase of credit insurance (6%)

Risk Managers continue to invest in relationships, looking at insurance as a partnership, reflected by the desire for long term agreements and roll over.

The present economic climate makes cash flow even more important, reflected by the fact that a quarter of respondents are still looking for means to accelerate the claims settlement process.

## Insurance Programme Coverage and Structure (Regional Differences)

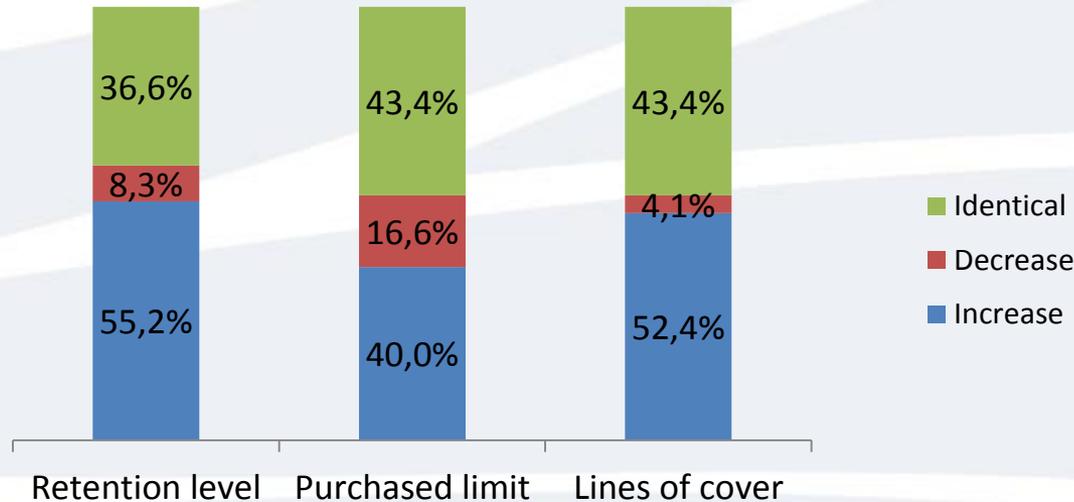
- The consideration to negotiate Long Term Agreements scores consistently highly in each region.
- However there are a number of notable regional discrepancies as illustrated below;

Change Considered	Relatively High Proportion	Average	Relatively Low Proportion
Insurance buying patterns	France (50%) Benelux (48%)	34%	Germany (10%)
Financially robust Insurer	Germany (62%)	28%	France (15%) Italy (8%)
Greater use of Captives	UK (44%) Germany (42%)	30%	Spain (16%)
Strengthen loss prevention	France (65%) Italy (62%)	43%	Germany (21%)

## Insurance Programme Coverage and Structure (continued)

The 34% of respondents considering changing their insurance buying pattern indicated the following intentions;

*Could you please define for each item below if it increases/decreases or stay identical?*



- Over a third of respondents are considering changing their insurance buying patterns as a protection against the effects of the current economic climate, with over 50% of these stating they will increase the retention level.
- Risk Managers are looking to take on more risk (potentially alongside the use of captives) for smaller/attritional losses, but are looking to the market to provide larger limits for true catastrophe cover (43.4% of those asked are looking to increase their limits).

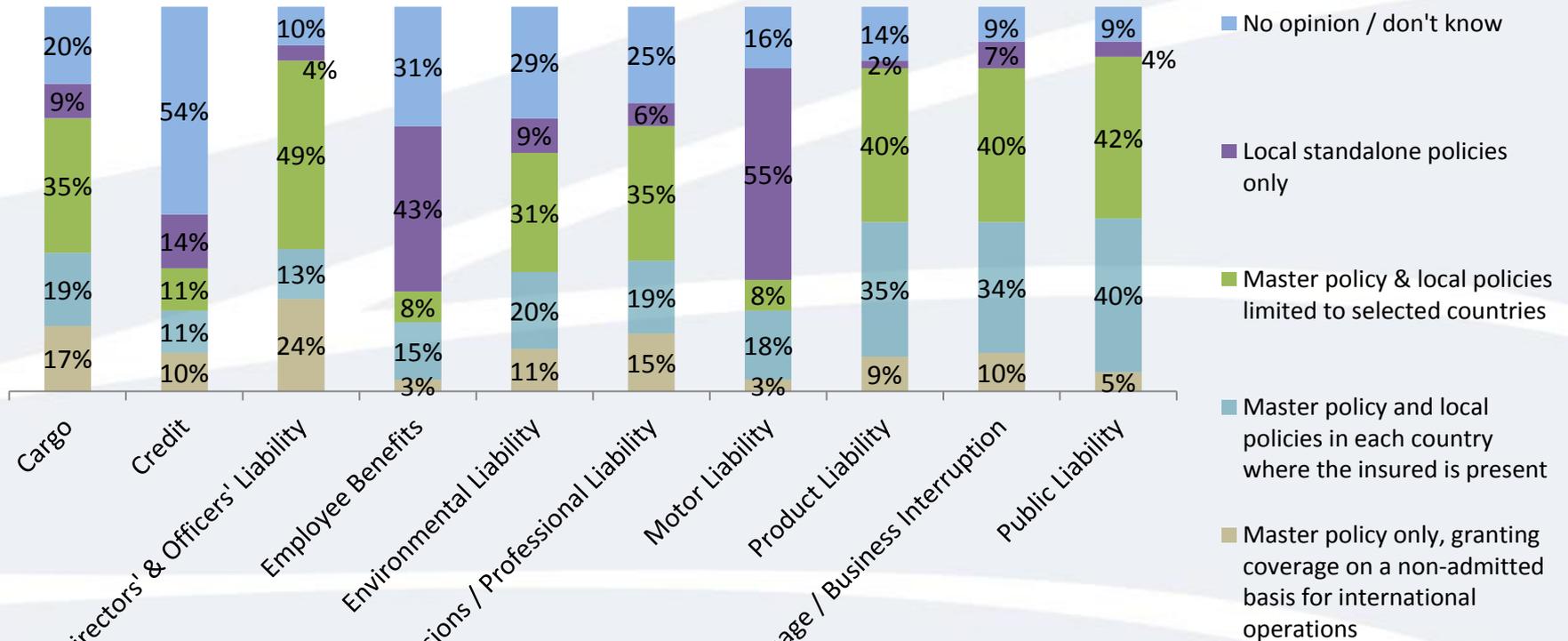
## Regional view - change in buying pattern

Region	Proportion of respondents considering change	Retention level		Purchased Limit		Lines of Cover	
		Increase (%)	Decrease (%)	Increase (%)	Decrease (%)	Increase (%)	Decrease (%)
 France	50%	50	10	50	13	67	3
 UK	37%	72	12	56	8	56	4
 Benelux	48%	45	3	39	12	45	9
 Italy	27%	71	0	29	29	71	10
 Spain	32%	50	0	25	13	50	0
 Sweden	29%	38	13	0	25	38	0
 Germany	10%	60	0	20	40	40	20

- France, Benelux and UK are likely to be the most volatile regions in terms of changes in buying pattern
- A smaller proportion of Italian Risk Managers indicate they are considering change, however those that do indicate wide ranging changes across all aspects (retention, limits and lines)
- Buying patterns in Germany are likely to remain stable as only 10% of respondents indicate that they are considering change

## Efficiency of International Programmes

### Most efficient international programme structure by type of risk



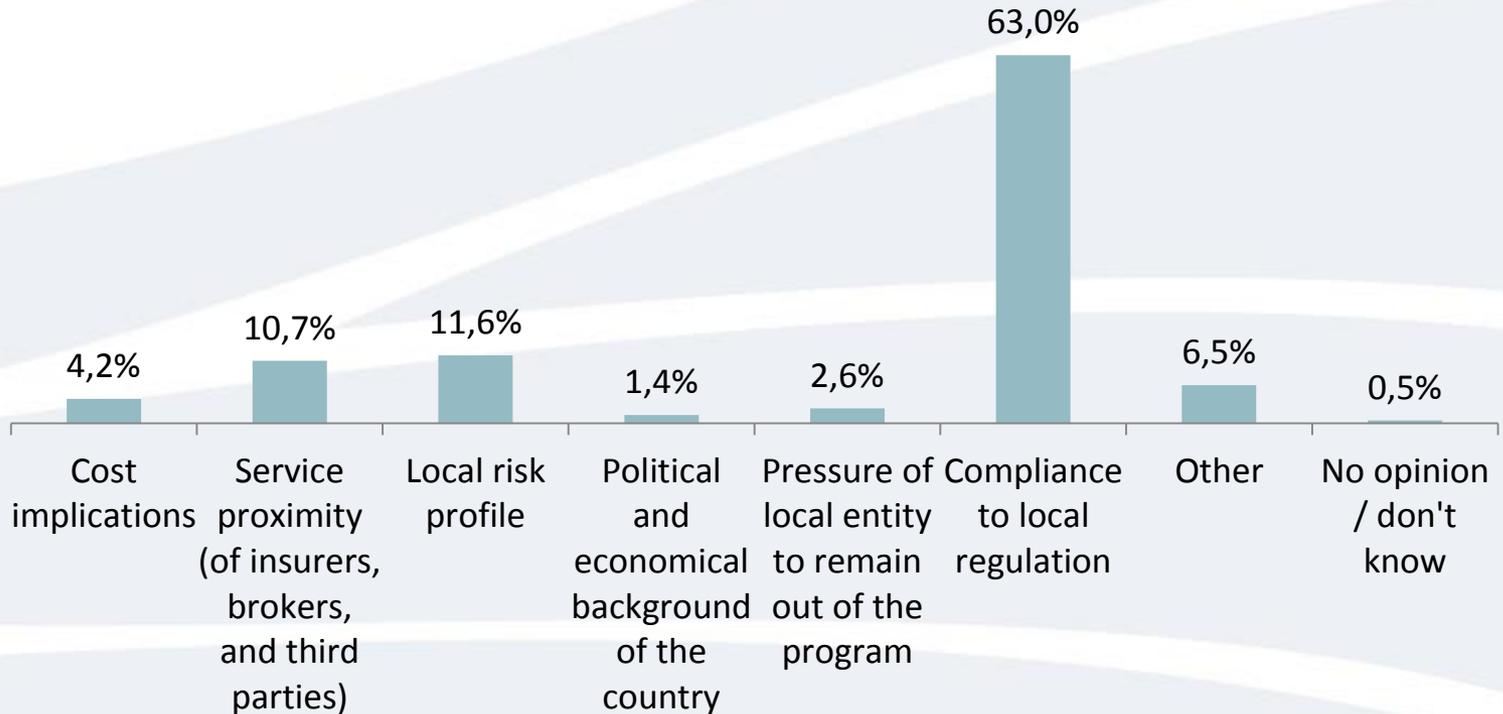
## Efficiency of International Programmes (continued)

### Most efficient international programme structure by type of risk

- The preferred option for the majority of lines is for a master policy supported by local policies limited to selected countries
  - With the exception of Motor and employee benefits where the majority of respondents believe local standalone options are most efficient.
- There is general consensus of opinion across all regions regarding the most efficient programme structure
  - With the exception of German risk managers who indicate a preference for a master policy supported by local policies for each country where the insured is present

## Efficiency of International Programmes (continued)

### Main reasons for implementing local standalone policies



## Efficiency of International Programmes (continued)

### Main reasons for implementing local standalone policies

- The main driving force behind the use of stand-alone local policies in certain countries is the desire for compliance
- Less than 5% of respondents indicate that stand alone local policies are issued due to cost
- Again there is general consensus of opinion across the European risk management community
  - With the exception of France where risk managers place relatively less emphasis on compliance (47%), and higher emphasis on both cost (10%) and pressure of the local entity to remain outside the programme (8%)

## Day-to-day risk & insurance management: Servicing

A clear improvement in servicing is noted compared to 2010 and 2012, respectively.

POLICIES ISSUED...	2010	2014	
_ before inception date	15%	18%	↗
_ within 3 months of inception date	65%	68%	↗
_ more than 3 months after inception date	20%	14%	↘

## Day-to-day risk & insurance management: Servicing

Country	Day-to-day policy management
 United Kingdom	Above average, with 6% of master policies issued over 3 months after inception date.
 Benelux	Above average, with 7% of master policies issued over 3 months after inception date.
 Sweden	Above average, with 7% of master policies issued over 3 months after inception date.
 Spain	Within European average (12%), with room for improvement for local policy issuing (24% over 3 months after inception VS 18% average).
 France	Below average, with 25% of master policies issued over 3 months after inception date.
 Germany	Below average, with 29% of master policies issued over 3 months after inception date.
 Italy	Below average, with 31% of master policies issued over 3 months after inception date.

## Day-to-day risk & insurance management: Claims Handling

- Respondents are looking for claims certainty through improvement of claims handling at all stages of the claims process: prior to, during and after claim.  
Improvements are requested from both service providers and within the insured's organisation
- As a prerequisite to a smooth and efficient claims handling, 37% of respondents agree that all parties involved, internal and external, have to work in closer partnerships to improve coordination. This will facilitate communication and understanding and will enable insurers to confirm coverage as quickly as reasonably possible, as requested by 43% of risk managers.
- Improvements requested from Service providers:
  - Confirmation of position on coverage as quickly as reasonably possible: 43%
  - Policy wording tests: 39%
  - Coordination between teams involved in the claim handling: 37%
  - Learned lessons analysis: 36%

## Claims Handling

With focus varying from country to country

	Benelux	Policy wording tests (46%)
	France	Confirmation of position of coverage as quickly as reasonably possible (55%) Learned lesson analysis (45%)
	Germany	Automatic access to worldwide claims reporting (38%)
	Italy	Policy wording tests (54%) Coordination between teams involved in claims (46%) Pre-selection of lawyers and adjusters (34%)
	Spain	30 days advanced payment once coverage is confirmed (40%)
	Sweden	Set up of claims handling procedure (32%)
	UK	Confirmation of position on coverage as quickly as reasonably possible (54%)

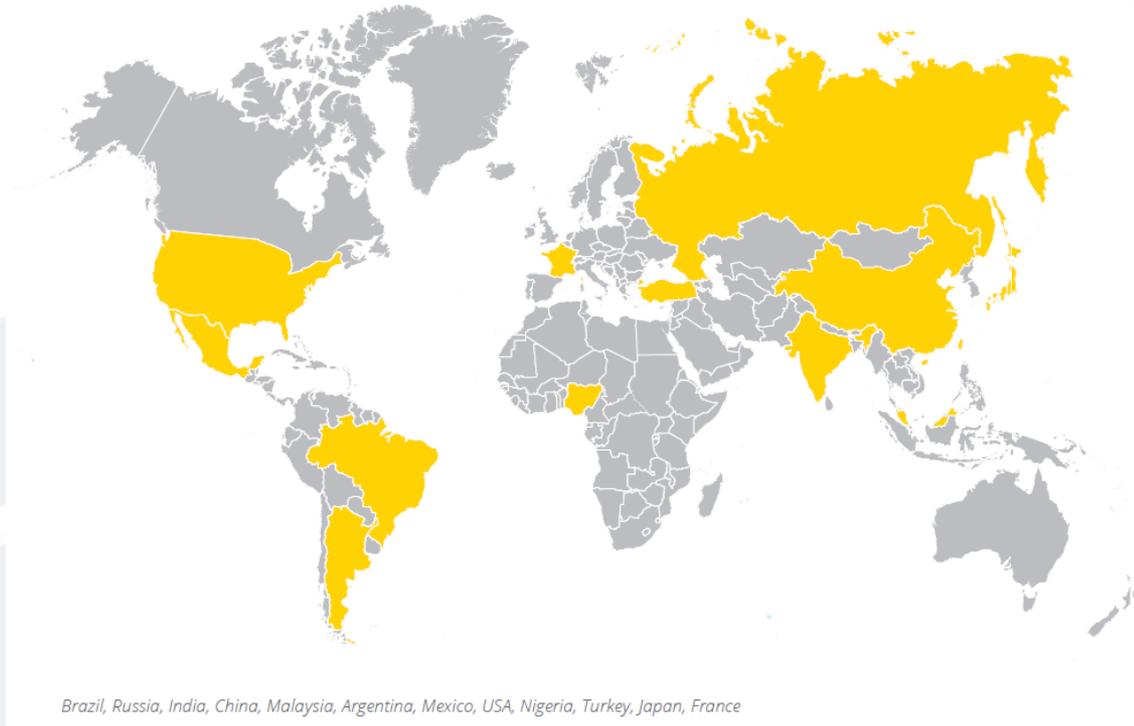
## Claims handling

Respondents are also looking for improvements within their own organization, related to:

- Learned lessons analysis: 56%
- Coordination between teams involved in the claim: 37%
- Set-up of claims handling procedure: 35%
- Crisis management simulation: 34%

## Local insurance offering

Respondents are asking for improved offering in the following countries:



With varied focus per country, respondents have expressed concern about:

1. Malaysia... due to its strongly regulated market and compulsory P&C cession scheme 

And Argentina... with its uncertain regulatory environment 

2. USA...and its complexity of insurance regulation which varies from state to state 

3. Mexico 

And, but with a lesser degree of concern:

4. France...with its French specificities

5. Nigeria.. with cash before cover, forbidden fronting...; North Africa; Japan 

and Turkey... with strong tariff-rated earthquake exposure

Surprisingly enough, BRIC countries have often been mentioned even if excluded from the initial question

## Risk & Insurance Management IT / GRC Platforms

Key areas of improvement identified by platform type:

Area of Improvement	Internal systems importance rating	Area of improvement	External systems importance rating
Tailor-made & user-friendly reporting	44%	Tailor-made & user-friendly reporting	37%
Claims management tools	38%	Technical information / advice / best practices	31%
24/7 access	24%	Claims management tools	29%

## Risk & Insurance Management IT / GRC Systems – Internal Platforms

With reporting being the only common area of improvement, expectations in terms of IT/GRC systems vary heavily amongst European countries.

<p><b>Technical information / Advice / best practices</b></p>	<p><b>Interactivity</b></p> 
<p><b>Reporting possibilities &amp; tools</b></p> 	<p><b>24/7 access &amp; document updates</b></p> 

## Risk & Insurance Management IT / GRC Systems – External Platforms

With reporting being the only common area of improvement, expectations in terms of IT/GRC systems vary heavily amongst European countries.

<p><b>Technical information / Advice / best practices</b></p> 	<p><b>Interactivity</b></p> 
<p><b>Reporting possibilities &amp; tools</b></p> 	<p><b>24/7 access &amp; document updates</b></p> 