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FEDERATION OF EUROPEAN RISK MANAGEMENT ASSOCIATIONS, A.I.S.B.L.



RISK MANAGEMENT « ARE YOU READY FOR A CHANGE » ?

**FERMA SEMINAR, BRUSSELS, OCTOBER 2006
REPORT**

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A CHANGING RISK MANAGEMENT TERRAIN

Industrial groups are becoming bigger and stronger, which will influence their approach to the risk management process and, certainly, their risk financing decisions.

So said the president of FERMA, Marie-Gemma Dequae, when she opened the biennial FERMA seminar in Brussels on 11 October.

The seminar theme was - are you ready for change? Ms Dequae highlighted some developments since the previous seminar two years ago which will change the risk management terrain:

Risk management practices, said Ms Dequae, are also changing. The main developments are a demand for more quantitative and qualitative risk management techniques as part of performance risk management organisations and the progress of enterprise risk management, albeit gradual.

“We have not been sitting still and neither has the environment in which we live,” she commented. Are you ready for change was an appropriate theme for the seminar.

“We have not been sitting still and neither has the environment in which we live”

Marie-Gemma Dequae

- Further globalisation of companies, like the steel companies Mittal and Arcelor, and the merger in preparation of Groupe Suez and recently privatised Gaz de France.
- More investment in the BRIC countries (Brazil, Russia, India and China) with new risks to be managed.
- Further cost cutting, more outsourcing, insourcing and globalising of activities.
- Expanding reach of corporate governance regimes, as some countries updated their legislation, such as Germany, and others introduced it, for example, Spain, Italy and Slovenia.
- European Commission development in directives, including the reinsurance and intermediation directives.
- The Commission’s competition directorate investigation into business insurance.





PRORIM LAUNCH

PRORIM, the FERMA risk management training programme for small and medium size enterprises (SMEs), is now available for licence following its launch at the seminar. Funded by the European Commission Leonardo da Vinci programme for vocational education, PRORIM is a joint project under the auspices of FERMA between AIRMIC and the Institute of Risk Management (IRM) in the United Kingdom, the French risk management association AMRAE, the German risk management association, DVS, and in Italy, the risk management association ANRA and University of Verona.



PRORIM is a simple but complete web based training programme to give SMEs the understanding and tools to identify and manage their business risks. It's user friendly and can be used in small, manageable chunks.

Paul Taylor, chairman of the PRORIM working group, said, "This is the first time that most of the partners have been involved in a truly cross European project. It has been an enormous challenge, with many of those involved giving a lot of their own time. I think that the result will speak for itself - I am confident that we have a programme that is deliverable in different cultures and languages and that will provide a consistent approach to risk management."



*This is the first time that most of the partners
have been involved
in a truly cross European project.*

Paul Taylor



For more information about PRORIM including
licensing arrangements, see the FERMA web site at
www.ferma-asso.org



BENCHMARKING SURVEY

Senior management is now the driving force behind risk management in many European companies, an independent survey of risk managers has revealed. Nearly 80% of the 460 risk managers who responded to questions from FERMA during the summer of 2006 said their board/supervisory committee (44%) or CEO (34%) directly sponsors risk management.

This 2006 European risk management benchmarking survey was the third conducted on behalf of FERMA by Ernst & Young in Paris and AXA Corporate Solutions. The results were announced at the seminar.

Other responses strengthen the picture of top level involvement in risk management and of a profession which has grown in scope and confidence. The vast majority of risk managers surveyed said they report to the board or CEO (24% and 27%). A further 46% report to the CFO. The risk management professional deals with the board or supervisory committee at least once a year in nearly two-thirds (63%) of the companies.

The motivation for such senior management interest is to minimise operational surprises and losses (73%), and to enhance risk response decisions, align risk appetite and strategy, and identify and manage cross-enterprise risks (43% to 47%).

Said Marie-Gemma Dequae, president of FERMA, "The results of the survey demonstrate the seriousness with which senior management now regards risk management. We believe that corporate governance regimes have emphasised the role that risk management can play in the success of a business, which makes it a matter for the board room. With the spread of corporate governance legislation, for instance in Spain, Italy and Slovenia, we expect this trend to continue.

The companies covered by the responses are mainly substantial businesses. More than half (58%) are listed on at least one stock exchange. More than two-thirds have a turnover of over 1 billion euros, and nearly one-quarter have a turnover of more than 10 billion euros. Most have over 10,000 employees. By national association, the greatest interest came from the United Kingdom and France, followed by Belgium, Germany, Italy, Netherlands and Sweden, and then other FERMA members.

Dominique Pageaud, partner business risk services at Ernst & Young, commented, "The results of this survey show that risk management is truly coming of age. It has grown in confidence upon the foundation and frameworks of standards, policies and codes with the sponsorship of top management with which is looking for robust added value and alignment with overall business strategy."



Dominique Pageaud, Régis Demoulin, Frédérique Bard

For the full survey results presentation, see www.ferma-asso.org, About Ferma, Benchmarking survey, Presentation of the results of the Benchmarking Survey 2006



RELATIONSHIPS WITH THE INSURANCE MARKET

Agreement of contract terms and delivery of insurance documents by inception - known as contract certainty - remain an issue among European risk managers. The 2006 European risk management benchmarking survey revealed that of the 460 risk managers who responded to the survey, 73% remain moderately or highly concerned about contract certainty.

Although nearly half said they would like to see regulatory intervention, the vast majority want the market to solve its own problems. In the UK, the Financial Services Authority (FSA) threw down the gauntlet to the insurance market to put its own house in order by the end of 2006.

These efforts have borne fruit but are not yet complete, John King, manager of the FSA's regional brokers' team in wholesale insurance department, told the seminar. The market has made tremendous progress, he said, but the outstanding 20% or so of commercial/wholesale transactions that do not so far meet contract certainty are likely to be "the real test." Encouragingly for FERMA members from outside the UK, King said that the FSA is talking with fellow regulators to try to make minimum contract delivery standards global.



John King

BROKERS' TRANSPARENCY

The major brokers have still not signed the simple transparency charter that FERMA proposed in 2005. Former FERMA president Thierry van Santen, who has been leading the association's activities on broker remuneration, confessed himself to be a bit puzzled, since the brokers argued it was less demanding than their own rules. "It may be that we should write it more strongly," he said.

John King of the FSA expressed himself more strongly. "Having allowed the market space and opportunity for a solution to emerge, it appears there are some polarised and diametrically opposed incentives. An industry agreed solution is likely to be light years away, if successful at all," he said.

The FSA is, therefore, considering the possibility of making commission disclosure mandatory, although this will not happen overnight. Before introducing regulation, the FSA has to satisfy itself that it would provide benefits that outweigh the costs, and this is the next step.

In France, there has been progress, the president of the risk management association AMRAE, Michel Yarhi, said. The broker association signed a charter which says they will tell their clients about direct and indirect payments they receive for placing business, including on related reinsurance. This took place in January 2006, and three months later the Ministry of Finance introduced rules with a similar requirement.



Thierry Van Santen



NEW DIRECTOR OF EDUCATION



Edouard Thys

Edouard Thys is FERMA's new director of education. In this role, he will head the education committee, and coordinate education information and programmes. He replaces François Settembrino, who has retired after many years working in risk management and for organisations such as FERMA, FERMA's predecessor the Association Européenne des Assurés de l'industrie, and the Belgian risk management association, BELRIM.

Now risk management consultant to Hôpital Erasme in Brussels, Thys was until 2004 risk manager Europe for Canadian Bombardier, the global leader in the rail equipment and manufacturing and servicing industry. Previously he worked for 18 years in a British engineering insurance company as underwriter and manager for Belgium and in France. Later, he headed the Belgian business of a major French reinsurance broker. He is currently vice-president of BELRIM, the Belgian risk management association, where he is in charge of education matters.

FERMA president Marie-Gemma Dequae paid tribute to François Settembrino at the seminar. "It is not easy to thank enough a person like François who has been so much involved in the life of an association. He is really the father of risk management in Europe."



Marie-Gemma Dequae, François Settembrino

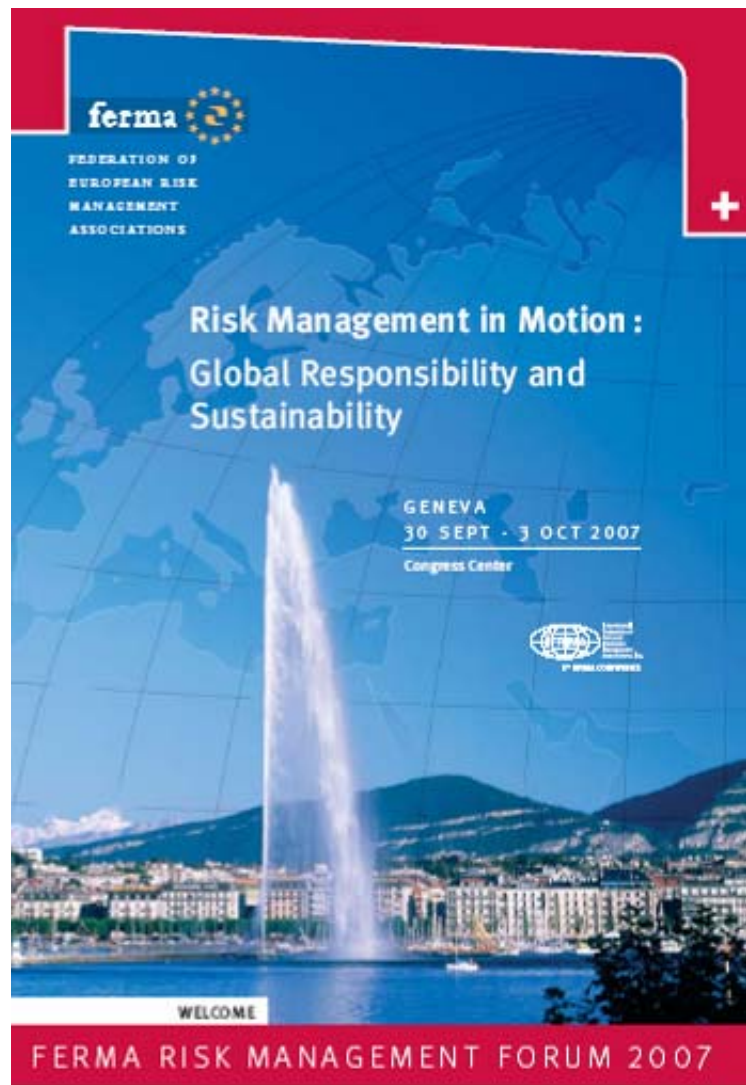


TIMELY FORUM

Risk Management in motion: global responsibility and sustainability is the theme of the next FERMA Forum, the association's biennial conference and exhibition.

It will take place in Geneva from 30 September to 3 October, 2007.

More details from the FERMA website at www.ferma-asso.org



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