



Message from FERMA President, Jo Willaert

Let me begin by wishing you all a happy new year, a healthy and successful 2016 for you and your loved ones, a year wherein you achieve the unachievable.

In November last year, I had the privilege of attending the PARIMA conference in Singapore. At the opening of the conference, FERMA and PARIMA signed a letter of intention regarding rimap®, the certification programme launched during the FERMA Forum in Venice the previous month. I was very proud to see that PARIMA embraced very enthusiastically this educational project and is waiting anxiously for the next step – the first examinations.

2015 was a year of change for FERMA. Florence Bindelle, who served as the first FERMA employee and who grew with FERMA over 16 years to become executive director, chose to take another step in her career. FERMA's first CEO, Typhaine Beaupérin, started in December; we are in good hands.

Many exciting challenges are ahead of us: surveys, rimap, a series of webinars, the FERMA Seminar, to name of few of the current projects. Most importantly, however, 2016 will be devoted to the elaboration of a new strategic plan for FERMA.

Discussions have already started with the member associations being asked to contribute to this strategic reflection by sharing their views on the present and future of FERMA. Discussions will continue within the board with the objective of presenting a new FERMA strategy at the General Assembly in June.

I fully believe that this exercise will give the organisation the fuel it needs to reach new heights and maximise the return to its member associations. Our common goal is to achieve recognition of the critical importance of the role of risk managers.



Webinar series starts 29 January: improving the risk conversation at board level

Friday 29 January marks the start of a series of webinars organised by FERMA, AIG and the European Confederation of Directors' Associations (ecoDA) under the overarching theme of improving the risk conversation at board level. Registration is still open for this first webinar (see box on page 2).

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Register now for the first webinar!

“Building a robust corporate culture through organisational design – central control or local empowerment?”

29 January 10.30 to 12.00 CET

To register, please send your request to xiaoji.zhang@ecoda.org

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The webinars planned this year follow the collaborative event held by the three organisations on 10 July 2015 in Brussels. It brought together directors, risk managers and insurers from across Europe to share perspectives on the quality of the risk conversation at board level and to generate ideas for improving it.

Report of the seminar on 10 July 2015:

<http://www.ferma.eu/blog/2015/05/directors-risk-managers-can-meet-challenge-emerging-risks-together/>

The 2016 webinars will look at the subject from different perspectives. The programme for Friday 29 January will focus on the subject “Building a robust corporate culture through organisational design – central control or local empowerment?” Speakers will include Gilles Hilary (INSEAD), Riitta Mynttinen (Finnish board member) and Carolyn Dittmeier (chair of audit committees).

The next two webinars will tackle data protection (February 24) and cybersecurity (March 25). Later topics could include corruption and alignment of risk managers’ views with the board.

To ensure consistency in the approach regarding the risk conversation, Dr. Roger Barker, Director of Corporate Governance and Professional Standards at the Institute of Directors (UK) and senior advisor to the board of ecoDA, will act as moderator throughout the series of webinars.

The July 2015 seminar concluded that a good risk conversation is more essential than ever to the success of business. To achieve this, there must be regular two-way communication about risk management at board and board committee level and with internal risk functions beyond risk reporting.

Developing a productive corporate risk culture is a key task facing large organisations. Is this best achieved by imposing strong control over regional business units from head office? Or should local or outsourced business entities have the power to make their own decisions and manage their own risks?

These and other aspects of the interrelationship between organisational design and corporate risk culture will be discussed during the first webinar.

FERMA discusses digital security risk with the OECD

This January, FERMA started discussions in Paris with the team behind the development of the OECD Recommendation on Digital Security Risk Management for Economic and Social Prosperity adopted in September 2015. The Recommendation calls leaders and decision makers to treat digital security risk as an economic risk rather than solely a technical problem and to embed it as part of their overall risk management and decision making processes. The Recommendation includes principles for developing a digital security risk management framework, and guidance for “a new generation of national strategies on the management of digital security risk aimed to optimise the economic and social benefits expected from digital openness”. The teams shared their objectives about integrating digital risk as a strategic area within the management of risk, which could lead to collaboration on initiatives for the period 2016/2018.

Stay tuned! The Recommendation can be downloaded at: <http://oe.cd/dsrm>



The changing aspects of managing terrorism risk

Anne-Marie Fournier, board member of AMRAE and Risk Manager of luxury brands group, KERING



Terrorism has been a threat for some years and materialised sadly in France several times in 2015. We are facing a situation where victims of an attack in France (whatever their

nationality) will be indemnified by state funds, either existing or through free access to medical services which was recently decided.

Employers have to take decisions on the protection of employees, and industrial or commercial services companies must decide on the most security appropriate measures depending on their location, activity, reputation, etc. Most industries are checking more carefully all persons entering their locations and probably also checking many sensitive areas, such as the crucial data of the company.

Regarding property damage and consequential business interruption (PD/BI), insurers underwriting PD/BI covers have an obligation to provide terrorism cover. As a counterpart of this mandatory cover, insurers access a global reinsurance scheme administered by GAREAT, a pool launched on 1 January 2002. GAREAT organises the tariff and reinsurance of this exposure with the commercial insurance market and through French state funds for “unlimited treaties” reinsured through the Caisse Centrale de Réassurance.

Unfortunately GAREAT has no dedicated reserves, as all premiums are transferred to the market reinsuring the terrorism exposures. As a consequence, there is a limited possibility of action in order to answer current needs for cover for “financial losses” without property damage. For example, businesses that closed activities out of prudence in the days following the recent attacks cannot benefit from business interruption cover if they have not suffered any property damage.

AMRAE would encourage this system to be reconsidered in order to leave the commercial market free to deliver the cover that it does elsewhere. There are hardly any other mandatory state schemes for terrorism insurance in the world and many are optional. The state-backed scheme could then concentrate on losses which cannot be obtained from commercial markets, such as nuclear, biological and chemical (NBC), pure financial losses, unlimited cover over €2B, etc.

FERMA welcomes Global Risk Report 2016 call for a culture of integrated risk management

FERMA welcomes the call in the Global Risk Report 2016 for a culture of integrated risk management to create resilience in a world that is facing risks manifesting themselves in new, often unpredictable and potentially very harmful ways. The report was published by the World Economic Forum earlier this month ahead of its annual meeting in Davos.

FERMA President Jo Willaert says, “We strongly support the view stated in the report that an integrated culture of risk management – the beliefs, norms and values that underpin daily actions – must span the whole organisation, including its supply chains. It cannot afford to have different policies, operating procedures and managers for different types of risk. Instead all parts of an organisation must work collaboratively on risk management through integrated planning.”

“As risk managers, one of our principle roles is to see that risks are managed across the organisation and support the board and senior management in embedding and maintaining a transparent risk culture. We therefore welcome the conclusions of the Global Risk Report 2016, which underlines the need for companies, organisations and governments to follow a holistic approach to risk management so as to build resilience at national and global levels.”



Source: The Global Risk Report 2016

<http://well-informed/reports/the-global-risks-report-2016>

Apply now for 2016-7 FERMA-Lloyd's programme



Applications for the next FERMA-Lloyd's education programme for promising risk managers will close by mid-February - or earlier if it is over-subscribed. Interested risk managers should contact their national association as soon as possible.

Starting on 21 April at Lloyd's in London, this will be the third edition of this enormously successful project, which is free to participants. The programme consists of three two-day sessions at Lloyd's covering a wide range of insurance and risk subjects. Participants also get to shadow brokers and underwriters and meet the most senior people in the market.

The sessions will take place

- Part 1: 21-22 April 2016
- Part 2: 27-28 October 2016
- Part 3: TBC 2017

Planned topics for the first session in 2016 are:

- Lloyd's overview and the London market
- Understanding and accessing the Lloyd's and London insurance market
- Risk management and performance management at Lloyd's
- Emerging risks
- Lloyd's cyber risk insurance initiative

Hear more from previous participant Aysan Sinanlioglu, President of the Enterprise Risk Management Association of Turkey, (ERMA) and Executive Vice President of Risk Management at Dogus Holding, and Lloyd's Head of Europe, UK and Ireland, Benno Reischell.

https://www.youtube.com/watch?v=FWBLD_TUqss

Making FERMA ever more open and efficient to support risk managers – FERMA's new CEO

My aim is for FERMA to work for the advantage of risk managers by becoming ever more open and efficient, says FERMA's new CEO, Typhaine Beaupérin after her first month in the job. She is full of enthusiasm. "What I really love about FERMA is that the board and the members are passionate about what they do. With their support and the quality and commitment of the team in the FERMA office, my ambition is more than achievable."



Typhaine joined FERMA as its first CEO in early December. A French woman who has lived in Brussels for more than 12 years and studied in France, Germany, the UK and Belgium, she declares herself an enthusiastic European. "I value different ways of thinking, of doing and of being, while aiming at a common goal."

Before joining FERMA, she worked for 10 years as a lobbyist for a multi-national retail company, a global law firm and one of the leading European business organisations, EUROCHAMBRES. She was drawn to FERMA job, she says, because it gives her an opportunity to work directly with a profession, and with an organisation that is in the process of development.

"It is very refreshing to work with so many people who are so committed, so passionate about what they are doing. The members of the board give their time free on behalf of the profession. They have a real commitment to making sure that the profession is ever better recognised. Their dedication to the success of FERMA's professional certification project rimap is one example of this, but it is not the only one."

Typhaine finds politics fascinating, and her understanding of how policies are made and legislation passed will help to strengthen FERMA's advocacy role. She believes FERMA should be a recognised partner for European institutions on all risk-related issues, direct or indirect. "Europe is a democratic progress and this is why groups make their views known. We want to be in the debate. We can be involved as stakeholders in shaping opinion. Being in Brussels, FERMA is close to the heart of European decision making."

While working on FERMA's new strategic plan, Typhaine says that her personal objective is "to make FERMA an even more open and efficient organisation in which all want to commit and participate. We cannot live without our members and to work with them, we have to be open and inclusive. We have to be efficient so that we can increase our visibility at EU level and in that way provide added value to members. I want to listen to our members, find out what they expect and connect better with them."



Julien Bedhouche, FERMA

Final agreement on data protection regulation

With the European Parliament's agreement on a final text for the General Data Protection Regulation on 17 December, the new European data protection regulation is now likely to enter into force in spring 2018.

In this latest version of the regulation, large organisations will have to pay specific attention to the following provisions:

- The mandatory appointment of a data protection officer but only for organisations whose core activities consist of processing a large amount of personal data ('regular and systematic monitoring of data subjects on a large scale');
- Fines for breaching the regulation of up to 4% of global turnover;
- The notification of a personal data breach to the supervisory authority no later than 72 hours after having become aware of it;
- No effective system of 'one decision, one outcome' for cross-borders cases. EU citizens could still complain to their local data protection authority even if the case is already pending in another EU jurisdiction.

The final version of the regulation still gives each national data protection authority a margin of discretion on a case-by-case basis to matters like sanctions, definition of high risk processing, claims handling and so on. This is preventing the regulation from achieving the initial 'one stop shop' wanted in the original proposal from the European Commission in 2012.

This compromise with the Council (co-legislator) and the European Commission is the result of many months of negotiations among the three EU institutions. The text has been adopted by the Civil Liberties Committee, which is leading the dossier at the European Parliament, and will now be formally endorsed during a plenary session of the Parliament in March or April.

Two years after its publication in the official journal of the EU, the new regulation will be fully applicable in 2018 in the European Union.



Solvency II: Spotlight now turns on national regulators

Because national insurance regulators have now a key role in the local enforcement of Solvency II, this is where our attention should be in 2016. The interpretation and local adjustment will play a fundamental part in how Solvency II will be perceived by the sector.

Since 1 January 2016, the rules set by the Solvency II Directive have been officially the new regulatory regime for the insurance industry in the European Union. The Directive has been transposed and implemented into the national laws of the 28 EU member states. It is now up to the national regulators to apply and enforce the new rules.

With Solvency II in 2014 came a detailed text called a delegated act, which specifies with further details how the national authorities will have to understand and effectively put into place the capital, governance and reporting requirements.

It remains to be seen how the local regulatory authorities will handle the additional workload.

They will require a lot of resources to assess and use properly the new reporting rules and the documentation. This is the necessary condition to turn the new regime into a really meaningful exercise and grasp the full potential of Solvency II.

The newly needed resources, however, are likely to increase the fees that most supervisors impose on insurers. With its privileged position and access to all EU local insurance supervisors, the European insurance and pensions authority, EIOPA, will have to monitor closely the impact of Solvency II in terms of the regulatory costs for the whole industry.

EIOPA also announced that the principle of proportionality set forth by the Directive will be scrutinised to monitor how local regulators have translated and defined what is a captive and how the principle of proportionality should be applied to the eligible entity.

Consistent implementation of Solvency II across the EU is the only guarantee that European insurance buyers will benefit from a new level playing field to optimise the protection of their organisation.



Only a few days remain to complete FERMA's short online survey on international insurance programmes, a joint exercise with RIMS, the US risk management association, and Asia Pacific's PARIMA. The questionnaire will close at the end of January.

FERMA teamed up with PARIMA and RIMS in order to obtain a wide sample of views on international programmes, so that eventually there can be a globally consistent reform. This is the first example to date of concrete cooperation among the three regional risk management associations.

There has been no shortage of evidence of risk managers' concerns about global programs, but there have not been sufficient data on the scale of unrecovered losses. The survey is a practical initiative to collect evidence on this issue and design policy options to be suggested to policymakers in 2016.

Opened on 6 November 2015 by FERMA, the survey has so far collected the views of 346 people from the risk management community worldwide (57% from Europe, 28% from North America and 14% from Asia Pacific). According to the initial results, two-thirds of the respondents (66%) believe that the current regulatory approach to international insurance programmes is inhibiting effective risk management and financial protection, and therefore should be reformed. Yet, only 10% are in a position to provide a specific case where an insurance payment was denied because of an international programme compliance issue. If this trend is confirmed, the three regional associations' project working group will need to find out whether the shortage of examples means that the problem has not arisen or that it is not being disclosed because of confidentiality.

Based on the analysis of the full results, the working group will consider the possible next steps, including the creation of a broader coalition than the three regional risk management associations open to insurance industry players to make the risk managers' message more audible to policymakers.

International Insurance Programmes online survey – only a few more days: <http://bit.ly/IIPjointsurvey>

A prime risk opportunity to enhance professional skills



FERMA's 2016 Risk Management Seminar will take place from 3 to 4 October in St Julian's, Malta. The Seminar is a more intimate occasion than the Forum which takes place in alternate years. It aims at providing knowledge and understanding so risk managers can deepen their skills, discuss the latest trends and share experiences. According to FERMA board member Dirk Wegener, who is heading the Seminar committee: "Development of our professional skill sets is the focus of the Seminar programme."

He explains, "Besides providing respected speakers, the Seminar will be an excellent opportunity to talk and to listen to the thoughts and ideas of your European peers. We plan to have risk managers only round table sessions to strengthen the communication on very specific topics among this group of professionals in an almost private setting. FERMA considers education to be key for the future of risk managers, and therefore the Seminar will also be linked to our rimap© certification initiative."

The Seminar website is expected to launch in February with registration beginning in March. FERMA is currently asking its members for subjects for discussion at the Seminar, and three specific sessions have been set aside for topics proposed by the national associations. Individual risk managers should make their suggestions to their national association as soon as possible.

The Malta Risk and Insurance Management Association (MARM) is the host for the event and its President Ian-Edward Stafrace said: "Malta is a known EU insurance domicile, specialising in captives and protected cells, with all leading insurance management companies licensed and operating from the island. Many captives licensed in Malta are, in fact, planning their board meetings around the Seminar. Malta is also known for its funds sector, with many members from our association being risk specialists in market and credit risk. We are also leaders in e-gaming with risk management in areas such as fraud and cyber risk. MARM will also use the seminar to spread awareness and knowledge of risk management to the Maltese business community."

Knowledge Corner

Business Interruption

Allianz Global Corporate and Specialty

Global Claims Review 2015

<http://www.agcs.allianz.com/assets/PDFs/Reports/AGCS-Global-Claims-Review-2015.pdf>

Global Risks

Control Risks Risk Map 2016 (English)

<https://riskmap.controlrisks.com/>

Environmental Responsibility

Environmental liability and enterprise insurance

FFSA (French)

http://www.ffsa.fr/sites/jcms/p1_476292/en/la-responsabilite-environnementale-et-lassurance-des-entreprises?cc=fn_7316

Fraud

Global Fraud Report

Kroll (English) available on registration

<http://www.kroll.com/global-fraud-report>

Natural Catastrophes 2015

Manuel of the AGERS working group on natural catastrophes

AGERS (Spanish)

<http://www.agers.es/blog/ii-manual-cat-nat/>

€20

Aon

<http://thoughtleadership.aonbenfield.com/Documents/20160106-if-december-global-recap.pdf>

Munich Re (English, German)

<http://www.munichre.com/en/media-relations/publications/press-releases/2016/2016-01-04-press-release/index.html>

Swiss Re (English, German)

http://www.swissre.com/media/news_releases/Preliminary_sigma_estimates_for_2015.html

Newsletters

Airmic

<http://www.airmic.com/airmicnews>

DVS (German)

<http://www.dvs-schutzverband.de/publikationen/die-versicherungspraxis-vp/?L=1%2529>

NARIM (Dutch)

http://www.narim.com/userfiles/File/NARIMagazine_december_2015.pdf

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