FERMA

Federation of European Risk Management Associations

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FERMA speaks out for captive insurance

FERMA has raised its voice to defend the value of captive insurance for European companies and the economy of Europe in the face of challenges from the OECD and European Union.

In order to dispel "substantial misperceptions" about captives, FERMA has published a position paper on captive insurance companies, which it has submitted to the OECD ahead of discussion about the implementation of its Base Erosion and Profit Shifting (BEPS) measures.

Says FERMA President Jo Willaert, "Captives serve an important enterprise risk management role for European business and other organisations. We believe it is important that EU tax authorities preserve these risk financing capacities. This is not about tax, but a fear that the administrative costs of owning a captive will become uneconomic."

FERMA will now work with its with 21 member associations across Europe to use the position paper to lobby their national tax authorities, who will be responsible for deciding how to implement the BEPS measures.

In light of the latest corporate transparency and anti-tax avoidance measures at EU level, FERMA will also reach out to the Commission and Parliament to increase their understanding of the role of captives in the European economy.

FERMA argues:

- Captives serve an economic benefit for Europe by providing additional risk capacity;
- They help reduce risks through more precise loss information;
- European captives are regulated as other insurance entities under Solvency II;
- Captive insurance contracts are genuine risk transfer transactions;
- Many aspects of captive operations, demonstrate their genuine, non-tax functions.

See also the expert view on captives from FERMA board member Dirk Wegener here

Read here FERMA press release on captive insurance companies

EU/US boards' approach to cyber risk governance: towards a common view?

Don't miss the new webinar on cybersecurity with ecoDa and AIG!

Exclusive presence of the Honorable John Carlin, US Assistant Attorney General for National Security

A unique chance to get insights on the way the US federal government is supporting businesses to mitigate cyber risk

Time: 14 October 2016 at 15.00 CET, 14.00 GMT

Register here

FERMA scientific advisor leads digitalisation work at IRSG

FERMA scientific adviser Marie-Gemma Dequae is to lead work on the topic of digitalisation, more specifically on cyber risks, underway by the Insurance & Reinsurance Stakeholders Group (IRSG) of the European Insurance and Occupational Pensions Authority (EIOPA).

IRSG delivers advice to EIOPA. Its 30 members represent the insurance industry, professional associations including FERMA, SMEs, consumers and academics, from all member states.

Marie-Gemma is also working on better regulation principles, personal pensions, stability/low interest rates and catastrophe risks topics, and she is a member of the Market Conduct Group.

FERMA President's Column

A Proud President, Jo Willaert

A welcome evolution in risk management from insurers: Jo Willaert

One of the strongest impressions that I took away from the September symposium of our newly merged German member GVNW is that of evolution in risk management from the insurance industry for its corporate customers. This is a welcome development.

From corporate consolidation to the possibility of automating all routine transactions through blockchain, insurance is in a period of upheaval. Consumer insurance has clearly become a commoditised product. Here in Belgium, for example, people now insure personal and household risks, other than motor, in a single product. It is a standardised, and there is little room for customisation. Lines of business have blurred or disappeared.

For customers at the other end of the size spectrum like us, however, insurers generally have continued to offer coverage based on historic lines of business. Often, this is no longer helpful. The distinctions are too rigid for risks that our companies now have to manage, such as cyber risk, which cut across traditional boundaries.

With continuing very low interest rates and very small margins on automated consumer products, insurers are considering the value of an enterprise approach to the risks of their big corporate customers. They can see that by creating a risk partnership, which is the aim of risk managers, they are likely to generate more business.

In order to do this, insurers need more skilled people with an understanding of risk management. FERMA's new certification rimap® will give risk professionals in all industries, including insurance, the knowledge and understanding they need to create such risk partnerships at a high level. I believe this is an evolution that will result in an improved capacity for risk for insurers and our businesses.

And our first rimap examinations will take place in less than one month at the FERMA Seminar in Malta from 3-4 October.

Non-Financial Reporting Directive on the finishing line

On 27 September, FERMA will take part in a one-day workshop in Brussels with other stakeholders to finalise the key features of the guidelines on implementation of the EU Non-Financial Reporting (NFR) Directive.

FERMA believes that the guidelines should help organisations report risks on non-financial elements by using an enterprise risk management (ERM) approach. They should go beyond the underlying principles of the NFR Directive and refer to frameworks, based on a level of practicality and acceptance by the business community.

In this respect, FERMA will argue that the work of our national risk management associations should be recognised as relevant frameworks that will facilitate the disclosure of risks for non-financial elements. These include the "Risk Manager Framework" developed by AMRAE and the "Structured approach to Enterprise Risk Management (ERM) and the requirements of ISO 31000" developed by Airmic in collaboration with the public sector risk management association Alarm and the Institute of Risk Management (IRM).

The deadline for the EU member states to transpose the NFR Directive is 6 December 2016. Large organisations falling under the scope of the Directive will then start to apply its provisions for the 2017 financial year.

FERMA made a position statement to the Commission on the content of the future guidelines in April.

For an illustration of managing a non-financial risk, see our expert view on modern slavery in supply chains here

Cyber awareness challenge

How cyber aware are you? Here are some questions that will provide food for thought. The answers are a mixture of fact and judgement.

When will the EU Data Protection Regulation start to apply?

- 25 May 2018
- 25 March 2017
- 1 June 2017

How quickly do you need to notify a data protection breach to your supervisory authority under the EU Data Protection Regulation?

- Within 24 hours
- Within 72 hours
- It's voluntary

What is the maximum fine a business can face for a breach of the EU Data Protection Regulation?

- 2% of global turnover
- 4% of global turnover
- € 20 million
- €10 million

What digital risks are you most concerned about?

- Theft of personal data
- Loss of intellectual property
- Hacks for ransom

What is a bit coin?

- A euro cent
- Something left over from your holiday
- A unit of digital currency

How does your organisation cover the cost of cyber risks?

- Through existing property/casualty policies
- Stand-alone cyber insurance in addition to existing coverages
- We don't think any insurance will make enough difference to a big data breach or hack

How satisfied are you with your organisation's procedures for dealing with data breach and cyber attack?

- Reasonably satisfied but it needs updating
- Satisfied, but it can always be improved
- Something I worry about

For the answers, see here

Talking about risk management in Germany

FERMA President Jo Willaert joined Germany's GVNW Chairman Alexander Mahnke and Vice Chairman Hans Jörg Schill to talk about the merger which created this new risk management association and its priorities for the future. Read more...

Expert view:

Non-financial reporting

The Thomson Reuters Foundation describes the issue of modern slavery for business and lists questions for risk managers to ask.

Modern slavery is a $150 billion industry affecting 45.8 million people worldwide according to the 2016 Global Slavery Index.
It may exist in your enterprise. This is, perhaps, not surprising if we consider the complexity of modern supply chains.

Governments around the world have enacted a raft of laws and updates to tackle the modern slavery industry and ensure transparency - from the EU Non-Financial Reporting Directive, the UK Modern Slavery Act , and the US Trade Facilitation and Enforcement Act and proposed Business Supply Chain Transparency on Trafficking & Slavery Act.

This is an essential part of the solution, but it is ultimately up to companies themselves to act. What should you as a risk manager be asking? Read more...

The future of captives

FERMA board member Dirk Wegener answers some questions about captives.

FERMA:
When companies are deciding to set up or maintain a captive, how important are:
Coverage that isn't generally available on the commercial market?
Higher limits than available at an acceptable price from the commercial insurance market?
Better pricing on frequency risks (avoiding euro for euro trading with insurers)?
Better loss information?
Ability to plan better for severity losses?

Dirk: In principle, all of the above can motivate a company to set up a captive and the ultimate goal is to optimise the total costs of insurable risks. However, such a decision has always to be taken in light of the individual risk appetite of the company for self-insurance and the regulatory framework of the captive territory. Moreover, the captive has to operate on a sound business case, including risk-based underwriting, proper claims handling, and solid risk, capital and asset management procedures, because it needs to be run on an "arm's-length" basis.
More from Dirk on captives here

Letter from Brussels

Tax, good corporate citizenship and reputation

Corporate transparency and its new reporting requirements are a priority for FERMA because the risk manager will be working with other functions to create the right strategy to maintain a reputation for good corporate citizenship.

On 15 September, the European Commission released a first list of 160 non-EU countries that have been scrutinised against specific economic, financial and political criteria. The objective is to publish the final list by the end of 2017. This follows publication in October 2015 of the OECD's Base Erosion and Profit Shifting (BEPS) package to create new global rules for corporate taxation.

Typhaine Beaupérin, CEO of FERMA

The concept of a common EU list of problematic tax jurisdictions by the European Commission was included in the EU External Strategy for Effective Taxation published in January. This communication was part of a broader anti-tax avoidance package, including a proposed Anti-Tax Avoidance (ATA) Directive. ATA raised concerns among the captive insurance community, especially about the intention to include controlled foreign company (CFC) income in the rules.

This common EU list is also a key element of the latest European Commission's proposal on a public country-by-country reporting. Multinationals will have to be very vigilant about the content of this list and the location of their activities as a matter of compliance and of reputation.

We will continue to provide our member associations with regular updates about these and other developments in corporate governance and transparency so they can support risk managers in their increasingly strategic role.

Typhaine Beaupérin, CEO

For the Commission press release, see here

Knowledge Corner

FERMA's list of useful and interesting reports on risk topics here

FEDERATION OF EUROPEAN RISK MANAGEMENT ASSOCIATIONS- FERMA AISBL
This newsletter is produced by FERMA. If you have any questions concerning this newsletter, please contact Typhaine Beaupérin at FERMA on +32 2 761 94 31 – email: typhaine.beauperin@ferma.eu