

Brussels, 16 April 2020

To the European Commission's coordinating response team:

President Ursula von der Leyen; Executive Vice-President Margrethe Vestager;
Executive Vice-President Valdis Dombrovskis; Commissioner Paolo Gentiloni;
Commissioner Thierry Breton; Commissioner Stella Kyriakides; Commissioner
Janez Lenarčič; Commissioner Ylva Johansson; Commissioner Adina Vălean

Subject: Managing and funding the Risks of Future Pandemics

Dear President, Executive Vice-Presidents, Commissioners,

As the representative body of professional risk managers in Europe, the Federation of European Risk Management Associations (FERMA) urges the European Commission to help reduce the impact of future pandemics through the development of:

- Lessons learned from Covid-19 and shared across Member States
- The use of risk management tools at organisational, national and European level
- Public-private funding initiatives

FERMA can contribute to this critical discussion. We can provide the necessary theoretical framework from organisational risk management and our experience of managing Covid-19 on the ground in thousands of businesses across Europe.

On behalf of our 21 member associations across Europe, we offer the following comments:

Covid-19 is having a devastating impact on businesses across Europe. Since the outbreak of this pandemic, the risk managers of European corporates have been doing whatever possible to support their companies and their national governments to reduce the impact of Covid-19 and protect our societies. Risk managers are already involved in planning for successful recovery.

It is essential to learn from the experience of Covid-19 to use risk management to mitigate the impact of future pandemics at organisation, national and European level. We will collect the feedback and conclusions of this crisis throughout our membership and report our findings to the Commission.

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FERMA also urges the Commission to support the development of public-private initiatives to increase financial resilience against future pandemic risks for our economies and our communities.

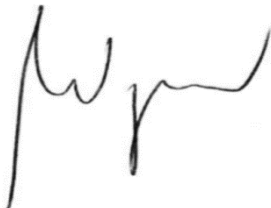
Many European businesses face inevitable and sometimes severe financial losses as a result of the pandemic event. Insurance provides little if any cover for these risks, and insurers are introducing more exclusions and tighter conditions as policies renew. We do not expect this to change. Pandemic risk, like climate change and cyber risk, is systemic. It is beyond the capital of the private insurance market to provide material capacity for transfer of risk.

It will probably be necessary to create public-private partnerships for pandemic risk on a national basis, but the EU should help Member States. It could, for example, provide expertise, such as modelling and rate setting, and start-up costs. There is also potential for additional EU support such as an EU backup layer, possibly via the European Stability Mechanism (ESM), allowing the convergence of all national systems to a European standard.

Europe already has well established schemes to manage extreme risks like terrorism and natural catastrophe. Examples include the French Caisse Centrale de Réassurance, Spain's Consorcio de Compensación de Seguros, the UK's Pool Re, the German Extremus scheme and nuclear industry pools in several countries. These offer possible models for new initiatives, as they have an established process to provide funds to those affected by such risks.

Thank you for considering our ideas and recommendations. We hope to work with you for the protection of Europe and support of the European economy.

Yours sincerely,



Dirk Wegener
President

CC: EIOPA Chairman Gabriel Bernardino