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EUROPEAN RISK MANAGEMENT SEMINAR 2020

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Opening Speech

13 October 2020, 11h00 CET

Those of you who were in Berlin last year will remember that our theme for the 2019 FERMA Forum was “Aim for the future: Entering a New Dimension of Risk”. When I took over the Presidency of FERMA at that event, we decided that “Aim for the future” was a good theme to carry forward. It expressed our belief in the value of risk management in the face of growing risks of unknown magnitude.

Today, I believe we can be on the threshold of a new era for risk management. There is the possibility of truly embedding risk management in the business model and culture of European organisations. We have some work to do to promote this development, and that is one reason that we are here at the FERMA Seminar to aim for this future.

The theme of this Seminar, which is “Financing the growing universe of risk”, is entirely right for today.

Over the last eight months of pandemic, risk managers have had the unfortunate opportunity to show just how valuable risk management already is for the resilience of companies and the economy.

We have learned many lessons, and I’m sure we will share some of them here. These exchanges, I believe, will support us in strengthening the resilience of our organisations through enterprise risk management.

That is essential. COVID19, as we know, is not yet over.

We see how much the global economy relies on interconnected infrastructures, especially digital, and uninterrupted supply chains. We are exposed to risks that



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can become systemic, like pandemic. Widespread cyber-crime, climate change events and conflicts also have the potential to become widely disruptive and damaging through our widespread inter-dependencies.

Resilience requires that we apply proven risk management methods and once we understand our exposures that we consider how financial impacts can be best mitigated. Our traditional partner is the insurance industry, and I would like to acknowledge the important role that brokers, insurers, reinsurers and service providers have played in the financial resilience of businesses and economies over the years.

I believe this relationship will continue, but it will change. Before we knew about the full implications of COVID19, we were already speaking about a hardening insurance market. That was an almost universal response in our [2020 FERMA Risk Manager Survey](#) and we expect this trend to continue.

At the same time, many businesses are facing financial pressures, either because of COVID19 measures or the subsequent economic downturn. Risk managers may simply buy less insurance to meet their budgets.

This means the risk manager must clearly identify and communicate the additional exposures that companies face. They may result from reduced insurance cover or new dimensions of risk. We need to express what these changes mean for the organisation in financial language and in terms of what they could mean for business objectives. Sessions on day 2 of this Seminar, therefore, focus on aspects of exposure.

Not surprisingly, the 2020 FERMA survey revealed increased interest in captives. Changes in the insurance market can open the way to a discussion of the future treatment of risks as part of enterprise risk management, which may involve a captive but can mean an examination of programme structures and retentions.

There are, however, exposures that are not within the scope of a single organisation or, indeed, that the insurance industry to absorb, as we have seen with the pandemic. We believe that we need a mechanism to spread the impact



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of systemic risks, like pandemic or widespread cyber-attack, for a better resilience of our companies and the European single market.

FERMA has put two important messages on the agendas of the European Union institutions. One is the importance of creating an [insurance-based public-private partnership](#) to insure non-damage business interruption losses from systemic risks. We have emphasised that any such scheme must recognise solid risk management in the insured enterprises and the involvement of the insurance industry. In this regard, FERMA has and will continue to contribute to the work of the European insurance agency EIOPA on [a public-private Resilience Framework](#) which meets our requirements.

Second, we have stressed that professional risk managers are and will ever be essential in the effort to strengthen the resilience of European business. The ultimate aim is a sustainable economy.

In the coming weeks, the European Commission will embark on several workstreams related to the crisis, and it invited FERMA to provide input as soon as we can. This is why we have launched a survey that seeks input from risk managers on their experience of the COVID-19 pandemic. I encourage you to complete this survey and help us drive the EU-level discussions on shared resilience solutions.

The Covid19 crisis has again demonstrated that as risk managers, we should be agile and flexible to make sure that our organisations have the capability to respond quickly and effectively to numerous and completely new challenges. We have the opportunity, perhaps as never before, to embed enterprise risk management in the way that organisations think and operate.

A solid professional education in risk management is one of the most important assets that a risk manager can have in these circumstances. Looking ahead, we can use our knowledge and experience to strengthen the resilience of our organisations and our communities.