



Editorial – Risk Manager to Risk Manager

Other risk managers are the best people to explain what's so good about taking part in the FERMA Forum. They thoroughly enjoy meeting colleagues from other countries, talking with all their service providers and learning from the speeches and workshops, but sometimes the benefit is really specific to them and their company.

At one Forum, Harry Daugird, a member of the board of the German risk management association BfV and President of Komposit Risk Consultants & Insurance Brokers a unit of the engineering giant ABB, happened to meet someone who helped him resolve a significant loss. "We were able to discuss the coverage issue which helped me to access the information I needed."

Daugird says the Forum is a venue to learn entirely new things. "Sometimes you learn one important thing at a particular time which is valuable for your work because you see how to treat a specific issue, and you can really make a difference."

For Frits van Blitterswijk, Manager Risk Management and Insurance for one of the world's largest chemicals and refining companies LyondellBasell, the 2007 FERMA

Forum took place at a really opportune time for his company. It was only three months before the merger of the two companies that now make up LyondellBasell, so he could tell the company's underwriters and brokers about the new group and also get their opinions.

Van Blitterswijk is greatly looking forward to seeing Prague as it is today. "The last time I was there it was as a loss adjuster just after the big flood in 2002. It will be good to see it back to normal."

Paul Howard, Chairman of AIRMIC and Head of Insurance and Risk Management for supermarket group Sainsbury's, says: "As the title of the conference indicates the Global Village gives an opportunity to network with peers from many different countries which is invaluable in coming up with the best possible solutions for our organisations. I really value the variety of perspectives and different ways of working."

A contingency and crisis management game session organised at a previous Forum by the loss adjuster Crawford sticks in his memory. "It was excellent as it was a fun session, but with an extremely useful message."

Brilliant Timing

The timing of the 2009 Forum is brilliant, enthuses David Furby, President Continental Europe for ACE Europe, the Forum's platinum sponsor. October is always good, because it's an opportunity to meet clients at the start of the renewal season, but this year it's especially fortuitous.

Furby explains. "From an economic and macroeconomic perspective, our customers are feeling under pressure as countries fall deeper into recession.

They will have issues which will tie in with their risk management. For instance, if profits fall, their business interruption values will drop. We have to understand our customers' needs, the trends they are experiencing and how their business is affected."

He comments that the insurance market is still competitive, but that pressure will build over the next 12 to 18 months for higher premiums, so this is a good time for risk managers and their underwriters and brokers to

A Helping Hand – discount rate continues

In the current economic climate, it's more important than ever to get updated on important topics, exchange ideas with colleagues and find out what is happening on European Union legislation. But there's pressure on budgets. So, to support its members, FERMA has extended the preferential rate for them to attend the Forum. Members who register before 1 October can attend for **EUR 990** – and also bring a colleague for half price.



See the programme for the latest information on sessions and workshops and register on line at

WWW.FERMA-FORUM.EU

work out how to tailor coverage to best help them manage through the current economic pressures.

October is also a critical time of year, because the renewal season is beginning for many important corporate insurance programmes, and all the major insurers will be present at the Forum. "It's very efficient for our customers as they can see all their insurers in one place and it's of course also very efficient for us," says Furby.

According to Furby, ACE has a continuing dialogue with its customers and their brokers, but the Forum offers a great opportunity to reinforce these relationships. "The advantage of this meeting is that it brings us into close contact with a significant cross-section of our customers. About 90% of our major corporate clients are in one place at one time."

More generally, the Forum gives risk managers the opportunity to hear the views of leading market practitioners on market conditions, the financial strength and sustainability of their businesses, their service capabilities for large commercial customers and their approach to underwriting. The CEO of ACE Overseas General, John Keogh, is taking part in the Forum panel discussion on insurance.

Furby says that at this time, it is more important than ever that risk managers are well informed about their business partners. The Forum is both educational and informative and provides the opportunity for in depth business discussions.

ACE is sponsoring the education programme, a preconference course

that takes place on Saturday afternoon 3 October and Sunday morning 4 October, and the Compete in Risk Management student award. For more details of the education programme, see [insert link]. Says Furby, "We are always looking for ways to improve risk characteristics, and investing in training and development in the risk management arena is one way to help achieve this."

The risk management function in a business is of vital importance for us as insurers, so we are helping ourselves and the industry."

Also, ACE is this year supporting a children's charity in the Czech Republic, Thereza Maxova Foundation, which was established in 1997 to help abandoned and disadvantaged children.



Compete in Risk Management - Student Awards

Two Czech students from the Faculty of Safety Engineering the University of Ostrava will attend the Forum thanks to ACE. The prize winners are Eva Mikulova, who prepared a paper on the comparison of assessment approaches of explosion impact of combustible gas and vapour in an open space, and Radka Prichystalova whose submission was an analysis of the change in the classification of hazardous chemical substances in view of the transposition to the Czech market of the EU Reach Directive.

Valérie Devaux-Piquier, ACE Casualty Manager Central & Eastern Europe and MENA, said it was very difficult for the judges, who included FERMA education officer Edouard Thys, to reach a decision because the quality of the entries was so high.

The awards will be presented at the Forum.

Insurance Panel Preview

What do the leaders of the insurance industry think about the market? The Forum brings together six leading figures from insurance and broking, senior executives who are responsible for setting their company's policies. Journalists Herbert Fromme from FT Deutschland and Adrian Ladbury of Business Insurance will be moderating the session to make sure they get some tough questions and risk managers can challenge them, too.

Here's a preview of from two of the participants, Dan Glaser, Chairman and CEO Marsh Inc., and Axel Theis, CEO, Allianz Global Corporate & Specialty.

FERMA: What do you believe are the most important issues for large companies when they buy insurance today?

Dan Glaser: Capital efficiency, counterparty security, breadth of coverage and contract certainty. Does the overall programme reflect my firm's strategic, operational and risk management objectives and

requirements? Do the risk transfer components represent optimal use of capital across the enterprise? Have we comprehensively mapped and modelled risks, and contained volatility? (Such concerns and goals are not unique to large companies; they apply to firms of every stripe.)

Axel Theis: In times like these clients are especially looking for quality of cover, not just in terms of the underlying fundamentals of insurer security, but also in terms of service delivery across the relationship. What this means in practice is that financial stability, transparency and consistency are, of course essentials, but clients really value insurance partners who can go beyond these essentials to deliver a solution-focused approach. This requires flexibility to accommodate the individual challenges that large companies face, especially if they are trading globally, for example, by adapting coverage to ensure that local needs are addressed, or proactive claims handling to address losses

rapidly, especially with business interruption claims.

Where do you feel that the insurance industry can and will do more in future to meet the needs of such companies for protection?

Axel Theis: First of all we strongly believe that a close dialogue with clients is essential to really understand their needs. Dialogue brings insight, and with this we can begin to work together to tailor-make solutions. One size does not fit all for global clients and the more we can develop individual solutions, the better the client will be served.

Two essential components of this service are disciplined expert underwriting which understands the clients' risks and a truly global service capability, which is supported by global systems and processes. These are all areas in which we are continually investing, and which are core to our strategy and will remain so in the future.

Dan Glaser: In a word, innovation. Globalisation of enterprise, risk and risk sharing continues apace. The proliferation of new genres of risk calls for fresh thinking and innovation at every turn. The insurance industry brokers, insurance buyers, insurers and capital providers has a rich tradition of having developed risk transfer products and funding mechanisms designed to meet the changing landscape of risk.

Today, for example, infrastructure risk is a paramount concern for countries and companies undertaking large-scale projects designed to help reinvigorate shattered economies. We have devoted resources to addressing their needs and developing specialised solutions.

Hot topic: insurance premium tax

Programme link - <http://www.ferma-forum.eu/site/-Programme,420->

Award to Outstanding Association

FERMA has launched an award for the member association which has made outstanding achievements, and the winner will be announced at the Forum. The award will acknowledge the winning association's work and dedication in furthering risk management among its members. Its accomplishments will serve as a benchmark for FERMA excellence which is intended to inspire all associations to higher achievement and enhance participation and commitment at European level.

A Short Discussion on Some Long Subjects: European affairs

Three issues of immediate importance to risk managers – the regulation of captives under Solvency II, proposals for class actions and the future of the block exemption for insurance – will feature in the first ever FERMA Forum workshop on European affairs.

The workshop on Tuesday afternoon, 6 October, will give risk managers the opportunity to clarify how measures like these eventually pass into effect and learn the best times and ways to influence legislation while it's under discussion. One of FERMA's principal roles is to represent its members' interests with European institutions.



Guy Soussan

FERMA's European legal advisor, Guy Soussan, a partner with Steptoe & Johnson, Belgium, and Stefan Sigulla, chairman of the German risk management

association DVS and CEO Insurance, Siemens Financial Services, will open the discussion with a summary of the regulatory process in Brussels and explain what FERMA does to represent its members' interests in discussions with the European institutions. Representatives from the European insurers' association CEA and the European intermediaries' organisation BIPAR will also be taking part in the workshop.

Captives and corporate buyers under Solvency II

When it comes to Solvency II, there are still practical issues to be resolved

before the new regime enters into force in October 2012, Guy Soussan explains. Even though the European Commission has agreed the principle of proportionality for captives so they will not be treated like large, commercial insurance companies, it has still to decide how the regulation will work on the ground.

FERMA has also expressed concern the new capital requirements under Solvency II could have an adverse effect on the price of insurance products and the availability of capacity, in particular for long-tail liability and catastrophic risks.

The next step in the long process of the Solvency II framework is the adoption by the European Commission of detailed implementing measures in the course of 2010. The adoption of such measures will be based on advice provided by the Committee of European Supervisors (CEIOPS) and will entail consultation with the industry.

Collective redress

The creation of an EU-wide law of collective redress could open the flood gates to massive litigation and the introduction of a litigation culture especially if member states, law firms or intermediaries were allowed to fund such legal action, FERMA believes. It opposes the creation of European class action laws, which are the subject of a continuing consultation by the EU Directorate of Health and Consumer Affairs. Much better, says FERMA, would be more self-regulatory measures for

complaints handling based on a code of conduct and improvement of existing systems of alternative dispute resolution (ADR).

Block exemption

Against the background of the European Commission's draconian action against companies acting anti-competitively and in the context of increasingly concentrated insurance markets, FERMA supports renewal in March 2010 of the current block exemption that allows insurance companies to co-operate on studies and data sharing for the calculation of pure premiums and standard terms and conditions. The legal certainty created by the exemption, says FERMA, has helped create insurance markets that can provide sufficient capacity to meet the needs of large, international businesses, at competitive prices.

The Commission has indicated that there is still room for the industry to provide views on the future block exemption before the end of 2009.



The Economy: telling it like it

Dr **Daniel Thorniley**, Senior Vice President of the Economist Group, is not a man to mince words. Nearly 300 major companies seek his views, and he is the opening speaker at the 2009 FERMA Forum on Monday 5 October.



Daniel Thorniley

Many of Dr Thorniley's comments will have direct implications for risk managers. Take, for instance, supply and distribution chains. He says banks are refusing credit to small and medium sized companies, just the sort of businesses that are frequently suppliers and distributors for larger and stronger companies.

Sometimes their stronger business partners are supporting them by extending credit terms. But, how long, he asks, can these companies continue to act as banks, which they are not? It is unlikely to be more than a few months. Some of the smaller businesses will undoubtedly fail and leave gaps in supply and distribution chains.

For the company in the middle, the choice of business partners will diminish, and having to bring in new suppliers and distributors will increase risks, because these businesses will be less familiar and may be working

to different standards. Someone will need to ensure that the risk management processes and procedures of the new suppliers and distributors mirror those of the main company.

"I think that the latest overview of the economic outlook from Daniel Thorniley of the Economist will be a fascinating update and will provide a great base from which to experience other sessions, particularly the BELRIM session on mergers and acquisitions (M&A)."

Paul Howard, Chairman of AIRMIC

Thorniley will give risk managers a non-nonsense perspective on macro-economic issues and how they will affect business. His audience will go away with ideas to give an added dimension to strategic discussions in the office and some further thoughts on risks such as:

- Fraud, internal and external
- Theft and civil disorder
- Political risks
- Heightened personal exposures for directors
- Employee stress

The Belgian risk management association, BELRIM, has organised a Forum workshop on supply chain risks and how to avoid them keeping the CEO awake at night. It takes place on Tuesday morning, 6 October.

ISO 31000 – what risk managers think is

"More poetic but less precise" is how one risk manager describes the definition of risk in the new ISO risk management standard 31000 compared to its predecessor. A mixed but generally favourable reaction to the new standard was the result of a survey of FERMA members ahead of the workshop on the subject on Monday 5 October at the Forum.

Is ISO 31000 an incentive or constraint for implementing risk management in an organisation is the title of the workshop organised by ANRA and led by Alessandro De Felice, Group Risk Manager for Prysmian, an international supplier of high technology cables and systems.

He explains: "We will outline the generic approach in ISO 31000 and then discuss the findings of the survey for which we had responses from a majority of the FERMA associations. It is clear from the title of the workshop that we want to stimulate a lively discussion."

See the programme for the latest information on sessions and workshops and register on line at

WWW.FERMA-FORUM.EU

FEDERATION OF EUROPEAN RISK MANAGEMENT ASSOCIATIONS - FERMA AISBL.

*This Newsletter is produced by FERMA. If you have any questions concerning this Newsletter, please contact Florence Bindelle at FERMA on +32 2 761 94 32 – info@ferma.eu
© Copyright 2009 FERMA. All Rights Reserved. No distribution or reproduction of this issue or any portion thereof is allowed without our written permission except by the recipient for internal use only within the recipient's own organisation.*

Prague Quiz

- Q1: The Czech Republic has more national borders than any other country in Europe. How many?
- Q2: What is the connection between DNA and the Czech Republic?
- Q3: Name two famous Czech composers?
- Q4: What was the Prague spring?
- Q5: What was the movement called that ended Soviet domination of Czechoslovakia in 1989?
- Q6: When did Czechoslovakia become the Czech Republic and Slovakia?
- Q7: What is the name of the top football division in the Czech Republic?
- Q8: What are Gambrinus, Kozel and Bernard?
- Q9: What is the Union of Czech Chimney Climbers?
- Q10: Name a Czech supermodel?

- ANSWERS**
- Q1: 4; Q2: Gregor Mendel (1822-1884); the monk who first systematically researched inherited traits, was Czech; Q3: Leoš Janáček, Antonín Dvořák or Bedřich Smetana; Q4: A period of liberalisation in 1968, crushed after eight months by the Soviet Union; Q5: Velvet Revolution; Q6: 1993; Q7: Gambrinus League; Q8: Types of beer; Q9: Active organisation of people who climb factory chimneys and cooling towers as a leisure activity; Q10: Eva Herzigová