



## See the Big Picture – Come to the Forum

Europe is changing before our eyes. People from troubled places are seeking sanctuary in large numbers. The climate is getting more extreme. Technology is spinning out new business ideas at an astonishing pace, and creating new threats at the same time. "Getting the big picture as well as developing technical knowledge is essential for risk leaders," says FERMA President Julia Graham. "That's why coming to the FERMA Forum 2015 is an investment for the future." Here is what risk managers will do at the Forum: Discuss the big issues of the day with colleagues from across Europe.

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### François Settembrino

François Settembrino, President of FERMA from 1984 to 1994, has died after a short illness on Friday 25 September. He was one of the founders of FERMA and responsible for starting the biannual FERMA Forum. François was named Honorary President after his retirement and retained an interest in FERMA to the end of his life, regularly attending general assemblies.

The President of FERMA, Julia Graham said: "I was saddened to learn of the passing of François Settembrino. François was the Father of FERMA and our longest serving President. We owe him a deep gratitude for his contribution to FERMA and as a visionary for our profession. My sympathies are with his family.



François Settembrino  
President of FERMA from 1984 to 1994

"According to his family, a farewell service will be celebrated in the Church of Saint Julien, 1 avenue Lebon at 1160 Auderghem, Belgium, very likely on Saturday October 10 at 10:30 AM. Details will be confirmed in an announcement published in the local press.

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1. Hear the latest trends in world insurance from the top people at the insurers involved.
2. Consider the implications of a more diverse Europe for risk leadership.
3. Advance technical knowledge through workshops and discussions.
4. Network with colleagues and meet service suppliers all in one place.
5. Return to work with new ideas.
6. See the full programme and register at: <http://www.ferma.eu/ferma-forum-2015/>
7. Online registration for the 2015 FERMA Forum will close on 1 October but you can still register on site.



## Letter from Brussels

Since our joint conference on risk committees with AIG and the directors' organisation ecoDA in July, we have been busy with the two major projects: the Risk Management Forum in Venice on 4-7 October and Certification.

I am delighted to say that in Venice the two will come together. With the support of our Certification working group and our members, we have completed the body of knowledge and examination for Certification and will launch it on together with its formal name and logo on 4 October during the Forum in Venice. The project will ensure legitimacy and credibility of the risk management profession for the future.

In September, we also completed Travel Risk Management 2015 with EU-OHSA and International SOS which comprises a review of the European regulation and best practices. The results will be published at the Forum.

The Forum promises to be a unique event with a quality programme in an interesting location and a source of inspiration with the support of key suppliers. Many of our strategic European projects will be under discussion, and members will also have the opportunity to give their feedback on FERMA's future directions. Risk managers from around the world will be present for the board meeting of the International Federation of Risk and Insurance Management Associations (IFRIMA) which will take place during the Forum.

In September our board gathered and appointed new vice presidents and a new secretary general. In the office, we hired a new office manager Anne-Christine Weets and trainee Eduardo Luceno Carracedo who is handling communication and social media. Christel Jaumouille has now left FERMA, having decided to take up a new challenge, and I thank her for her dedication to the FERMA team and wish her the best for her new career.

I will also shortly be taking up a new challenge. After the Forum I will become Secretary General of European Issuers, a pan-European association representing the interests of publically quoted companies. Because this will be my last opportunity to address you through the newsletter, I hope to see many of you at the Forum and share some good memories of FERMA. I always grateful to FERMA for your support and all the opportunities and professional experiences I have had.

**Florence Bindelle**, Executive Director

## Coming Soon - Highlights of the FERMA Risk Management Forum 2015

Profession, innovation and diversity are the themes that run throughout the FERMA Forum 2015. Here are some of the highlights of the programme:

- Welcome reception at the prestigious Cini Foundation on the Island of San Giorgio Maggiore
- Keynote speeches by Mario Greco, CEO of Generali, and rugby legend Sean Fitzpatrick
- Launch of FERMA Professional Certification for risk managers
- Insurance presidential debate
- Young risk professionals' breakfast, ladies' in risk lunch, and leadership and diversity breakfast
- Presentation on the MOSE plan to save Venice
- Risk workshops
- Risk managers' only roundtable discussions
- Exhibition with stands, demonstrations and talks from Europe's leading risk and insurance service providers



## You can't just stay behind your desk: Rick Roberts, RIMS 2015 President



RIMS President Rick Roberts is one of the profession panel members at the FERMA Forum. FERMA asked him some questions ahead of the event.

We should also have a good and broad knowledge of the operation of our businesses. We particularly need to know what the customer wants, so that we remain relevant to the customer, adding value to our organisations. Just staying behind your desk doesn't work anymore.

*How do you see the status and role of the risk management profession as the US economy recovers from the financial crisis?*

In my own job and from talking with other risk managers, I can say we are now being invited more often to the top table to talk about risk management issues, an indication that leadership recognises the value of strong risk management capabilities. Today also, risk management is not just about managing the threats and bad things that could happen. We are thinking about the good things, about the opportunities, and sometimes participating in the strategic planning of the company. Risk managers have always been forward looking. We think ahead two, three or more years, so what we do fits well into strategic planning.

Senior management is also involving risk managers in analysing emerging risks. We are seeing whole new service models across many industries. Take uber for example, which is revolutionising the taxi industry. In M&A, we are being brought in much earlier. In the past, it was usually after the event and we were just asked to look at the insurance policies. Now we are being asked to study the implications of new business opportunities up front.

*What are the professional skills and qualities most important for a risk manager in this environment?*

Risk managers need to be curious. They have to ask a lot of questions. For example, we are increasingly using root cause analysis. It is something engineers use all the time but it is relatively new for us. We are also more involved in quality systems. We are using engineering thought processes and applying them to business problems.

We also need to improve our soft skills like negotiating. We have always had strong technical skills such as understanding insurance language and risk management processes. Now we need to work on getting other skills that affect the perception of us and our work with our colleagues.

*How do you think risk managers can best support their organisations when they are faced with disruptive business models, such as Uber and airbnb, and new technology including drones and driverless cars – among many others?*

A lot of RIMS members are moving to an enterprise risk management (ERM) and strategic risk management model to stay on top of those emerging risks. We discuss with the business leaders and identify any risk which could affect their ability to achieve their strategic objectives. Looking across the top risks reports published by the International Monetary Fund, World Economic Forum, reinsurance companies and some insurers, we do see that they tend to identify similar key risks, even if there are subtle differences between them.

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One example is the use of drones. The Federal Aviation Authority says there could be 30,000 drones flying in US airspace by 2020. There are a lot of issues here on how we are going to manage airspace. There have already been near misses with aircraft. And the whole privacy issue is huge.

RIMS and other risk management organisations like FERMA are a resource for risk managers to learn about emerging risks, and it is also important to go to the conferences and get the person-to-person contact.

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*Should risk managers have more general business knowledge – for example by doing MBAs? Or should they concentrate on their technical skills?*

Given what risk managers are being asked to do today, more business knowledge is important. The type of additional skills and knowledge really depends on where you report in the organisation and the key elements of your job.

The majority of US risk managers report to the financial function, so if you cannot talk about finance you are at a disadvantage, and getting an MBA is a good way to get financial acumen. The second most popular line of reporting, at least in the US, is legal, especially in businesses where product liability or intellectual property issues are present, and a growing number of RIMS members are lawyers.

RIMS is also looking at certification but it is a complex issue. A lot of other organisations have moved strongly toward the concept – look at CPA for accountants and the Bar exam for lawyers. The insurance qualification CPCU is familiar to a lot of people in financial services but not so broadly known in manufacturing, for instance. Certification assures an employer that an employee has met the stringent requirements to be certified as a risk professional. RIMS sees a lot of value in that.

**Rick Roberts is the Director of Risk Management and Employee Benefits for Ensign-Bickford Industries.**



Francois Settembrino at FERMA's 40<sup>th</sup> anniversary Oct 2014.

## From the President



I start writing this letter with a sense of pride but tinged with a hint of sadness, as this is my last letter addressed to you as FERMA president.

FERMA's dual purpose is first, to co-ordinate, promote and support the development and use of risk management, insurance and risk financing in Europe, and second, to be a significant stakeholder in the decision making process at the European level on risk management, insurance and risk financing. I started my term of office two years ago with the three "buzz" words of profession, innovation and diversity - I end my term of office with the belief that these were appropriate and timely words to provide focus in support of the achievement of FERMA's purpose.

Being part of "Team FERMA" is what these two years have been about and it has been a privilege. As with all teams, however, FERMA has changed and will continue to change, as we develop and evolve our position as champions and leaders of the profession through acting as the voice of the profession across Europe and beyond.

During these two years we celebrated our 40th anniversary, enjoyed a successful Seminar in Brussels, took the platform on a variety of risk, insurance and governance issues, and said goodbye to some who were involved in FERMA's formative years including Pierre Sonigo, Fernand De Winter and now Florence Bindelle. We bid a premature farewell to Edwin Meyer who should have been part of FERMA's future, but who left us before he could realise his FERMA dreams and future plans. Florence is leaving us just after the Forum to join another important association, European Issuers. As our first ever member of staff, Florence has been an important part of the development of FERMA over the last 16 years, and I have appreciated her support as a board member and as president. I wish her great success. Now we stand two weeks away from what promises to be an exciting Forum in Venice - packed full of great sessions, workshops and opportunities to learn and to network - and to have some fun with friends and colleagues, old and new. But we can only make events like this happen with the support of our member associations, our partners, our board and our staff who collectively make up "Team FERMA". This team attitude is what makes FERMA so special. Whether it is developing the programme for Certification, lobbying in Europe or offering thought leadership, FERMA provides a platform and an inspiration to today's risk managers who are tomorrow's risk leaders.

I, therefore end writing this letter not quite so sad, as to be president of FERMA has been the best professional experience ever, and I know that I have left FERMA going forward in strength. Get involved - I recommend it!"



## Solvency II - Directive

On 4 September, the European Insurance and Occupational Pensions Authority (EIOPA) published an updated progress report regarding Bermuda's Solvency II equivalence assessment.

This report takes into account positively all the amendments to the regulations applicable to commercial [re]insurers introduced by the Bermuda Monetary Authority since EIOPA's last report was published in March 2015.

The European Commission needed this additional progress report to take fully informed equivalence decisions later this year.

## Cybersecurity

The Network and Information Security Directive is still stuck in talks between member states and EU lawmakers. They are stuck over disagreements on whether to include digital platforms such as search engines, social networks, e-commerce sites and cloud computing providers and force them to adopt tough security measures, and possibly report serious breaches to national authorities.

A triilogue took place on 3 September between member states, and the European Parliament and European Commission. The European Parliament wants the law to cover only sectors it considers critical, such as energy, transport and finance.

[http://www.consilium.europa.eu/register/en/content/out/?&typ=ENTRY&i=ADV&DOC\\_ID=ST-11244-2015-INIT](http://www.consilium.europa.eu/register/en/content/out/?&typ=ENTRY&i=ADV&DOC_ID=ST-11244-2015-INIT)



## Environmental Liability Directive (ELD)

A draft version of the ELD report has, indeed, been written, but had to go through the approval process before becoming public. The reports will not be issued to stakeholders (including us) until later this year or possibly even the beginning of 2016.

There will be two related documents adopted: an ELD report (in all official languages) of no more than 15 pages and an ELD evaluation of a maximum 60 pages plus some annexes. According to the current planning, the report may be adopted in November with publication still this year.

Separately on 9 September, a draft motion for a resolution from the European Parliament about the "lessons learned from the red mud disaster five years after the accident in Hungary" was released and contains many amendments requesting the introduction of a mandatory financial security regarding environmental liabilities. The reading of amendments 21, 22, 27, 28, 29t gives a picture of which MEPs are in favour of environmental financial securities in the next two years.

<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-567.498&format=PDF&language=EN&secondRef=02>

## IBER (Insurance Block Exemption Regulation)

A working document published on 20 August indicated that the baseline scenario of the European Commission is promoting non-renewal of the IBER. The IBER is a regulation that will expire in 2017 if the European Commission is not convinced of the necessity to renew the regulation and allow co(re)insurance pools to be exempted from competition rules. The European Commission report is expected in March 2016. FERMA has contacted Insurance Europe to share information and consider possible joint actions.

[http://ec.europa.eu/smart-regulation/roadmaps/docs/2016\\_comp\\_001\\_review\\_iber\\_en.pdf](http://ec.europa.eu/smart-regulation/roadmaps/docs/2016_comp_001_review_iber_en.pdf)

Julien Bedhouche, FERMA

Siobhan Sweeney

### Contrarian Directors could improve corporate risk-oversight



The function of boards to ensure a healthy balance between risk-taking and risk avoidance is critical to the success of the company and the stability of the economy. In many jurisdictions, independent directors are intended to provide objective shareholder-minded monitoring and improve firms' performances. Unfortunately, they are often not powerful enough to fulfil this role. The appointment of a 'Contrarian Director' with a formal duty to give careful consideration to the possible case, if any, against a recommended action would improve enterprise risk management.

Following the financial crisis and criticism of independent directors, more regulations were introduced requiring boards to balance the chosen independent directors' skills, experience and knowledge of the company with independence. These regulations are fiddling at the margins. The central focus should be on the culture of the board and its ability to actually perform its risk oversight function independently.

Unfortunately independent thinking has been lost on boards in part because of the systemic failure of both the selection process and board culture. Independent directors are currently not fulfilling their duties to bring independence to the board's decision making. The selection process, the selected people and the job incentives must be addressed if the problem is to be solved.

Research shows that people are often overconfident about their forecasts and risk assessments and consequently assess the range of possible outcomes too narrowly. They extrapolate too heavily from history, and this is exacerbated by confirmation bias, which means they lean toward their favoured position and suppress conflicting information.

When events unfold that are different from those they expected, it leads to even more irrational commitment and suppression of contradictory evidence. Objective risk management is an anathema to such groups; it is beyond their institutional capacity. Inquiries have shown that some of the worst corporate disasters reflect an inability of the board to question and investigate.

### Introduction to Contrarian Directors could improve corporate risk-oversight

An alternative to the current process is the introduction of a Contrarian Director to institutionalise the ability to stand outside the tide of groupthink and effectively warn and caution the board. This director would have the duty, in respect of every recommendation of substance to the board, to give careful consideration to possible opposing arguments and prepare a written report for the board.

It would be mandatory for this report to be circulated to other board members and discussed at the next board meeting. In the event that the board adopted a recommendation upon which the contrarian director has reported, he or she would prepare a further report to the board on the decision taken and whether the board had taken each of the matters identified sufficiently into account.

The contrarian director would have an ongoing general risk management obligation. At least twice a year, he or she would alert the board to any material developments in relation to the company, its business environment or management that increased the risk of adverse events or outcomes.

The Contrarian Director would also have a duty to encourage best practice risk management throughout the board and organisation. This role would not assume the risk management function of the board, but focus the attention of all members of the board, CEO and senior management on the need to consider risk management as part of their function.

The result of these proposals would be a change to the culture of boards and a radical improvement to the risk oversight function by boards. In the current, uncertain economic environment, risk oversight on boards should be heavily prioritised. The time is ripe for change and there is much room for improvement.

*Siobhan Sweeney is an MBA candidate at the University of Cambridge Judge Business School, Gonville and Caius College. She is a lawyer by background. This article is based on her paper on the creation of the Contrarian Director which won the Cambridge-McKinsey annual risk prize. The full paper is available for download here:*

<http://www.risk.jbs.cam.ac.uk/riskprize/downloads/riskprize2015-sweeney.pdf>



