StrategicRISK European risk and corporate governance solutions
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Airmic Conference
8 June 2011 / Day 2

The Daily

The official Airmic Conference daily

Going for gold

Olympic legend Sebastian Coe urges Airmic Conference to seize opportunities by challenging the norm

What you missed
Catch up on the goings on from yesterday's conference sessions

My chairmanship
Airmic chairman-elect Paul Taylor outlines his priorities for the association

Risk report
Economic risk identified by risk managers as the principle threat facing companies

Opinion
Editor's word

MY DAY
Nicola Harvey
Chairman, Airmic and group director of risk, Christie's

7am: I shall get up on Wednesday with mixed emotions. It will be my last day as chair, and sadness will be mixed with the knowledge that I will soon have a lot more time for other things. I shall grab a coffee and spend a bit of time in my room going through my farewell remarks.

Being at the head of this association has genuinely been a privilege (yes, I know people always say this kind of thing, but it happens to be true). It has been a great experience and in many ways one year is just not enough. Whatever progress we have made in the past 12 months – quite a lot, I would like to think – there is still so much to do.

On the other hand, I know that Airmic is in safe hands, and there will be quite a sense of satisfaction in handing the baton to Paul [Taylor] to continue driving our strategy and objectives. Chairing an association is immensely rewarding in all kinds of ways, but the time commitment can be crazy at times.

8.30am: I'll be heading off to the conference hall to discuss the day's proceedings with John Hurrell [chief executive] and Susi Ozkurt [Airmic's events organiser].

9.30am to lunch: Much of the morning will be spent as a

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Nathan Skinner,
EDITOR,
STRATEGICRISK

My view: Airmic chairman Nicola Harvey opened the UK risk management gathering in Bournemouth on Tuesday with a note of caution. She told delegates that companies face a tricky operating environment of natural disasters, a host of new regulations and an unfriendly media, and urged risk managers to up their game. "If we want to be relevant, we have to adapt to the new business environment," she said.

She complained about the state of risk management in many companies, saying: "I still see the need for risk management to be better embedded."

On a more positive note, she drew attention to the good work Airmic is doing to improve risk managers' lot, including the popular Airmic Academy free breakfast briefings. Harvey noted that these workshops increasingly focus on enterprise risk management issues rather than insurance topics – a sign of a maturing profession.

She was followed on stage by Airmic chief executive John Hurrell, who outlined his organisation's technical agenda. One of the most interesting documents published by Airmic this year is a joint research paper with Cass Business School, which seeks to identify the implications of major crises on large companies. Events that bring down successful companies are normally the result of boards failing to see (or choosing to ignore) underlying risks, according to the research. As Airmic technical director Paul Hopkin said: "In simple terms, directors are too often asleep at the wheel and blind to the risks they face."

Given these problems, risk managers must promote both themselves and their profession within their organisation. Let's hope Airmic continues to support them in doing so.

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My Airmic moment

'I shall spend much of the conference speaking to Airmic colleagues and partners about the year ahead, getting their ideas and hopefully their support as well. These events are always hard work, but enjoyable and stimulating. You are on duty more or less from the moment you leave your room first thing – luckily I am a morning person – until you go to bed'

Paul Taylor, risk director of Morgan Crucible and Airmic chairman-elect

Agenda

MY DAY
Nicola Harvey
Chairman, Airmic and group director of risk, Christie's

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delegate, going to the various different events. I am especially looking forward to the Airmic insurance forum, which starts first thing (9.30am). It is always a great opportunity to hear from some of the leaders in the insurance market.

1.15pm: In the afternoon, I will be back on stage chairing much of the final session and imparting a few 'words of wisdom' before bowing out gracefully, I hope.

One of my memories of this time last year was just how heavy the chain of office felt. It was obviously made in the days when only men got the job, and I vowed immediately to wear it as little as possible.

2.30pm: As the outgoing chair, I shall be one of the last to leave. There is always a bit of an empty feeling at the end of a conference as the building goes quiet. After thanking the Airmic secretariat, who do such a splendid job, it will be back to the real world.

At least I only have a short journey home – a little way up the M3. Airmic has been a large part of my life these past 12 months, and it will continue to be. But it will certainly feel different.

What you missed

Sebastian Coe – keynote speech

A business model cannot be allowed to 'devolve into a series of platitudes'

Lord Sebastian Coe gave an entertaining speech yesterday on the parallels between his own varied career and the risk management industry.

He said he has always aimed to try unconventional methods. His track and field career is a case in point – he became one of the first athletes to work with a team of nutritionists, biomechanical experts and physiologists.

Coe attributed his 1980s Olympic success to this and said an appetite for controlled risk and innovation has helped his athletic and political career.

On preparations for the 2012 Olympics, Lord Coe emphasised the importance of branding and marketing. He also underlined the importance to future Olympics of engaging with the younger generation via digital media.

Companies must constantly innovate to keep up with the market, said Lord Coe – a business model cannot be allowed to "devolve into a series of platitudes".

Major risks research

'Directors are too often asleep at the wheel and blind to the underlying risks'

On Tuesday, Airmic unveiled the findings of its study on business catastrophes, which was carried out by the Cass Business School. The report looks in detail at 18 companies, with an aggregate value of more than $6 trillion.

The case studies covered include Enron, Société Générale, Firestone, Northern Rock, AIG, Arthur Andersen, BP, Northern Rock, Shell, Land of Leather and Cadbury Schweppes.

Airmic technical director Paul Hopkins stated: "The cases involving inappropriate disclosures that verge on fraudulent behaviour will be of particular interest to risk managers."

Examples in the report include Enron's misrepresentation of financial results, the Northern Rock business model and Shell's misrepresentation of its oil reserves. "The quantum leap in this research," Hopkins said, "is that we didn't simply look at the physical and operational factors that caused these events; we also looked at what we call the underlying risk."

The report highlights seven types of underlying risk that can lead to corporate failure:

- Inadequate board skills and inability to exercise control
- Blindness to inherent risks, such

'Cases involving inappropriate disclosures that verge on fraudulent behaviour will be of particular interest'
James Bray, reporter, *StrategicRISK*

as risks to the business model or reputation
- » Inadequate leadership on ethos and culture
- » Defective internal communication and information flow
- » Organisational complexity and change
- » Inappropriate incentives, both implicit and explicit
- » Glass ceiling effects that prevent risk managers from addressing risks emanating from the top echelons.

Hopkins stated: "In simple terms, directors are too often asleep at the wheel and blind to the risks. Airmic will do a stage two of this work, which will deal with how board members can improve the management of these underlying risks."

Don't miss

Emerging risks workshop

'Companies have to be able to deal with potential problems before they materialise'

Events over the past year have taught us the importance of dealing with black swan events. Risk and threats that may seem remote and unlikely in the short term can have serious effects on businesses and their ability to operate. More than ever before, companies have to be able to identify emerging risks and establish strategies to deal with potential problems before they materialise.

Neil Smith and Keith Stern of Lloyd's will cover these issues in their workshop on 'Tracking and managing emerging risks' on Wednesday at 11.45am.

Stern and Smith will present their approach to monitoring and managing emerging risks at the same time as highlighting a number of specific emerging risks, such as cyber liability, solar storms or the potential risks posed by nanotechnologies.

Ken Livingstone

'National politicians live in a security bubble … They never manage anything'

Ken Livingstone's keynote speech on the final day of the conference may provide a welcome fresh perspective on risk management.

The former London mayor will talk about the implications of climate change for big business (he is one of the founding members of the C40 group of large cities working to combat climate change).

In previous speeches, he has said: "National politicians live in a security bubble … They never actually manage anything, which is why their legislation is so bad." He may draw comparisons between the politicians' "security bubble" and the risk blindness that can develop in large corporations.

Livingstone has often compared the mayoralty of London, which is more executive and less bureaucratic than other political roles, to that of running a business.

As mayor, he worked with some of the biggest firms in the world, such as Shell, and has experience of complex infrastructure projects and working with large property developers.

Opinion
Hot topic

When to attack, when to defend

The boardroom is a battleground, risk managers are generals and raw materials are the lives of soldiers; important risk management lessons can be learnt from history's greatest wars

Risk is as inseparable from warfare as it is from business. In war the stakes are high, for failure may mean the defeat and subjugation of a nation, while the principle raw material of warfare is the lives of the soldiers who must do the fighting.

It is logical enough to therefore expect a successful general to be an expert in managing the risks he faces, and a glance through military history indeed shows that many of them, from Hannibal to Montgomery, knew how best to deal with the risks of their trade.

What can business learn from them? The world of risks faced by business is remarkably similar to that faced by those in charge of an army. Familiar military concepts such as logistics, domination of ground, command and control, and strategic or tactical balance have their civilian equivalents in supply chain, market penetration, management hierarchies and resilience.

History lessons

Communication is of as much importance to the general as to the risk manager, and a clarity of purpose is central to both.

Take this from Montgomery, on assuming command of the eighth army in 1942: "I want to impose on everyone that the bad times are over, they are finished! Our mandate from the prime minister is to destroy the Axis forces in North Africa … It can be done, and it will be done!" Clear and to the point – there is no mention of 'deliverables' or 'drilling down'.

Reputation is also important for the general, to give his troops confidence in his leadership and to strike fear into the enemy. The Duke of Wellington said of Napoleon that his presence on the battlefield was worth 40,000 men, and the same could be said of Rommel, whose reputation for aggressive risk-taking could induce paralysis in the British eighth army during the Second World War.

Generals have always spent time cultivating their reputation – a vital lesson for business. Sun Tzu, author of *The Art of War*, wrote: 'Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to

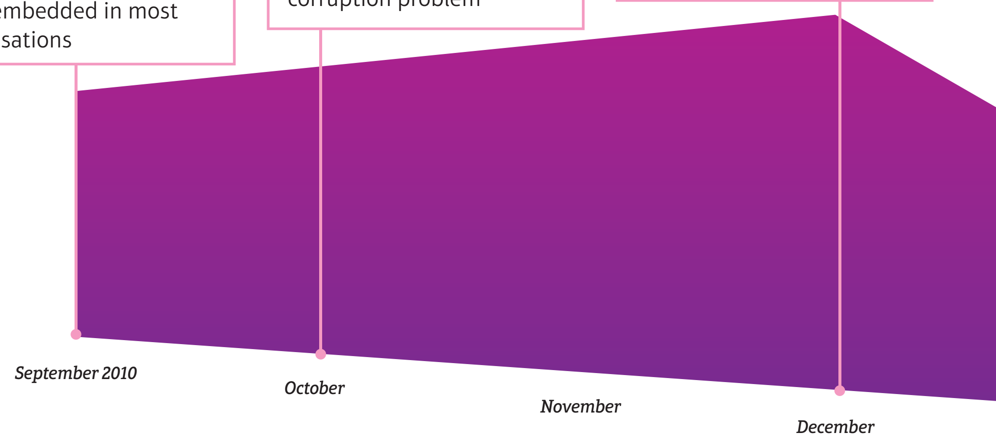
Issue barometer

Risk management covers a whole host of topics. But what issues are the most important to risk managers? By analysing the most popular stories on *StrategicRISK*'s website (www.strategic-risk.eu) over the past year, we can draw some anecdotal conclusions about the issues that concern most risk managers.

Risk culture lacking
September, 2010
Back in September a survey by the IRM measured how well-embedded risk management is, and found that **risk culture** is far from embedded in most organisations

The world's most (and least) corrupt countries
October, 2010
Transparency International's annual **Corruption Perception** Index showed that nearly three-quarters of the 178 countries in the index have a serious corruption problem

Five states to watch
December, 2010
Rather prophetically, Control Risks said in December that the "**political risk** landscape in parts of Africa and Asia is set to shift fundamentally" creating "major political and economic changes"



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Opinion
Hot topic

> *'Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win'*
>
> **Sun Tzu, author, *The Art of War***

win.' It is a maxim that anyone seeking to push their brand should take to heart.

Cutting your losses

It is in the field of risk appetite, however, that military history can bring enlightenment to the risk manager. The UK Treasury's guide 'Managing your risk appetite', says: "Risk appetite is about taking well thought-through risks where the long-term rewards are expected to be greater than any short-term losses," and since this is precisely the mindset of the general approaching battle, it is worth looking at how generals manage this risk.

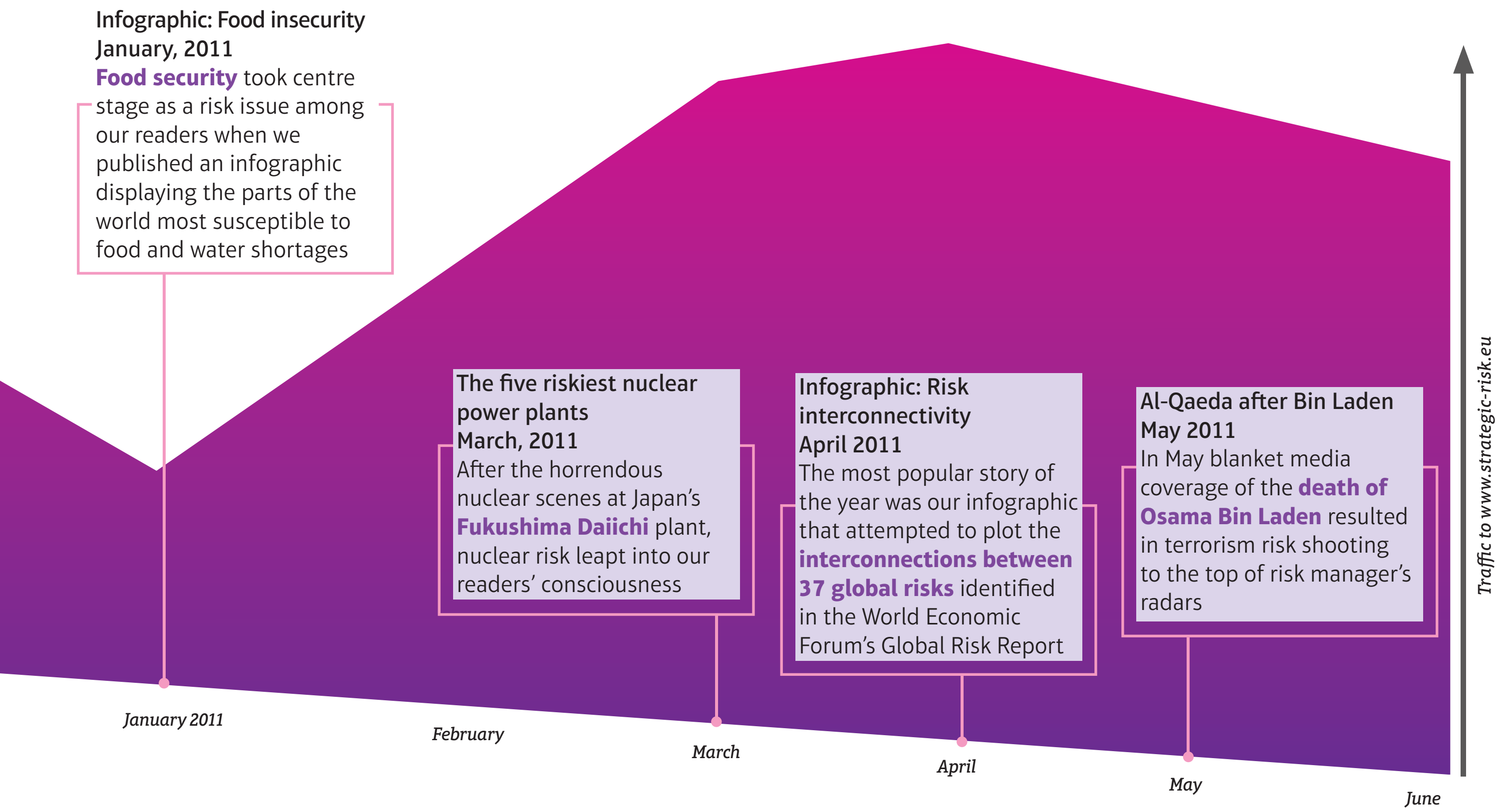
The obvious example of how not to do it is to be found in the sanguinary battles on the Western front during the First World War. In one offensive after another, British and French generals took the 'one more heave' mentality – and the commitment of ever greater resources to a failing attack resulted in a massive increase in casualties rather than the anticipated breakthrough.

The same failure to assess risk properly is to be found in many a corporate M&A battle. It is seen in Operation Citadel, Hitler's last attempt to attack the Russian front in 1943. "Whenever I think of this attack, my stomach turns over," Hitler said, but the planning was too far advanced to be easily cancelled, and was duly crushed.

Here, loss of prestige became a factor in risk assessment, distorting the appetite for risk, with disastrous consequences. Napoleon, on the other hand, usually got it right. At Austerlitz, he gave up a defensive position and weakened his right wing to tempt the Russian and Austrian armies to attack (they could have forced a retreat just by waiting).

The Russian general Kutuzov knew attack was the wrong option, but was overruled and the allied armies were duly smashed by Napoleon's counter attack. Napoleon assessed the risk correctly and deliberately deceived his opponents into thinking their risk was much smaller than it was.

In boardrooms, less may be at stake than on the battlefield, but many of the pressures that can distort a general's view of risk are similar. It is the risk manager's task to present the correct assessment, and looking at where military men get it right and wrong can be a useful guide.



Five top tips … building blocks of risk

Tim Phillips, author of Fit to Bust, *reveals the common behaviours within companies that make them more risky*

Success breeds success, so the saying goes. But successful companies can also inadvertently breed behaviour that creates risk to the business. And if it goes unchecked, such behaviour can lead to spectacular failure.

Success, while clearly better than failure, creates its own risks. Some of those risks are based on the inevitable failure of successful companies to scale their risk management processes and systems to cope with a bigger and broader business. Many, though, stem from the response of employees, managers and investors to the business's successes in varying forms.

Here is a small selection of those risky behaviours.

Delivering the numbers becomes the strategy

Success creates inflated expectations of quarterly sales numbers. "Organisations become so focused on meeting next quarter's earnings-per-share targets that manipulation is going on," says Institute for Corporate Ethics executive director Dean Kreymeyer. WorldCom is the best example. When internal auditor Cynthia Cooper questioned the numbers, management warned her to stay away from her investigation, but she continued to work secretly to expose the financial engineering.

Banishing negativity

After the £28bn merger of Bank of Scotland and Halifax Building Society, the entrepreneurial zeal of Halifax came to dominate, creating an organisation in which head of regulatory risk Paul Moore was told by one employee that "we'll never hit our sales targets and sell ethically". Moore reported the failure of risk management to the board, and was made redundant with no remedial action taken. The culture can lead to 'opinion shopping', where the business will look for someone, anyone, to support destructive or dishonest behaviour.

It worked last time

The concentrated influence of a small group of managers with past success can create a single-strategy company exposed to massive risk from rare events. Northern Rock wrote mortgages acquired by brokers. Its growth targets demanded that it borrowed wholesale money to lend as new mortgages. It securitised the loans and sold them to other banks. The bank was incentivised to offer ever-riskier products (125% mortgages) with fewer checks (self-certified mortgages). It became a one-way bet based on inter-bank wholesale lending remaining available.

Whatever works culture

At Bear Stearns, 'Ace' Greenberg hired recruits who were 'PSDs': poor, smart and with a deep desire to get rich. These PSDs not only set the tone but could push through day-to-day decisions with devastating results because they had the confidence of the management. This eventually led to trader Ralph Cioffi creating a fund that was leveraged 35 times and blew up. His response? Create another fund, leveraged 100 times. When that also blew up, he tried to salvage it by creating a listed company to contain the toxic debt.

You recruit to win, not to manage risk

Dr Doug Hirschhorn, who trains traders for investment banks, is surprised that only 10% of the banks he works for give potential recruits a personality test. So many take on the sort of behaviour displayed by traders: a tendency to over-trade, a lack of appreciation of real-time risk/reward outcomes, and an inability to accept that losses are sometimes inevitable. Teaching traders' expertise in these areas can be difficult. Hirschhorn warns: "A lot of behaviour is driven by how many people are watching."

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On the road to risk

StrategicRISK *spoke to Zurich Global Corporate's chief risk officer, John Scott, to discuss the highs and lows of his successful career in risk management, from oil industry explorer to senior insurance executive*

Unlike many high-level risk managers, John Scott did not begin his career in insurance. Despite ending up working for one of the world's largest insurance companies, he has what he describes as "a broad-based business background".

Scott has a PhD in geology and started out as an exploration geologist in the oil industry. He went on to do an MBA and worked in the chemicals industry in strategic planning and general management.

As his career progressed, he gained experience in business management, which eventually led him into the field of risk consulting and risk management.

Scott believes: "If you continue learning and training, you can have more than one career in your life – but there has to be a strand that links everything together."

In the context of modern business, diversifying your skills is one of the best things you can do, as Scott explains: "I learned valuable lessons about risk from all my previous business experience. If you have broad-based business experience, rather than being a specialist in one area of risk, you will be a better risk manager."

Scott has a breadth of experience of the key risk issues in today's business world. But there are a few lessons that bring his ideas on risk management together. The first would be that good risk assessment skills are indispensable. He also underlines the importance of the complexity of today's global risk landscape, as well as its interconnectedness.

'If you have broad-based business experience, rather than being a specialist in one area of risk, you will be a better risk manager'

Scott says: "Many of the crises we see in the world today are driven by complex interactions of different risk types. For example, the risks of economic disparity and changing demographics that underpin the current political unrest in the North Africa region."

As chief risk officer for Zurich Global Corporate, Scott reports to Zurich's group chief risk officer. His mission is to help deliver enterprise risk management.

Once risks have been identified, Scott's approach is to "prioritise it, understand the impact it could have and judge the likelihood that it will compromise the company.

"Risk managers have to identify their company's appetite for risk. They can then use a range of appropriate mitigation options ranging from practical operational risk mitigation through to strategic risk reduction activities such as partnering, outsourcing, mergers or acquisitions."

Approach to risk management

Scott's risk management performance is, in part, measured by the amount of capital that Zurich has to set aside to offset the risks it underwrites. Regulators are increasingly demanding this type of risk-based approach from insurers, particularly with the looming introduction of Solvency II.

Scott believes that this is an effective way of measuring risk management efficiency, but that it demands a lot of business resources to build the models and apply them to running

'If we want to be relevant, we have to adapt to the new business environment'
Nicola Harvey, Airmic chairman and group director of risk, Christie's

the business. "Quantitative tools are important, but informed qualitative judgements are indispensable. The arsenal of quantitative risk assessment tools available to risk managers is impressive, but models have their limits."

Scott also points to the propensity of black swan risks – events that are perceived to be extremely unlikely but that also have a potentially devastating impact. The genesis and consequences of these risks tend to be simplified in hindsight.

"Extremes must be factored in as the world does not follow a normal distribution and black swans can appear at any time," Scott notes.

In his book *Black Swan*, Nassim Nicholas Taleb underlines the importance of establishing robust models, procedures and strategies that can cope with black swan events, while being dynamic enough to take advantage of positive events. It's easy to see why this book has resonated with so many risk managers around the world.

"What you can do as a risk manager is to construct a resilient and sustainable business model," Scott advises. But "in reality, the effectiveness of the risk management department is measured by the success of the company.

"You could say that good risk management is about balancing a company's performance with risk appetite at board level."

Scott believes that defining an organisation's appetite for risk is an important element of business strategy. "Enterprise risk management has a strategic function: to determine the organisation's choice of the trade-offs between risk and reward."

At the conference

- **Sharing wisdom**
Scott is co-hosting a workshop with John Ludlow, risk manager for the Intercontinental Hotel Group, at the Airmic Conference on Tuesday June 7.
- **Knock-on effects**
Scott and Ludlow highlight the various interconnections of risk that can often be ignored or dismissed. In an increasingly globalised world, with sophisticated and more closely interlinked supply chains, many risks are interdependent, and the consequences of major events are quickly felt across the world.
- **Real risks**
Scott uses the example of "energy, food, climate and water risk nexus" and the interconnected nature of economic risks such as currency volatility, sovereign debt crises, asset price collapse, inflation risk and currency risk.
- **Breaking the law**
He also highlights the risk of the illegal economy that stems mostly from global governance failures. Risks from the illegal economy include "IP theft, counterfeit products and people trafficking", says Scott, who notes that the illegal economy is particularly relevant to and linked to political risks.

Risk management is often likened to the brakes on a car. Scott believes he is in a good position to apply the brakes if the situation demands it. However, he adds that a 360° outlook is important in risk management: "Brakes are there not simply to slow a car down, they're there to help the driver make it go faster too."

But business management has the primary role in implementing risk management, says Scott, while risk managers provide support and a second line of defence. Internal audit provides a third line of defence, he says, but should also work with other departments, such as legal and compliance, to assure the board that risks in the business are being appropriately addressed.

The best thing about being a chief risk officer, Scott says, is that he "gets to see what's going on throughout the organisation and across the different lines of business". He also acknowledges how important it is for chief risk officers to interact with different levels of business and ensure that a culture of risk permeates the entire company.

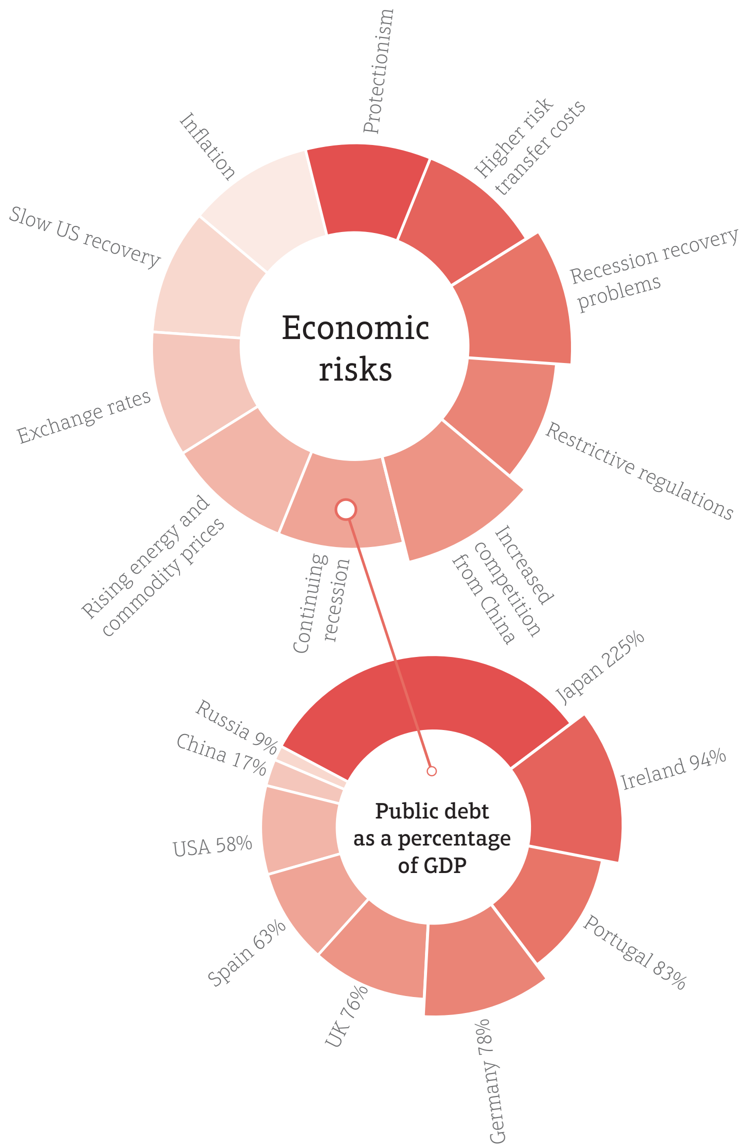
Lack of interaction can result in the risk department becoming isolated, he says, leading to tension and a lack of 'buy-in' from the business. "The risk culture must be entrenched in the organisation," Scott says. "A strong, top-down risk assessment and risk management capability must be applied across the organisation."

Regarding the evolving discipline of risk management, Scott believes that "it's becoming more of an enterprise risk management role. You have to understand the broad business implications".

Network building is also extremely important in this field as a diverse group of peers can inform a risk manager and give them an 'outside-in' perspective on their company. However, he adds, it is "key to have a clear view of your strategy, while also having a strong eye on liquidity and cashflow."

The great unknown

In May, StrategicRISK in association with Marsh Risk Consulting released a major report analysing European companies' major concerns. Economic risk was the top worry for most



All companies that are exposed to the trends in emerging and developed economies are concerned as to whether the major developed economies will go into double-dip recession or see the start of proper recovery. Those companies that rely upon investment income from the capital markets are particularly concerned about what is likely to happen in the eurozone countries, especially in respect of their sovereign debt. There are fears that bail-in proposals, if adopted by regulators, would force investors to take losses. Such companies are less able than others to control their risk by diversification because of the close correlation between global financial markets.

In contrast, large international conglomerates have to some extent been able to weather the European recession because of diversification. One risk manager commented that the ability to do "natural hedging", in terms of services and products provided and the countries they are provided to, gives more resilience against economic factors.

Some companies note a recovery in recession and this optimism, not surprisingly, has a fairly direct bearing on where they are headquartered and which other European countries they do the most business with. Other businesses believe that they have not yet seen the worst of the recession.

The perceived variation in speeds of economic recovery prompts some companies to wonder about the effects on Europe as a whole. Large multinationals are looking for the best growth to come from parts of the world other than western Europe and the USA. Many companies have deliberately shifted their strategic focus to the faster growing markets.

One risk manager warned of the risks of diversifying into emerging markets without a clear understanding of these. Each region has its own specific risk issues and risk managers need to meet the challenge of assisting their boards to assess these issues.

The ability to do 'natural hedging' gives more resilience against economic factors

Uncertainty regarding European recovery is a plague affecting many businesses. Several risk managers said that it was hard to predict outcomes because this period of recession does not appear to be following the patterns of the past. This seems to be why companies put economic risk at the top of their risk concerns. It is the hardest to predict and deal with.

While the shift in global economic growth from the traditional western countries to emerging markets has raised issues for many European companies, some risk managers see a personal "silver lining" in added demand for their services from companies in those emerging markets. "They are looking to show the world that they are in better control of what they do, for example to improve their ability to access capital, and risk management is key to this," commented one risk manager.

Pictures
Airmic people

Left: **Adam Greene**, Coca-Cola Hellenic
Below: **Cindy Harm**, PepsiCo Inc

Right: **Dave Simpson**, Petroplus International

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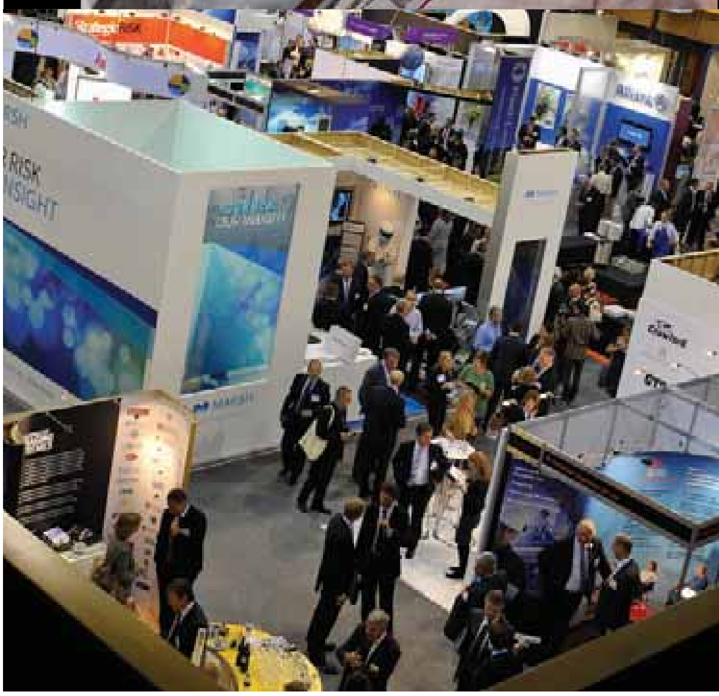

Above: **Chris Guise**, Kent Police and **Kelly Lehmann**, Stewart Business Software
Below: **George Moss** and **Ian Huckstep**, vrs Vericlaim

Pictures
Airmic people



Below: **Clive Nichols**, Crawford & Company and **Steve Willis**, International Power

Right: **Colin Campbell**, Arcadia Group

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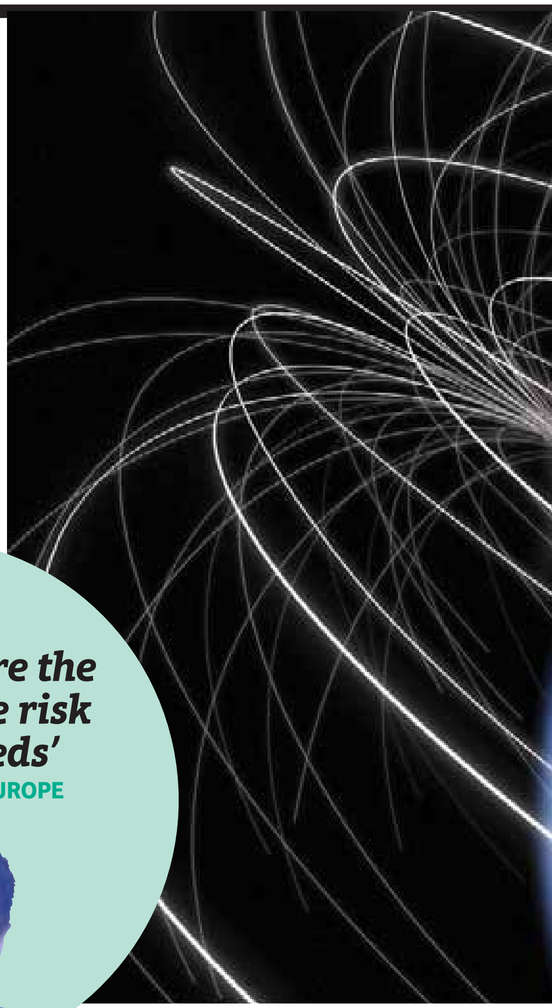
Above right: **John Mifsud**, **Elizabeth Carbonaro** and **Steve Gauci**, Bee Insurance Management;
Right: **Nicola Harvey**, Airmic chairman and group director of risk, Christie's

Above: **Philippe Rocard**, AXA Corporate Solutions;
Below: **Janene Scott**, ACE
Below right: **Tony Prior**, American Appraisal and **Malcolm Sutcliffe**, Advisa Management Solutions


Feature
Global programmes



World on a plate

Risk managers thrive on trustworthy information and the global insurance provider who makes it easy for them to get down to detail is closer to winning their hearts and minds

A weary traveller once remarked: "It's a small world – until they lose your luggage."

The risk manager of a multinational corporation might think along similar lines when securing insurance cover for the entity's operations across the globe. Communications and transport links have never been better, but arranging appropriate indemnities in a range of territories remains a fiercely complex challenge.

So how best to put in place a programme that is comprehensive, flexible and easy to administer?

Multinational businesses require a multinational insurance provider – one that has a genuine global presence, not merely nominal representation in a few capital cities. This is a crucial point since many countries only allow firms operating in their jurisdiction to use insurers that are legally established and licensed there. So any insurer wishing to lay claim to the multinational description must either be admitted to write business in each territory or have a partnership with a local insurer.

'Compliance headaches are the last thing the risk manager needs'
CLIVE HASSETT, ACE EUROPE

Clarity, certainty and consistency

Clive Hassett, director of multinational services at ACE Europe, says numerous benefits flow from using a global provider: "Whether the risk manager is putting in place a traditional insurance programme or using a captive facility, he or she needs an insurer whose expertise is available across an international network of its own offices. This will guarantee a local service on a worldwide basis, bringing clarity, certainty and consistency across the piece."

Local presence means local knowledge. And, as any golfer will tell you, local knowledge can put you ahead of the game. If an insurer has its own staff operating from its own premises, it will be able to promote compliance with that jurisdiction's insurance and tax regulations.

This will align with local underwriting expertise and claims-handling capability to deliver a tailored service that will reflect the circumstances of each location. Strong administration from the insurer's headquarters will provide the essential co-ordination and control, as well as ensuring that each location meets the demanding standards set centrally.

Hassett says risk managers have enough to worry about without being concerned with compliance issues: "Managing risk and locking in the necessary indemnities across a business operating all over the world is a big challenge. Compliance headaches are the last thing the manager needs. That's why it makes sense to put a global programme in place using local experts. It provides the peace of mind of knowing all the local documentation and tax obligations are sorted out."

Risk managers thrive on information, and it is easy to imagine how information relating to the insurance of a global entity could become fragmented and inconsistent. ACE has created Worldview, a portal which makes details of all an organisation's insurance policies available to the risk manager from anywhere that they can access the internet.

"Worldview was a logical progression for

us," Hassett explains. "We have always argued that a global programme is preferable to having, say, 45 different policies with 45 insurers across the world. Now we can demonstrate the value by putting that programme on a single site so that the risk manager can explore it."

Transparency for clients

Worldview provides access to every policy in every country, including documentation and certificates, with dates provided on every significant action, from inception to renewal via any adjustments or claims. "It's the apex of transparency," says Hassett. "At the outset, we agree a set of service standards with each client. Worldview allows them to examine our performance, whether it is issuing a certificate within five days or channelling funds promptly to a captive so that the treasurer can put the money to work."

Service is moving up the list of priorities for insurance buyers with policyholders keen to hold insurers to account on missed deadlines or missing documents. "Expectations are rising," agrees Hassett. "We've responded by appointing dedicated customer service executives who are freed from routine administration to focus on the relationship. This gives the client a regular named contact whose job it is to make sure they are getting the service they expect and deserve."

One-stop shop for risk managers

ACE has worked hard to ensure that Worldview is much more than an online filing system. It provides information to allow the risk manager to generate detailed reports on the performance of the insurance programme, along with up-to-the-minute market intelligence that might influence decisions on the management of the programme. Worldview can be a one-stop shop for risk managers.

Information on claims can also be provided via the system, as is access to the ACE Global Engineering Network. This offers loss prevention, risk management programmes and engineering services designed to prevent and control the impact of major losses. There is also a bank of news stories, articles and research papers on issues affecting multinational businesses.

Local provision under the global programme umbrella also ensures the separate indemnities reflect the requirements of each territory. For example, the nuts and bolts of a Directors and Officers policy might be very different in South America than in Scandinavia.

The multinational insurer should also have the muscle to place specialist policies alongside the bread-and-butter covers as required. For example, property and casualty protection can be enhanced to include terrorism cover.

"Ultimately, risk managers are interested in the structure, functionality and performance of their insurance provision," says Hassett. "A single programme is streamlined, efficient, flexible and responsive – and that it should be managed in a transparent fashion. The alternative is a clutch of separate arrangements that need mammoth effort in organisation and monitoring. No contest, surely?"

Key points

01: Multinational insurers need to be admitted to write business in each territory or build a local network

02: Local experts can provide peace of mind by taking care of compliance issues

03: A global portal can help multinational risk managers by making details of all an organisation's insurance policies instantly accessible

04: Regular named contacts for clients help meet rising service expectations

Opinion
Chairman's word

My chairmanship

Geared up and ready to go, Airmic chairman-elect Paul Taylor tells The Daily *about his plans for his forthcoming year*

Being the chairman-elect, there will almost inevitably be a sense of limbo. Current chair Nicola Harvey has done a terrific job and the conference will rightly be the climax of her year in office. Until it is over, I shall happily continue to play a supporting role, but there is still plenty to do in getting ready for my year.

Any Airmic chairman who is ambitious to leave his mark – and I certainly come into that category – has to hit the ground running. No matter how much is done during my year, I know there will be plenty more still to achieve when I step down, so it is essential to get stuck in right at the start.

I shall spend much of the conference speaking to Airmic colleagues and partners about the year ahead, getting their ideas and hopefully their support as well. These events are always hard work, but enjoyable and stimulating. You are on duty more or less from the moment you leave your room first thing – luckily, I am a morning person – until you go to bed.

'Without wishing to reveal my hand just yet, I have a strong idea of where I think our priorities should lie'

Paul Taylor, Morgan Crucible risk director and Airmic chairman-elect

Without wishing to reveal my hand just yet, I have a strong idea of where I think our priorities should lie in the coming year. The status of the risk management profession (indeed whether it is recognised as a profession at all) is of vital importance to us all. Converting the huge interest in risk management in industry into increased influence and job prospects for Airmic members is a challenge for us all.

Although the old skills remain essential, the changing environment requires many of us to acquire new types of expertise if we are ambitious about joining or influencing the C-suite. Airmic has done a number of things in recent years to help their members do just that – a fact reflected in the conference agenda. If my term takes the process forward to new levels then I shall be a happy man.

Another aspiration for the coming year is to continue developing the international dimension of our activity, especially through our already good links with Ferma. Risk management, of course, crosses global boundaries. The average Airmic member's activities span several different countries. While Airmic rightly has a mainly UK focus, there is much we can achieve and learn by linking up with our friends and colleagues overseas.

Part of the chairman's job is to act as custodian of what Airmic already does well and to follow through projects started by his predecessors: the technical work, the networking events and seminars, the special interest groups, Airmic Academy and our lobbying. I fully intend to play a part in all our activities, though they are already in safe hands.

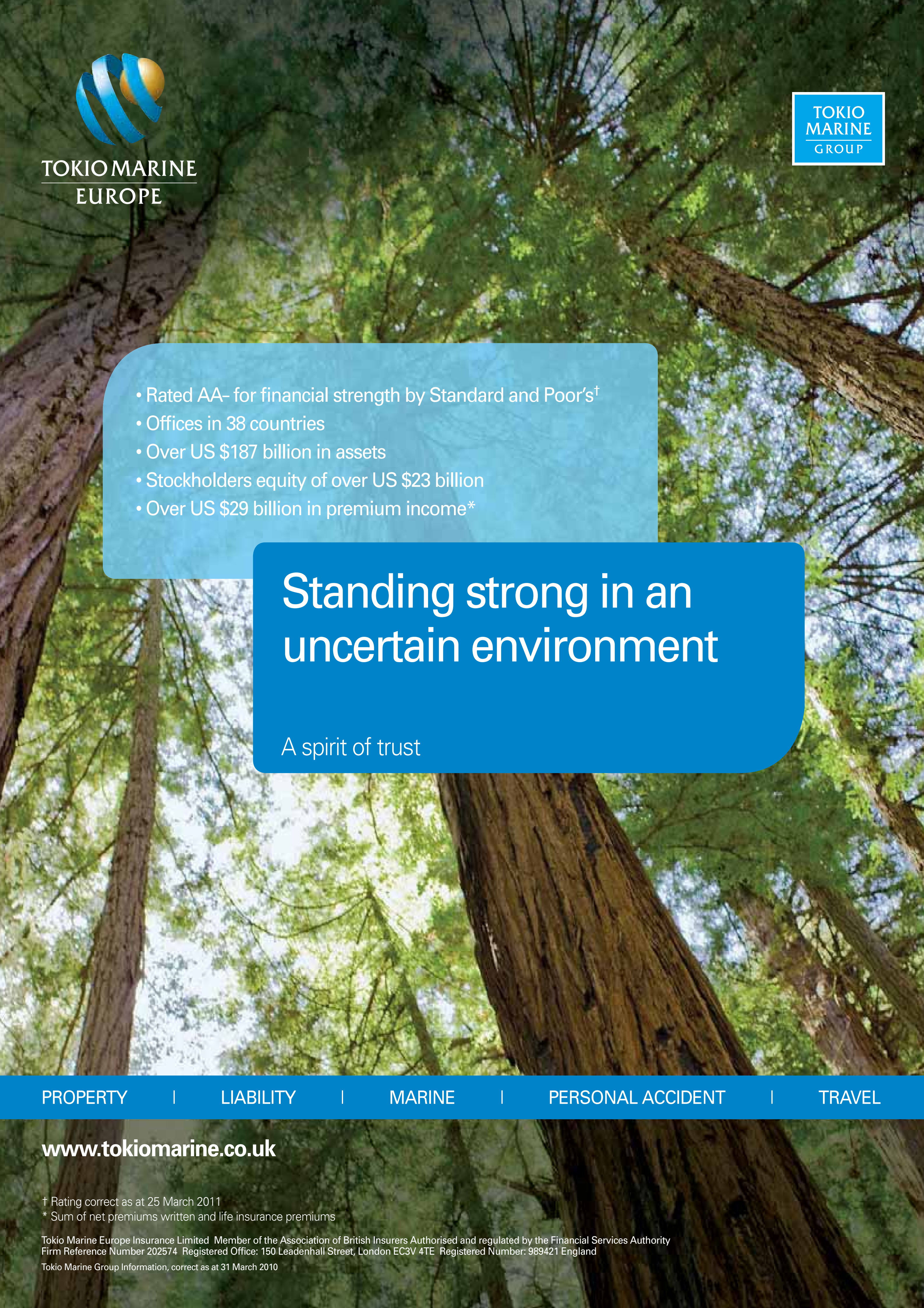
There is a lot of unfinished business. The impressive work carried out on our behalf by Cass Business School, the new disclosure clause, a number of guides, the new mentoring scheme and our other projects all need to be followed through and communicated to ensure that they make a genuine difference.

Returning to this year's conference, as well as the many and varied sessions, I am especially looking forward to meeting up with old friends and colleagues and attending many of the business and social events. I do, though, have a confession to make: I will not be on the chairman's charity run at 7.30 am. Now, if it was a cycling event …

Mind bender
Answers

Here are the answers you've been waiting for!

1. a) Although he was indeed a wine merchant and later had the idea of making revolving heels for shoes, it was concern about highwaymen that caused Thomas Bignold to found Norwich Union. (*Aviva website, 'heritage' section*)
2. c) Guernsey
3. d) £80,400 (*British Employment Law Guide, emplaw.co.uk*)
4. d) Transfer of Undertakings (Protection of Employment)
5. c) 'Dutch' Schultz. He came to control the Harlem numbers racket, where the winning numbers were picked from the last number before the decimal in the odds at the racetrack. His accountant, Otto 'Abbadabba' Berman, worked out how to place last-minute bets at the racecourse, so that the winning numbers could be predicted. (*Wikipedia: Bayesian probability, Dutching and 'Dutch Schultz*)
6. b) The Localism Bill proposes to abolish the Infrastructure Planning Commission, not to set it up. (*Communities & Local Government website*)
7. a) The Love Canal (named after William T Love) became a landfill site filled with toxic waste on which housing was later built. (*Wikipedia and numerous other sites*)
8. c) Basel
9. c) Warren Buffet (*Financial Review 1985*)
10. Eight days (*Wikipedia and numerous others*)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† Rating correct as at 25 March 2011
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