

Presidents' Roundtable

Stockholm 2011



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Julia Graham with
Ferma's new president
Jorge Luzzi



“ Some of the best solutions I’ve implemented have come from connections I’ve made and knowledge I’ve gained from attending events like Ferma ”

Ferma vice-president, and DLA Piper chief risk officer, **Julia Graham**

A chance to talk



Nathan Skinner, editor, *StrategicRISK*

More than 1,500 risk and insurance professionals took part in a record breaking Ferma conference in Stockholm in October. As usual, *StrategicRISK* hosted the annual Presidents' Roundtable, getting Europe's top risk managers together for an afternoon of discussion and debate. It was an excellent opportunity for risk managers to talk about the issues that really matter to them.

Several of the themes raised at the conference were discussed in detail at the Presidents' Roundtable, including economic risk, supply chain issues and global insurance programmes.

Events like these are a great opportunity for risk managers to catch up and discuss solutions to their everyday challenges, as Ferma vice-president and chief risk officer of DLA Piper Julia Graham explained. "Some of the best solutions I've implemented have come from connections I've made and knowledge I've gained from attending events like Ferma. Our business lives are so busy these days – having the space to look and listen in one location at a European level is valuable."

Congratulations to Jorge Luzzi, head of risk for Italian tyre maker Pirelli, who took over from Peter den Dekker as president of Ferma for a two-year term. Graham, along with GDF Suez deputy chief risk officer Michel Dennery, will support Luzzi as vice-presidents. Luzzi expressed his commitment to help support the development of the risk profession.

Also announced in Stockholm was that two new bodies would join Ferma this year. Malta's MARM and Slovenia's SI.RISK bring to 19 the number of European countries whose risk management associations are represented by Ferma. **SR**



StrategicRISK Ferma coverage

Full coverage of the Ferma Forum in Stockholm is available via *StrategicRISK's* two Daily publications, printed and distributed at the event. Download them here: www.strategic-risk.eu/ferma-forum-full-coverage/1392979.article



Gilbert Canameras
Amrae, and Eramet director of risks and insurance



Joe Clabby
ACE Continental Europe regional president



Peter den Dekker
Ferma, Narim, and Stork head of risk and insurance



Michel Dennery
Ferma, Amrae, and GDF Suez deputy chief risk officer



Antonio Fernandes
Apogoris, and head of risk management for MDS, a division of Sonae



Helle Friberg
Ferma, Darim, and Hempel's group risk and insurance manager



Patricia Goudarzi
ACE Continental Europe sales and distribution manager



Julia Graham
Ferma, Airmic, and DLA Piper chief risk officer



Gaetan Lefevre
Belrim, and CMI Belgium group risk and insurance manager



Jorge Luzzi
Ferma, Anra, and Pirelli risk management director



Cristina Martinez
Ferma, Igrea, and Campofrio director of corporate risk management



Igor Mikhaylov
Ferma, RusRisk, and Mobile TeleSystems head of risk management



Tatyana Shemyakina
RusRisk executive director



Paul Taylor
Airmic, and Morgan Crucible risk management director



Arnout van der Veer
Ferma, and Reed Elsevier chief risk officer



L-R: Gilbert Canameras,
Paul Taylor and Antonio
Fernandes

Unweaving risk in a connected world

As the way companies use IT has evolved, security risks have grown. Delegates looked at the down – and up – side of mobile technology and social networks

THE RELATIVELY NEW AREA of cyber risk kicked off discussions by delegates at the *StrategicRISK* Presidents' Roundtable gathered in Stockholm during the biannual Ferma conference, to eke out solutions to the industry's ever-growing list of concerns.

Ferma director Arnout van der Veer, also Reed Elsevier's chief risk officer, said confusion over how to define it made cyber risk an even bigger issue. "There is a huge misunderstanding about what cyber risk actually is. People are referring to it as the implications of cloud computing. But cloud computing itself is not a risk."

Van der Veer said that the breaking down of company firewalls by IT practices presented a major cyber risk. "More and more companies are allowing employees to use their own devices in the company environment."

Airmic chairman and Morgan

Crucible director of risk Paul Taylor added that the single biggest issue for company firewalls was the use of memory sticks. "Memory sticks have just

become a habit. You never know what is on them. There may be bugs or something more sinister. There are devices that people use every day that are interconnected, without thinking about the real security issues. There is an assumption that we are protected, but we are not."

New Ferma president and Pirelli group risk director Jorge Luzzi said education about protection should begin at the bottom. "Education of the board is important, but education of the users is very important too. Social networks are a huge source of information for competitors. They are using the information gathered, both legally and illegally. We are in a totally new situation here."

Van der Veer agreed, but said that where there was a problem there was also a competitive opportunity. "Five years ago, good security was a business necessity. Now it is a strategic advantage." **SR**

SOAP BOX

'Manage your mobile risk'

Igor Mikhaylov
Mobile TeleSystems



In recent years, companies' IT infrastructure has changed dramatically. Previously, they were inside companies, behind firewalls, and using internal resources hidden behind the firewall. Now it is vice versa, with people using mobile equipment and email. We are accessing our network data from outside the network, so security has turned completely outwards.

Because of globalisation, people have begun to move frequently from country to country. From a security perspective, it has become difficult to track them. But things have changed dramatically in recent years with the introduction of mobile equipment and social networks. Each piece of mobile equipment has a unique ID and it can be tracked and intercepted.

There is a high penetration of social networks like Twitter, so people share what they are thinking and doing. Those people become more transparent and, indeed, if someone switches off their mobile equipment, they could almost be viewed with suspicion.

Not new, just different

Today's economic troubles are part of a systemic breakdown in the way the global economy works. What is needed is a change in the consumerist culture

IN GLOBAL ECONOMICS, THE idiom “what goes up, must come down” has seldom rung more true than it does today. Sovereign debt hangs like a dead weight, the eurozone has appeared to be on the brink of collapse and banks are seizing assets at a frightening rate.

But Reed Elsevier's Arnout van der Veer said economic risk was not new. “Economic risk has always been on the radar. The new risk is systemic breakdown.

“The good news is we are all in trouble, but on the other hand it could shift power to the other side of the world. In the short term, I am concerned about what the impact on people will be,” he said.

Unstable global economies will make low-cost manufacturing obsolete. Morgan Crucible's Paul Taylor said: “The changing economic situation may impact the strategy of a lot of organisations and they

may need to rethink it. China won't be cheap anymore. If it revalues its currency, it won't be the low-cost economy.”

Amrae president and Eramet director of risk and insurance Gilbert Canameras said global economies were shifting from the first to the third world. “The risks are not on the same scale as before. There is a new scale. The issue is how we can manage it,” he said.

Mobile TeleSystems head of risk management Igor Mikhaylov said: “We have a big problem that comes from marketing consumerism. We are consuming more than we actually need. We need to change the culture to produce more rational decisions from consumers.”

Taylor offered a dire warning: “If everyone is only out for their own personal gain, it is going to get worse. The culture needs to move back to collective responsibility.” **SR**

IN FOCUS

Beyond insurance

Managing cyber risk involves educating key members of boards and executive teams to think beyond insurance, according to the panel participants.

Cyber risk, while not specific, is part of life, said Eramet's Gilbert Canameras. “It is an everyday risk. I am not sure if it needs its own special insurance. We need to reinforce the existing tool of insurance to be safer.”

ACE European president Joe Clabby said risk managers should not rely too much on insurance alone, as it is only part of any solution. “It is a bit daunting when you realise the hackers are four steps ahead of everyone else. The approach has got to be grassroots.

But the insurance industry should help risk managers with cyber risk, Clabby added. “As an industry, we need to think about different and innovative ways to deal with it. One thing that is clear is it is not just a large organisation risk. Every organisation and every individual has exposure. In fact, the smaller the company, the more vulnerable they might be.”

Economic risk has always been on the radar, but it's bigger and more systemic than ever before



Quote, unquote

'Cyber terrorism is something we haven't faced yet, but what happens if we can't send emails?'

IGOR MIKHAYLOV, MTS head of risk management

'It is a fight minute-to-minute to keep up with the speed of changes. It is a very serious threat. If you do not educate your internal IT department to the highest level, you can expect, then you are lost'

PETER DEN DEKKER, former Ferma president

'There has been a change of timescale. We are not acting in days or weeks, but by the minute'

MICHEL DENNERY, GDF SUEZ deputy chief risk officer

'The challenge for risk managers in large organisations is to make clear what the new rules of the game are'

ARNOUT VAN DER VEER, Reed Elsevier chief risk officer



Cristina Martinez,
Ferma board member
and director of
corporate risk
management at
Campofrio



CRO face-off

DLA Piper's Julia Graham
and GDF Suez's Michel
Dennery discuss key issues
facing risk managers



On companies embracing technology

Julia Graham: One of the challenges is educating the boards to assess whether their organisation understands cyber risk issues and therefore can help manage these issues.

As a chief risk officer, I don't want to just go out and buy some insurance. You need to understand the exposures, assess whether they affect you and work out what insurance you already have. There is a risk management process to go through, but for me it starts with the board understanding.

Michel Dennery: We have a new culture for all the employees of the



L-R: Peter den Dekker, Igor Mikhaylov, Antonio Fernandes and Tatyana Shemyakina

company to be able to use all the new tools as a new way of communicating to stakeholders. Remember emails 20 years ago? It has taken a lot of time to get here, but we won't have 20 years this time. People at home know how to use this technology so companies have a challenge not to be too late or in too much of a hurry.

On intellectual property

JG: It isn't enough to manage this exposure in the way that is right for your business. A big influence on this will be the business of your clients. In terms of intellectual property, people who hold that IP who are third parties may be the weak point. Put yourself in the position of those that you serve. Understand their risks and their priorities and manage them. You have to understand and manage things to their standard, not just your own.

MD: There is cloud computing and the question of property of the information. As long as any information is open to

everyone very easily, and once it is on the net it is not easy to take it down, there will be major losses for companies due to stolen information, and they may lose their competitive advantage.

On economic woes

JG: I think we are seeing a seismic shift in the way the world works for us and our businesses. The way business works now is having to work with countries you may not share the values of but you have to co-operate with. You have to form new strategic operating alliances with parts of the world with which you are not familiar or don't necessarily agree.

MD: People are living longer and longer, so health is becoming more expensive. We are going to have to face the question of how to deal with this issue if the economy doesn't provide any more money. We will have to create a new system where the care of the elderly is a real increasing economy and not just forgotten. **SR**

IN FOCUS

Find the weakest link in the global supply chain

The globalisation of supply chains means low costs and higher revenues. But piracy at sea and the costliest year on record for natural catastrophes makes 2011 a year to re-evaluate where the real risks are.

Ferma's Igor Mikhaylov said supply chain diversification will help, but as this is not always possible, greater understanding of suppliers is needed. "We need a partnership with suppliers to know more than they tell us now. What are their supply chains?" Mikhaylov said.

From an insurer's perspective, ACE European's Joe Clabby said a business contingency plan is critical. "It is about understanding your supply chain and understanding what happens if one of those links in the chains disappears overnight."



Two *StrategicRISK* risk managers of the year: Arnout van der Veer (left) and Igor Mikhaylov

L-R Michel Dennerly and Gilbert Canameras of Amrae, with Airmic and Ferma's Julia Graham



Risk managers face fight to be heard

After recent events like the banking crisis and Gulf of Mexico oil disaster, the value that risk managers offer has never been more obvious. Yet many company boards still do not understand the role of a profession threatened by lack of recognition

THE RISK MANAGEMENT profession faces a paradox. There has never been a more important time for good corporate governance and risk management, given the interdependency and complexity of the modern business environment. At the same time, many risk managers lack the confidence, skills and seniority to make themselves heard within their own organisations.

Ferma vice-president Michel Dennerly suggested that recent events like the banking crisis and BP's Gulf of Mexico oil disaster have reinforced the need for good corporate governance, and this has worked in risk managers' favour. "Risk managers are now everywhere. The question is how do we become recognised as a profession?"

That lack of recognition is a serious threat, said Airmic chairman Paul Taylor. "Risk management is at a very interesting and challenging time now. Most other professions have recognised status and qualifications, but we don't. We know there are qualifications. But outside our realm, no one is aware of them or understands them.

"We are at a point where we need to bring together all stakeholders. There are lots of education organisations around, but it needs to be brought together and move towards a recognised, certified profession."

Ferma's president and Pirelli head of group risk Jorge Luzzi agreed it is time for the profession to step up. "We believe there is a big future in risk management, more than when many

of us started our careers. The role is becoming more important."

Nevertheless risk managers remain challenged by a lack of corporate understanding of what risk management is actually about. Dennerly, also GDF Suez deputy chief risk officer, said some company bosses think risk management means eliminating risk altogether.

"Good risk management is not no risk, because no risk is no revenue," Dennerly said. "It is also about linking risk with strategy and making sure the risk is well understood and within the balance of the risk tolerance of the business."

Ferma vice-president and DLA Piper chief risk officer Julia Graham said: "We have to be careful how we educate the



L-R: Julia Graham and Helle Friberg

board, because we don't wish to drive them away from taking risks."

Paul Taylor, risk director for Morgan Crucible, said: "The role of risk managers is to help companies make better decisions by being better informed about risk. But there seems to be a glass ceiling for risk managers who are not getting their voices heard within the boardroom very often. That is changing in some organisations, but not others."

Ferma board member and Reed Elsevier chief risk officer Arnout van der Veer is one of the lucky ones: risk management is clearly well understood in his organisation. "My management is very clear about dealing with actual risk. You challenge the board to think about risk. They manage it," he said.

While risk management is in the spotlight, he warned that it is a challenging role. "I think the time for risk managers is better than ever. The professional bodies are working

hard to bring the profession up to the next step in the ladder. It is a real opportunity and challenge. It is one of the best and one of the most challenging jobs in the company. The reason for that is there are no real performance indicators. We don't have a dollar amount to measure.

"As a profession we should all push the boundaries a lot more within our companies. We need to force the executives to understand. After all, they are the ultimate risk managers, not us."

Taylor said that a risk manager's responsibilities are probably more clearly defined when it comes to their corporate governance responsibilities. "In some ways this side is easier because there is an external requirement on an organisation to do it. But the danger is that now it has become a box-ticking exercise and doesn't add any value. You don't get to the point where it is helping people make good decisions." **SR**

IN FOCUS

Global programmes: agreeing a single version of the truth

During his tenure as Ferma president, one issue that Stork corporate insurance risk manager Peter den Dekker was most passionate about was agreeing on a single "version of the truth" for global insurance regulation. He wants the industry to collaborate to remove any confusion or inconsistency over the administration of global insurance programmes.

"It was an initiative within Airmic years ago and came to European level two years ago," he said. "Consistency is key to interpretation of laws and regulations. At the moment there is no consistency.

"The problem is, we are all working off different versions of the law. If we all pull from the same information source, it will work much better. It is not only about getting claims paid, but also about trespassing of the law."

This year, Ferma has worked towards a solution but progress has been slow, reflecting the size of the challenge. "The solution is not an easy one," said Den Dekker. "We cannot reinvent the wheel. There are several solutions, which means we should pick the best and work with it.

"This should not be a question of insurers seeking competitive advantage. It is about consistency in delivering the solution. It is a serious problem and we need to do something about it."

But ACE's Joe Clabby said one of the biggest obstacles is that insurers want to differentiate themselves through global expertise. And their international network is one way of them doing this. "Like with anything, over time this information will end up in the public domain," he said. But he added "what Peter is talking about is a monumental task", stressing that ACE supported the initiative.



Peter den Dekker,
Ferma board member
and Stork risk manager

TOP TIPS

Raising your credibility

- ① "Train as an accountant," says Julia Graham. Financial literacy skills are important if you want a dialogue with senior management.
- ② Develop your interpersonal skills. Risk management is about persuading people to open their eyes. And it's about educating others.
- ③ Attend risk management conferences and events to network and learn from your peers
- ④ Have an open mind and be prepared to listen to others.
- ⑤ Try to get some experience "out in the business" actually doing what it is that your company or organisation does. That will help immensely with raising your credibility.

How to succeed as a risk manager

If you want to make it as a risk manager, there is a whole toolkit of skills that you need to develop. We asked some seasoned professionals at the roundtable for words of advice for those just making their first steps within the industry

ONE OF THE BIGGEST PROFESSIONAL CHALLENGES facing risk managers is a lack of credibility within their organisations. Not all, but many risk managers lack seniority in their companies and therefore may struggle to push through risk programmes.

Many of the presidents at this year's roundtable have decades of experience in the risk management industry. They were asked to give some words of wisdom to risk managers at an early stage in their careers.

Ferma board member and DLA Piper chief risk officer Julia Graham, who works hard to promote risk management among the younger generation, said: "It is a simple answer – I think it is like any job. Get educated. Teach yourself. There are basic management disciplines that people going into risk management should learn as well.

"Financial skills are good in any role and so I would urge people to up their financial literacy skills. Develop interpersonal skills too, because it is about persuading people to open their eyes. It is all about educating others.

It is also about coming to meetings like Ferma to network and learn."

Ferma president and Pirelli head of group risk Jorge Luzzi said that a willingness to listen and an open mind are two of the most important characteristics for any good risk manager. "The need to have an open mind is very important," he said. "Having the ability to put forward ideas for how to approach risk but also to be able to listen to identify risk within the company are both crucial skills."

Airmic chairman and Morgan Crucible risk director Paul Taylor, who counts turning around a failing business among his most formative professional experiences, said risk managers should "try to get some business experience".

He said: "We, as risk managers, have the luxury of being on the outside of the business looking in. But if you have had specific responsibility within a business, it certainly gives you a little bit more background and understanding. This will really help with credibility." **SR**



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