

Can risk management ever be recognised as a profession? Read more on page 4

Views from the top

Read how the discipline is changing and what is in store for the future, page 6

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StrategicRISK

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The big debate: the changing face of risk management

As part of our future of the 'profession' conference coverage, Zurich's Thomas Hürlimann, Siemens' Alexander Mahnke and Marsh's David Batchelor talk exclusively to *StrategicRISK* about how risk management is evolving, ahead of today's profession debate

Risk management is set to increase in importance as trends such as globalisation, the interconnectivity of risks and advancement in technology, as well as the financial crisis, have placed greater onus on these professionals to ensure business resilience in a complex and evolving global marketplace.

This will form the basis of today's

profession panel discussion, which takes place from 11:30 to 12:30. Moderated by Cathy Smith, co-director of Speak Easy, the panel will include:

- Alexander Mahnke, chief executive (insurance) at Siemens and president of German risk management association, DVS
- David Batchelor, president of international division at Marsh
- Rick Roberts, director of risk management and employee benefits at Ensign-Bickford Industries
- Thomas Hürlimann, chief executive, global corporate, Zurich.

They will consider how the risk manager's role has changed and what is to be expected from the risk community in the future.

Speaking to *StrategicRISK* before the start of the debate, Hürlimann warns that risk is growing faster than global GDP. "This makes the risk manager's role more complex and challenging," he says. "At the same time, it makes [the role] more important.

"New risks arising from

Continued on page 3

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technological advancements and changes that are affecting society, such as an ageing workforce in mature economies, further increases the complexity of this role.”

Three further risk trends are changing the risk manager’s role, he says. “First, we see an increase in urbanisation, which leads to a further concentration of risk. Second, there is an increase in frequency, and especially severity, of natural catastrophes. This, taken together with the urbanisation and the fact that many countries are in flood zones, on seismic fault lines and in other areas prone to catastrophes, means we already face a rapid increase in risk.

“Add a third factor – increasing interconnectivity – and the combined impact is that we are seeing risk growing faster than global GDP. This means the role of the risk manager is becoming not only more complex but also more important.

“The modern risk manager must manage many different complex country risks on a global scale. These risks are often interconnected and span the full spectrum, from property, liability and directors and officers liability (D&O) insurance to employee benefit risks. The risk manager’s role is thus a very challenging one.”

Emerging threats

Emerging risks have also placed a greater importance on risk management, particularly cyber threats. Marsh’s Batchelor says: “Cyber risk is perhaps the most prominent of all the emerging risks faced by businesses today. The trouble with cyber risk is that few firms are used to dealing with it. With the exception of organisations such as banks, utilities and other critical infrastructure, operational risk for many firms is managed well below board level.

“Cyber risk is changing this by bringing tail risk – a risk that provokes acute, public and potentially catastrophic damage, whether to data, reputation, property or the ability to trade – to any firm, large or small, regional or international. As a result,

cyber risk is making firms think about their ability to avoid and withstand the impact of a substantial cyber incident.

“In our globalised economy cyber risk and other incidents often have repercussions for global supply chains that can be felt on the other side of the world. Building resilience is key in today’s just-in-time global supply chain. The businesses best able to do this will understand where critical points of failure sit, allowing informed decisions on the risks they are prepared to take, as well as those they know they must face.”

He adds: “Organisations need to put in place risk management disciplines that are fit for the purpose of protecting them from and coping with fast-moving threats to their viability.

‘To understand where certain trends and claims come from, and then explain this to loss adjusters, you need the right expertise’

Alexander Mahnke

That goes well beyond the historic expectations on risk management for many firms and requires a significant elevation and investment in risk.”

Not just insurance

Mahnke observes that having insurance expertise is no longer sufficient and there is more pressure on risk managers to take a holistic view of the global risk landscape.

He says: “Looking at the role from an evolutionary manner, some decades ago it was sufficient to be an expert in insurance technique. Now, depending on the size of the company, businesses need a good risk and insurance team, which encompasses resources in areas such as engineering, IT, law and, of course, insurance techniques. When I say team, this can also include support from external resources.

“In order to understand the risk, to make it underwritable and to understand where certain trends and claims come from, and then explain this to loss adjusters, you need the

right expertise.

“Companies need to combine insurance with the technical risk expertise. I keep telling my own team, we are not here because we need to be the best insurance experts in the world, but because we are the necessary link between our company’s risk exposures and whoever is underwriting and potentially taking the risk. Of course, a strong technical expertise always is and will remain a precondition to be able doing our job.”

He adds: “Businesses need a wider breadth but also a deeper and more profound knowledge in many areas, so it is important to establish a team with the right people, which brings me to my favourite topic: talent acquisition and training.”

But when it comes to talent management, the risk and insurance industry faces challenges, often with insurers, brokers and risk managers admitting that the sector has an ‘image problem’. Many view insurance – and related roles – as ‘dull’.

The talent war

Mahnke’s advice is to promote the company’s brand as well as the jobs in risk management – and increase competition for graduates among insurers and brokers.

“It is not the best approach to wait for talented graduates to knock on the door and ask for a job. Companies really need to compete for the best talent before other companies get to them first.

“In insurance and risk management, we are competing with brokers and insurers to a certain degree. In the past, insurers and brokers educated talent for us. Traditionally, these professionals would consider a career in risk management after working as an insurer or broker for some years. But risk management should be among the first choices.

“I started my career at Siemens before becoming a broker, so my first job was being part of insurance risk management team. We need this to be the rule rather than the exception. [To do this, we need to] create and maintain a high profile as an employer.

Insurance risk management is an interesting job but it tends to be overlooked and its importance to be underestimated internally. We need to work on this and be able to explain why our companies need us. In addition to promoting insurance risk management, with a clear message, that it is one of the most interesting and sophisticated jobs in the market, companies should also talk about the strength of their brand. This way, the role can become more appealing.

“To a certain degree, it should be a competition between us, insurers and brokers, but a healthy competition. I’m not talking about talent-pinching but about attracting fresh blood to the market.”

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Risk management gains importance but will it ever be recognised as a profession?

Greater collaboration needed to elevate risk management from a discipline to a recognised profession

A new survey by ACE, released ahead of the FERMA Forum, provides tangible evidence that risk management has grown in significance across Europe. However, greater collaboration between risk managers, insurers and brokers is needed for the role to be recognised as a profession and taken more seriously up the line of command.

Of the 500 senior risk executives surveyed across the continent, 71% believe that their influence is greater now than three years ago and a further 21% said their role had grown 'significantly'. In addition, 78% said their influence has increased around strategic decision-making.

The survey's accompanying report cited several factors that have changed the role and have elevated its importance up the line of command, including the financial scandals of the early 2000s, the global economic crisis, globalisation and advancement in technology.

As such, risk managers are increasingly being viewed as "key business partners with the ability to influence strategic decisions across the organisation," the report stated. "If they are not considered as such today, then they will need to be in the future," the report added.

However, greater teamwork between insurers, brokers and risk

managers is needed to ensure the role is "taken far more seriously", according to Andrew Kendrick, president, ACE European Group.

Greater collaboration

On the launch of the report, Kendrick said: "The biggest theme for me is collaboration. Risk managers, insurers, brokers, clients behind the risk manager, if we all collaborate, share information more, then we get the opportunity for risk management to be taken far more seriously up the food chain to advise on so many matters around risk – not just insurance. Insurance is just one part of risk management – [risk management] is much more deeper than that.

"It still concerns me that some companies think [risk management] 'is just insurance...'. No it is much more than that. The more we can get risk managers up the food chain, talking to board directors and chief executives, that is important."

He added: "This industry is often classified – from broking to insurance to risk management – as a second class profession... Insurance is a profession – in the way it operates, the way it conducts itself, the way it constructs itself, the products it offers and, the depth it goes into understanding what products are

right for its clients. It is a [great] profession and I do not think that is recognised enough."

From discipline to profession

Julia Graham, president of FERMA, added that certification would help elevate the risk manager role from business discipline to profession.

Certification is supported by 78% of respondents, who view it and professional standards as key to the future of risk management.

The report said that investing in certification/professional standards is seen as a solution to ensuring that risk managers have the right knowledge and expertise.

Knowledge gaps

The report then goes on to highlight the skills that are crucial for the future. Some 83% of respondents said it was important to have data management knowledge and skills but 28% said obtaining accurate risk information and data is one of the top challenges facing risk managers.

"Some large organisations generate so much data they cannot separate the wheat from the chaff. It is the garbage-in, garbage-out problem," says Tom Teixeira of Alvarez & Marsal.

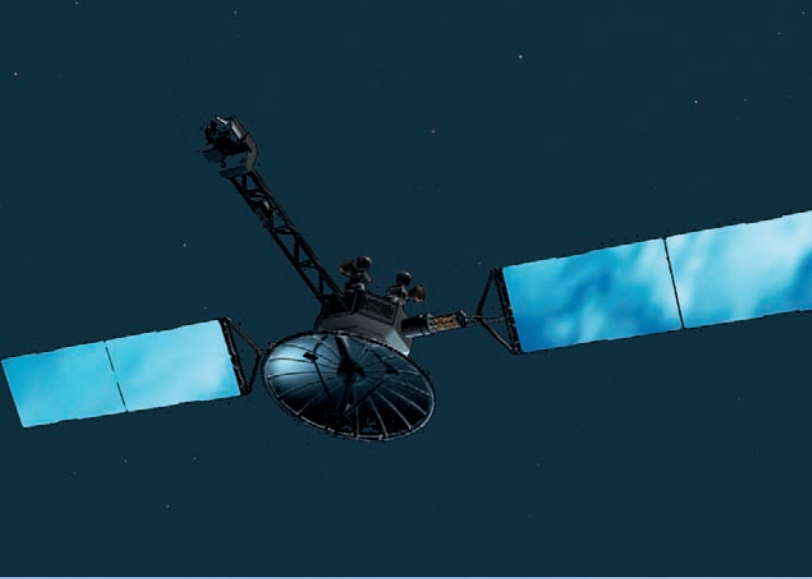
Another respondent, Oliver Wild of Veolia admits: "We are looking at

industrialising the process a lot more so it gives us more time, because we are getting such a large quantity of information. IT tools help us slice and dice information, and probably provide a more refined analysis, but that's fairly new to us".

Addressing this challenge, Kendrick said: "Technology is not only a threat but it is also a great opportunity and risk managers need to understand more about that and articulate to the insurers and brokers their concerns about technology and the extent to which insurers can respond in a meaningful way to the desire and needs of the clients.

"There is so much data out there – a lot of it is unstructured – but a lot of it can be used a lot more extensively than it has been. And again that is about sharing. Within a company, risk managers hold the key to allowing their risk analytics to be used by insurers – share that with us – it is there and you can use that wisely."

Graham added: "Big data is the sort of thing that risk managers of the future need to equip themselves with – you need to have that sort of knowledge. One of the things that we are trying to do at FERMA is to ensure that tomorrow's risk managers have the right skills and competencies to be able to lead the profession."



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The profession: views from the board

Three board members give their views on how risk management is changing

Emerging markets of opportunity

How has risk management changed in the past decade?

A decade ago, risk managers focused much more on insurance matters and insurable risks. Globalisation has changed the risk landscape and so risk managers now have to take a global view and spend time on researching global solutions.

Compliance and regulation have become a greater focus and multinational companies with operations in several countries must be confident with changing legalisation.

The risk manager's role has become even more important in this respect – it is now part of their responsibility to help companies comply with these requirements.

'There needs to be greater communication between risk managers and chief executives and directors'

Gilbert Canaméras

What responsibilities do risk managers now have?

The future for risk managers is to be closer to strategic planning. For this to happen there needs to be greater communication between risk managers and chief executives and directors. Companies need to take a global view of their risks, and risk managers are well placed to help chief executives make good decisions for the future of the company – but also to take risks.

What emerging risks have changed the risk manager's role?

New technology can be viewed as an emerging risk – for instance, the internet of things will provoke new risks – but this can also be seen as an opportunity for risk managers.

What is so interesting about new technologies is that they enable risk managers to play an important role in evaluating the threats and establishing innovative risk



New FERMA secretary general and immediate past president of AMRAE
Gilbert Canaméras

mitigation and prevention plans, as more businesses come to use and rely on these new products. As such, risk managers have another opportunity to add value to their business.

Is there anything else?

Uninsurable risks are a big challenge for risk managers. But, just as with new technology, uninsurable risks present an opportunity for risk

managers to play a more significant role in their companies.

They will be the professionals to whom executives turn for advice on how best to manage this risk, for example. It will be down to the risk manager to find new, alternative and innovative solutions such as captive insurance.

For me, this is an emerging risk that will enable risk managers to exercise their talents.

The many dimensions of the risk profession



Deutsche Bank global head of corporate insurance Dirk Wegener

How has risk management changed in the past decade?

In general, risk management has taken a more holistic view on potential risks, moving towards enterprise risk management. Trends include risk transfer versus risk mitigation/loss prevention; insurable versus uninsurable risks; actual risks versus emerging risks; and traditional insurance versus alternative risk transfer.

What are the responsibilities of a modern risk manager?

In light of this holistic view

of risks and an increased awareness of companies, risk managers need to broaden their perspective and strengthen the loss prevention techniques.

What emerging risks have changed the risk manager's role?

Ultimately, this depends on the industry, but some emerging risks – such as cyber and political risk – have an impact on almost all industries, whereas supply chain risk does not affect all sectors.

Hence, risk managers need

to fully understand the profile or their industry.

What risks/trends are set to further complicate the risk manager's role?

Besides the globalisation of most industries, we face an increasing re-nationalisation of the regulatory environment in the aftermath of the financial crisis, which may also hamper their ability to meet our needs.

What are the top three biggest risks for 2015?

Political risks, cyber crime and reputation risk.

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Learning to be 'risk-intelligent'

How has risk management changed in the past decade?

Risk management is a profession on a development path. Risk management as a profession is evolving to become distinguished, solid and commonly recognised as a robust contributor to corporate success and value, financial stability, social responsibility and sustainability.

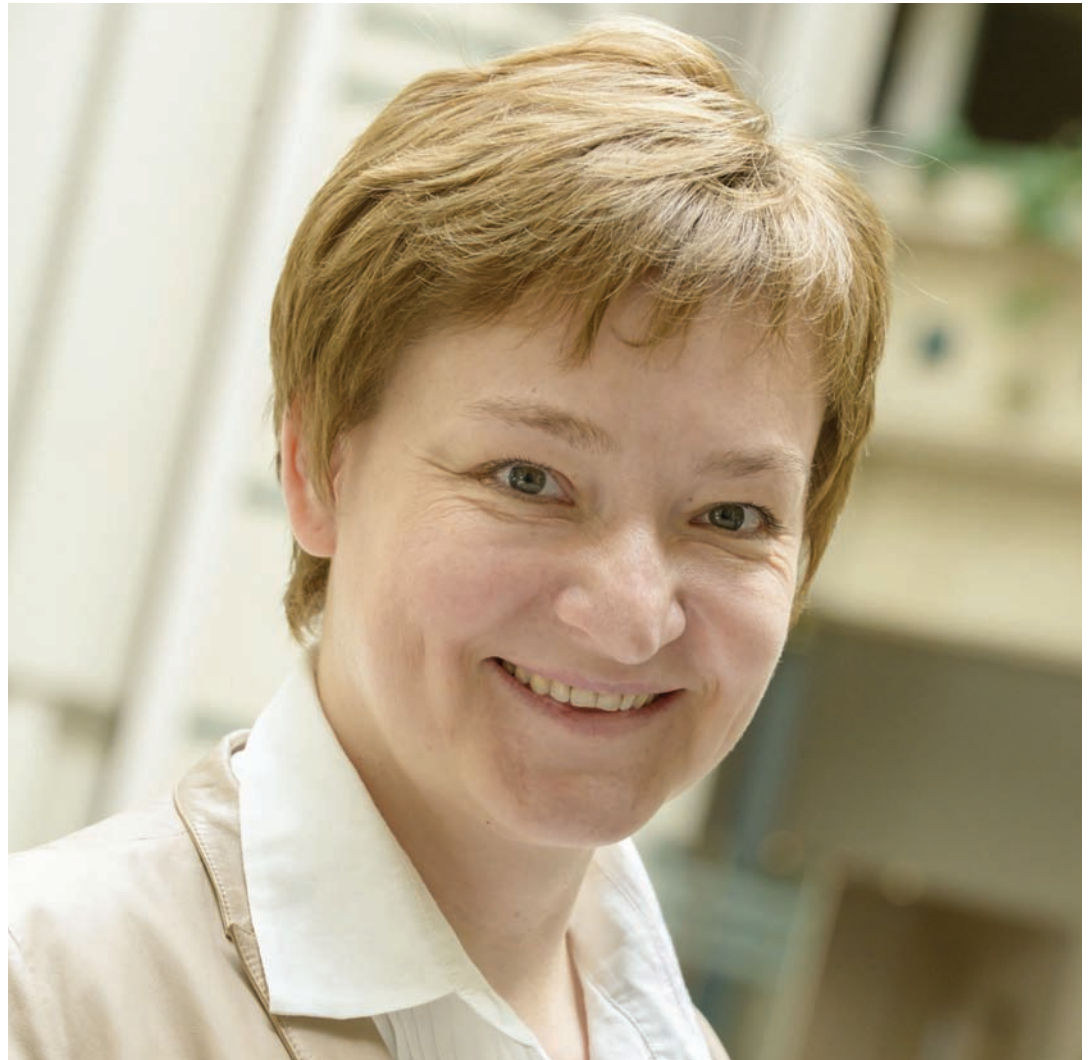
Risk managers now have to cooperate and integrate with a number of functions related to corporate risks, but the main achievement at this stage is that they have been recognised as true risk leaders.

In addition, the main changes, as well as challenges, in risk management during the past decade are related to the fact that non-financial risks have stepped forward in corporate risk profile, calling for specific skills for risk identification, assessment, communication and treatment. Risk management goes far beyond the calculation and reporting towards communication, integration, change management and risk culture development.

What responsibilities does the modern risk manager have?

Quite evidently, risk managers now expected to take responsibility and ownership for risks and management of risks. No longer is she/he easily accepted as simple facilitator within a company. The risk manager today now takes part in the decision-making.

This development has led to greater requirements – competences, competences and, again, competences. Risk managers need in-depth understanding about the core business and its industry. The risk manager has to be highly professional in risk management knowl-



Executive risk manager for NefteTransService and vice-president of RusRisk Anna Korbut

edge, tools, techniques and skills.

Experience and in-depth expertise will make the risk manager flexible and able to steer themselves and management to selecting the tools and solutions that are the most appropriate for the particular environment and substance.

There should be clear, day-to-day risk procedures in place, deeply integrated into the key business processes and value chain of an

organisation.

It is not enough to produce a risk report once or twice a year. The current assignment for the risk manager is about actively dealing with real risks daily, together with management.

Risk managers are now facing a great challenge in that expectations of them are changing. They should find a way to adopt corporate, daily business processes to become really

'It is not enough to produce a risk report once or twice a year. The current assignment is about actively dealing with real risks daily, together with management'

integrated into the operational and communication loop in their organisations. Not an easy task at all.

My colleague, Alexei Sidorenko [from tech specialist Rusnano], said: "Risk management is not for a shy personality".

On the other hand, this is a call for risk managers to demonstrate deep, multifunctional skills and knowledge. Our colleagues have to be ready for such responsibility and to be able to manage it.

What emerging risks have changed the risk manager's role?

Risk managers have to be active in acquiring information and reacting on it. We should be fully included in the operative communication loop in our organisations at all levels, including the top one.

'The idea is to change the mindset of people around us – and that is not going to happen itself by some miracle. This is our own task at our own workplaces'

In order to achieve this, the status of risk manager has to be raised, and the risk manager's role has to be better positioned within organisations. Risk managers have to get

direct access to the boardroom.

With this in mind, FERMA intends to develop better knowledge of the role and practice of risk management bodies at board level – risk committees – at a European level.

Brief study has already shown that, among others, a key principle for successful risk governance with risk committees is to provide a place for prospective discussions to anticipate future disruptive events that could change the market in which the organisation operates.

This is to be achieved by gathering the expertise available in the organisation. The tone of these risk sessions should favour open discussions with a lighter and informal process behind them – reduced agenda and reporting format.

I love the expression by another of my colleagues, Jonathan Blackhurst [from Capita]. He said: "We have to become risk-intelligent."

What risks or trends are likely to further complicate the risk manager's role?

The main challenges in risk management are related to the fact that emerging and non-financial risks – political, cyber, strategic and so on – are stepping forward in the corporate risk profile. These all are the issues to be addressed to top deci-

'Risk managers have to be active in acquiring information and reacting on it. We should be fully included in the operative communication loop in our organisations at all levels, including the top one'

sion-makers within an organisation.

This requires from risk managers specific skills for risk identification, assessment, communication and treatment, including sometimes non-financial approaches. Yet they must also be reliable and trustworthy.

In addition, this requires a high level of communication skills for the risk manager to position her or his own role as a risk leader and communicate with board representatives and all the experts in a company to establish a true and ongoing dialogue.

The biggest challenge is to build up and establish such integration at the risk manager's own workplace and a risk communication loop with all stakeholders.

This is about being able to create risk culture and deploying an open risk aptitude, and it is not going to be given by someone else. The idea is to change the mindset of people around us – and that is not going to

happen itself by some miracle. This is our own task at our own workplaces.

What are the top three biggest risks for 2015?

I will not be original here. They are:

- ebola virus;
- armed conflicts and the movement of people from North Africa and Syria; and
- global political opposition on Ukrainian developments.

These are global and non-financial by origin, but I would like to highlight the trend.

We clearly see that our world is shrinking and, despite thousands of kilometres lying between any African country and me – or we could say, between Ukraine or Russia and you – developments there may affect my life (or your life) and business quite substantially. Risks nowadays easily overcome distances and cross borders. Notice that the risks I listed earlier are humanitarian and political.

Nevertheless, even for non-transnational businesses, they become something one cannot ignore. At the same time, it is difficult to predict, figure out, calculate and prevent their having an impact because of the very indirect influence of such global risks on businesses.

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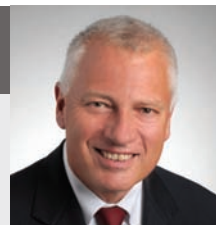
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This holds information on more than 180 countries and 42 lines of business, and details the legal and insurance requirements of doing business in foreign countries. A failure to comply could result in severe

financial and reputational damage – a risk that is often cited by corporate risk managers as the number one threat to their company.

My Zurich was launched in August 2014 and is very well accepted by customer and brokers. The platform is

Andre Guyer
Head of global transformation, Zurich



'My Zurich is a digital risk management platform that helps risk managers to be more efficient and effective'

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Must-read for international travellers

FERMA will tomorrow publish a guide to international travel to help businesses better understand their responsibilities towards their employees and dependents and to provide practical recommendations for them to manage the risks and meet those responsibilities.

“Globalisation has spread business operations and interests throughout the world, with the result that today, many employees and contractors, from junior to senior positions, travel for work,” it said. “At the same time, the legal status of the duty of care of organisations and institutions in Europe for their travellers has changed.”

This prompted FERMA and International SOS to prepare a joint

paper on travel risk management. The paper – entitled *European trends in travel risk management 2015: understanding health, safety and security risk management for work-related international travel and assignments* – will be published on Tuesday 5 October during the forum.

The paper contains:

- a preface from the European health and safety agency EU-OSHA;
- a review of European directives and national laws applicable for cross-border workers and assignees (with the latest law cases);
- interviews with risk and/or insurance managers from different sectors;
- a travel risk management toolbox; and
- appendices with European country duty of care regulations.

Meet the new board



Executive line-up (L-R): Gilbert Canaméras, Cristina Martínez, Isabel Martínez Torre-Enciso and Dirk Wegener

Three new vice-presidents will join the executive committee, together with Gilbert Canaméras from French association AMRAE, who has become FERMA’s secretary general.

The new vice-presidents are Cristina Martínez, Isabel Martínez Torre-Enciso and Dirk Wegener. Cristina Martínez is a board member of Spanish risk management association IGREA and group chief risk officer at multinational infrastructure and service firm SACYR.

Isabel Martínez Torre-Enciso is a board member of Spanish association AGERS, professor of corporate finance at the Universidad Autónoma de Madrid (UAM) and vice-president of ACdP.

Dirk Wegener is a member of German associations DVS and bfv, and global head of corporate insurance at Deutsche Bank Group.

They fill vacancies on the executive committee left by Michel Dennerly, who had come to the end of his mandate as vice-president, and Alessandro De Felice, who stood down from the FERMA board in June when he was elected president of the Italian association ANRA. Canaméras takes over the secretary’s general’s role from Helle Friberg.

Speaking to *StrategicRISK* after the announcement, Canaméras said: “I am very happy to be part of the board of FERMA. I would like to thank the board for electing me and giving me the opportunity to be part of a federation that represents national risk management associations across Europe.

“It is important that risk managers share their knowledge with other European countries and I’m very pleased that I have been given the opportunity to

extend my experience and learning from AMRAE, after serving as its president.”

Jo Willaert will take over from Julia Graham as president. Graham will remain on the board as immediate past president until her term of office as a FERMA board member comes to a conclusion at the next general assembly in June 2016.

Board member Anna Korbut commented: “I would like to highlight the somewhat new approach the FERMA board has adopted towards presidential rotation. We have strongly enhanced sustainability and continuity of FERMA management by introducing the roles of the first vice-president (as the successor) and immediate past president (to mentor the new president). Such innovation adds quite a lot of efficiency and should not be underestimated.”

The keys to survival

Incoming president Jo Willaert, Agfa-Gevaert corporate risk manager, on his aims at the helm of the federation, what to expect from this year's forum

What are you looking forward to most at this year's forum?

There are plenty of opportunities for risk and insurance managers to learn about emerging trends and new developments in the insurance market. Professionals will have the chance to hear of new ideas direct from senior leaders in our discipline in a variety of interactive workshops, debates and plenary keynote presentations.

We've taken on board the feedback from our last forum in Maastricht and found, for example, that the introduction of the presidential debate was well received. So this year we've invited a number of chief executives from leading global insurance and broking companies to take part in a presidential-style debate – a feature of the conference that I am personally looking forward to.

The risk manager panel, which will take place at noon on the first day of the conference, will also provide interesting food for thought (see page 1). We held a risk manager debate at our 40th anniversary seminar in Brussels last year and it was so enthusiastically received that we have decided to hold it again in Venice.

Last but not least, I am looking forward to meeting colleagues – risk managers, brokers, insurers, lawyers and consultants – to share experiences and best practice.

Why Venice for this year's forum?

We are very pleased to have the support of ANRA, the Italian risk and insurance association, which has done a tremendous job in helping us organise this year's forum.

Venice is a beautiful destination, accessible by car, train and airplane and home to a very prestigious conference centre. Like many cities on the seashore, Venice is faced with challenges related to climate change and rising sea levels. When businesses need a strategy plan, the city of Venice provides examples of good practice for how businesses have remained resilient, making the city a fitting choice to hold a risk management conference.

However, regardless of location, delegates can be sure that the forum will provide the ideal opportunities to meet old and new colleagues and learn from the variety of workshops and discussions that will take place over the course of the conference.

We notice the future of the profession is the theme of the presidential debate – what does the future look like?

Today and tomorrow's challenge is to demonstrate that without proper risk management, organisations will remain blind to tomorrow's



complex challenges. Board members are finding it increasingly difficult to structure their corporate governance in today's interconnected and globalised business world. But risk managers can help by evaluating and anticipating emerging risks. By doing so, not only can they prevent losses but they will also be in a better position to seize opportunities more efficiently and effectively than competitors.

The board can often make the mistake of viewing risk management as a way of safeguarding financial returns – risk managers can play this role but it would be very shortsighted to see only this benefit. Risk managers can offer more than that and can help secure the long-term survival of an organisation. But for risk managers to offer this long-term support, they need access to the board so that they have the authority to make a difference.

On a wider scale, it is important that risk management is recognised internationally as a profession and that they have a voice at European level. These are the reasons why I commit myself to raising the profile of risk management and representing the profession at the European Commission.

What steps will you take to raise the profile of risk at European level?

FERMA already has good contact with the European Commission and we have a staff member whose specific role it is to ensure that there is active dialogue with the Commission. This is a priority for me and I truly believe in the European approach because it is the way of the future. In addition, I too am based in Belgium, so it will be easier for me to participate in EC discussions and network.

Diversity appears prominently in this year's programme – but the industry is yet to achieve a diverse workforce. What can insurers, brokers and risk managers do to improve diversity?

FERMA is certainly setting the tone, with 40% of its board being made up of female professionals. We are also expecting a good gender and cultural balance at the forum and Helle Friberg, who is on the board, has been very active in driving the diversity agenda.

I would also like to draw attention to our young professional programme with Lloyd's. We are very proud of this programme, which aims to attract new talent to the industry, and demand remains very high.

But for me, diversity is much more than gender and age. It is about taking the challenges related to diversity and turning them into opportunities. Across Europe, we have a wealth of languages and cultures. Let's use it. The industry is viewing diversity as a problem, but in my eyes, we are so unique and diverse in Europe and we just need to utilise this.

This year you take over from Julia Graham as president, what can we expect from you during your term as president?

I have had the opportunity to work closely with Julia and shadow her and it is certainly my intention to continue working on the values, plans and actions that Julia put forward in her term as president.

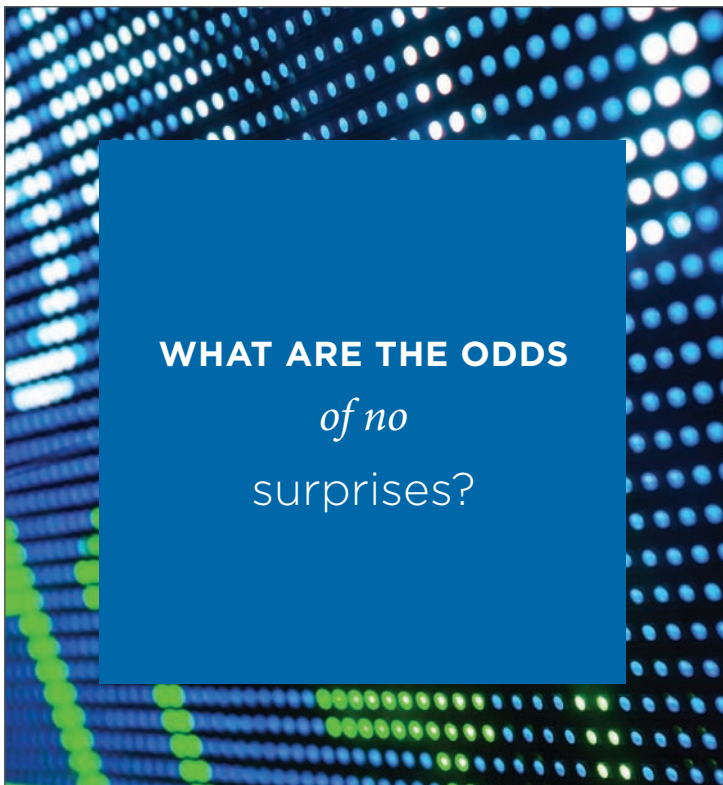
We will indeed continue with the certification project and I am pleased to say that, with Michel Dennery's support, we are ready to launch. Under my presidency, I will work hard to ensure it runs successfully and that it helps to raise the profile of risk management across Europe.

In one word, my second aim is 'Europe'. Risk managers need to have a bigger impact on the decision-making process at EU level. FERMA represents at least 4,500 risk managers, so we are in a good position to advise on risk and insurance matters at this level.

Next, I have the pleasure of organising our next seminar, which will take place in Malta. This will be a pleasant challenge and I hope the seminar will be as successful as the one we held in Brussels last year.

Can you give us a sneak preview of what we can expect from next year's FERMA seminar?

As with every seminar, delegates can expect to find out more about the results of our European risk management benchmarking survey. As soon as the Forum in Venice comes to a close, the team will be hard at work planning the benchmarking survey and our next European seminar to be held in Malta.



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Executive directors complacent about reputational risk

Aon Risk Solutions study also highlights five other 'underrated' areas of threat

Aon Risk Solutions today published a report outlining 'underrated' threats. The findings emerged from Aon's earlier Global Risk Management Survey.

The survey found that only 44% of executive and non-executive directors strongly believe that damage to reputation should be viewed as a significant business risk. Their general view is 'out of sight and mind' before a crisis occurs, according to the survey report.

Rory Moloney, chief executive of Aon Global Risk Consulting, said: "Damage to brand and reputation can become a significant business risk. The speed of technological advancement, coupled with societal, economic and political changes means reputational damage is an

increasing concern. This report analyses the responses of senior executives in large organisations with key captives to understand their concerns and needs."

Including damage to reputation and brand, the report focuses on five additional themes:

● **Risk connectivity** The speed at which mobile technology is changing is creating a rapidly expanding network of new connections between individuals, groups and companies. Despite this, 80% of respondents believe that the inter-connectivity of risk is still not widely understood.

● **Cyber risk** Nine out of 10 respondents validated Aon's assessment that cyber risk is still not fully understood. Some 78% of

respondents have indicated that the risk readiness level for cyber risk has, or may have been, vastly overstated.

● **Political risk** was also viewed as a significant threat. More than 60% of respondents felt that political risk had been seriously underrated. The ongoing uncertainty across the eurozone and various geopolitical conflicts was of serious concern, particularly to EMEA respondents.

● **Board input** 70% of surveyed captive directors agree with our assessment that it is imperative for senior executives and the boards of directors to communicate with risk managers and take an active role in assessing and covering the company's risk exposure.

● **Damage to brand and reputation** Despite high-profile crises that

have affected reputation and brand, more than half the participants in EMEA (54%) recognise that reputation and brand damage should be in the top spot. Only 35% in the Americas agreed.

Stephen Cross, chief innovation officer at Aon Risk Solutions, said: "The current world of risk is predictably unpredictable. The inter-connectivity of traditional and emerging risks means organisations can no longer evaluate individual risks in isolation but must look at all the top risks and people in a more holistic way.

"Aon's role as adviser on the topic of risk is to constantly explore, assess and express a point of view on the impact of these forces and what may lie over tomorrow's horizon."

Perspectives on risk tolerance

A proper understanding of risk tolerance is one of the key factors that can help the risk function demonstrate that it is much more than a cost centre and truly adds value to the organisation.

This is according to John Merkovsky, head of Willis risk and analytics, writing in the seventh edition of *Resilience*, the leadership journal from Willis Group Holdings.

For risk professionals, there is no more important consideration than understanding the amount of risk an organisation is a) able to take, b) willing to take and c) desires to take, according to Merkovsky in his article entitled *Risk Tolerance: The Risk Manager's Compass*.

The paper goes on to explain that a proper understanding of risk tolerance can help organisations in a number of ways. It can, for example, afford a deeper understanding of whether or not the organisation is adopting the desired

level of financial protection. Additionally it can help the risk function understand whether risk transfer is supporting the organisation's overall strategic goals.

"To make better decisions about insurance, an organisation's risk tolerance needs to be reflected," said Merkovsky.

He goes on to say that despite the benefits, risk tolerance is rarely engrained in risk management processes and structure. This is because the concept is often difficult to apply in practice and the nomenclature is not used consistently across the industry. Moreover, executives in the same organisation often have very different views on the level of risk the organisation should be willing to take.

Merkovsky said: "This unsettled environment presents a terrific opportunity for a truly strategic risk manager to lead. But first, a risk manager needs to be able to demonstrate the value accretion that a well-defined

view of risk tolerance can add to decision-making."

He added: "Many organisations are looking to advance their thinking about their approach to risk tolerance, yet they lack the consistent nomenclature, tools and focus to do so. Risk managers are well positioned to provide leadership here. Their experience in thinking across a broad range of risk topics and doing so in financial and organisation terms is unique in most organisations."

"And, if leading an organisational initiative on risk tolerance is not for every risk manager, it is still a great opportunity to ensure that their own insurance and risk management activities are built with a clear alignment of organisational goals. In this way it will be clear to senior management and other risk stakeholders that the risk management function is much more than a cost centre, and truly adds value to the organisation."

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