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OFFICIAL AIRMIC DAILY

AIRMIC focuses on careers' progression

John Hurrell

THE CURRENT economic recession and the lessons learnt by UK businesses have significant implications for Britain's risk managers. AIRMIC is keen to ensure that its members are well placed to take advantage of the opportunities as well as ride out the downside.

John Hurrell, AIRMIC's chief executive, explains: 'When we had our council meeting in April we conducted a fundamental review of AIRMIC's four strategic objectives and decided we needed to add a fifth – to put the AIRMIC member's career at the heart of everything we do.'

This isn't just a recession driven initiative. AIRMIC believes that there will be a significant growth in the risk management profession over the next two to three years. Says Hurrell: 'Talking to head hunters and risk management professionals, the evidence suggests that the time for risk management is here and we want to make sure our members are in the best position to win those high profile roles that are likely to emerge in the next two or three years.'

The association's initiatives include putting together a career structure model which is being launched at this conference. AIRMIC has identified what a successful CV looks like in terms of background, experience, etc, based on proven successful CVs over the last two or three years, and has analysed the progression steps in a successful risk management career. For example, the model will help those who are just entering the profession to plot their way to progress upwards.

The association has also introduced the AIRMIC Academy. 'If like many risk managers you're in a small department and, while your business is supportive, no-one in-house has the experience to offer you guidance and training, the Academy is a way of making knowledge available to you,' says Hurrell.

The demand for this was such that, rather than wait for the conference, AIRMIC launched its Academy in April. 'We've held two courses, both of which were sold out within two hours of being launched,' comments Hurrell.

He stresses that the whole career management issue will be an important area for AIRMIC going forward. 'The launch of the career model template is just one step in that journey.'

Addressing the downside

While organisations may be planning a much stronger focus on

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risk management in the future, economic circumstances mean that some are reducing their investment in risk management expertise in the short term. Some risk managers have been made redundant; more commonly, some large risk management departments are being reduced in size.

AIRMIC has responded by creating 'reserve' status membership for members who are between jobs so that they can still retain the networking and knowledge sharing benefits that AIRMIC provides. Organisations with larger risk management teams who are seeking to reduce subscription costs can take advantage of AIRMIC's provision of free membership for additional people where a team exceeds eight paid up members.

'Essentially, we are working to ensure that existing AIRMIC members can retain their membership,' explains Hurrell.

AIRMIC has also eliminated the charges for companies advertising risk management vacancies on the 'members only' part of its website. And it offers a facility whereby members who have been made redundant can get professional help with preparing their CVs.

Hurrell concludes: 'These initiatives won't stop when the recession comes to an end. We want to ensure our members are taken seriously in the board room and have the skills they need to compete successfully for those senior risk management roles which we expect to become available.'

Risk managers dig deeper into insurer security

Philippe Gouraud

COMPANIES ARE monitoring the security of their insurers more than ever before, according to a new AIG UK survey. In the poll of major insurance buyers, 82.5% of risk managers said that they have started measuring their insurer counterparty risks more frequently over the past year.

Results also show that, not only are companies measuring their risks more frequently, they are also measuring them in far greater depth. According to the respondents, risk managers are adapting to the challenges produced by the difficult economic climate by continuing to measure risks using rating agency data, as well as increasingly considering guidance from broker rating committees, their own analysis, stock market analysis, and the Credit Default Swap spread.

Philippe Gouraud, head of the major accounts practice at AIG UK Limited, says: 'Interestingly, one of the other important sources of information that respondents said they use to assess counterparty risk is their peer group, many of which are AIRMIC contacts, showing that intelligence from market contacts is still one of the most useful tools available.

'Respondents also told us that they are increasingly interested in meeting their underwriters face-to-face in order to understand their risks better and gain reassurance around any exposures. We have found that this cements trust in underwriters, which is often more relevant than third party information from agencies and others. Good relationships with claims managers also help to underpin the association with an insurer.'

Such increased insurer scrutiny brings added benefits. Seventy-six percent of respondents feel that they now have a better understanding of their exposures, while 75% communicate with their carriers more frequently, and more than half consider counterparty risks at board level (56%).

The results also revealed what is important to companies when they review their insurance programme's security. Understanding their insurer at every level came top, as companies look for reassurance around the ability of companies (and their parents) to pay claims. Other important factors were advice from brokers; reviewing carriers' reinsurance; meeting insurers face-to-face; claims paying performance and media coverage.

What action are companies taking to mitigate concerns that they may have about their insurers' security? Most (93%) are excluding carriers that fall below a certain agency rating; four out of five are adding termination clauses in case of a downgrade; nearly two thirds (64%) are spreading their insurance programme among more carriers, and 29% are retaining more risk through captives.

'As insurers operate within a highly-regulated environment it helps maintain market confidence and discipline. Therefore, insurance remains a relatively safe haven and a viable partner for transferring risk,' says Gouraud.

Philippe Gouraud will be considering this topic in more depth at his AIRMIC conference workshop which will take place at 3.45pm today.

Broker remuneration guidance

LAST MONTH AIRMIC published its own guidelines for commercial insurance buyers in their dealings with brokers. They highlight potential conflicts of interest and how they can be identified by risk managers. AIRMIC's document goes beyond the 'industry guidance' recently endorsed by the FSA, and replaces AIRMIC's original 'questions for brokers' produced in 2004 in response to the Spitzer investigations. While AIRMIC gave a qualified welcome to the industry guidance, drawn up by BIBA, LIIBA, the IIB and ABI, it considered that more needed to be done.

While the industry guidance was a step forward in the process of clarifying the status of intermediaries and the means by which they are remunerated for their professional services, AIRMIC believed that the buyers of commercial insurance would require more information about circumstances where conflict of interest could arise. Additionally, buyers of commercial insurance require information on how any potential conflicts of interest will be managed. AIRMIC's own guidelines list the types of potential conflict of interest that may exist between brokers and insurers, especially financial or other links between them.

'There is a need for automatic, mandatory disclosure of the source and amount of any broker's remuneration received from the market so that buyers know how their money is to be distributed and can, therefore, make their own assessment regarding any potential for conflicts of interest. There should also be total clarity as to whether the intermediary is acting as on behalf of the buyer or the insurer. We believe that it is no longer acceptable for the intermediary to act on behalf of both parties during the same transaction,' said Kip Berkeley-Herring, chair of the association's insurance steering group. The AIRMIC guidance was produced by technical director Paul Hopkin.

'AIRMIC's original "questions for brokers" produced in 2004 remain valid, but our new guidance goes into more detail,' he said. 'For example, we recommend that the request for information should relate to each separate class of insurance business and be sub-divided into information specific to each country. Also, we list all the many ways in which there might be a conflict of interest.

'If there is a conflict, then the buyer may still choose to proceed, but he does so with his eyes wide open.'

Kip Berkeley-Herring

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Kiss – the answer to implementing risk management

KEEPING IT slick and simple (KISS) and avoiding using jargon are the key strategies for getting the risk management message across, according to a recent survey of private and public sector risk practitioners. The survey by Liz Taylor Risk Consulting also concluded that risk management as a profession is maturing fast.

The purpose of the survey was to find out what risk practitioners thought were the main barriers to implementing risk management in their organisations. The results were overwhelmingly conclusive. Whilst the process of risk management in itself is OK, in order to succeed risk management has to show some sort of value or pay back. What was most surprising was that there is still a lot of confusion between strategic risk management which is about all the risks to the organisation and operational risk management which is individual pockets of risk like health and safety.

Nearly three quarters of the 69 respondents said that they were using opportunity and threat as components of risk to show the value of risk management. This was convincing evidence of a growing maturity within the risk management profession.

Of the most difficult aspects of risk management, ranking risk was considered to be the trickiest, followed by identifying and articulating the real risk and getting controls that make a real difference. Interestingly, those who saw problems with linking actions from the risk process with other systems like performance management were in the minority. It was also thought that getting people to use risk management as a dynamic tool was not as difficult as other areas of risk.

It seems also that the public sector and private sector risk practitioners are neck and neck in terms of their maturity of approach, there being no discernable difference between their responses.

The survey asked some probing questions about the process itself and whether it is too complicated. In the data, there was no particular message either way, but in the text responses more than a third of the responses talked about a definite need for risk practitioners to kiss a lot (keep it slick and simple), and to avoid using jargon. One responder said: 'Risk management boils down to three key questions. (1) What will success look like? (2) What are the barriers to achieving this success (and ranking them)? (3) What measures can you take to overcome these barriers?'

Liz Taylor (who some AIRMIC members will remember is a former chairman of the association) said; 'At Liz Taylor Risk Consulting we take the view that implementing risk management is a bit like riding a horse. You can be a skilled rider, eventer and all round horsey expert, but if the horse is not ready to take the jumps you may need to adjust your expectations for a time until you have trained together.

'Risk practitioners need to keep it slick and simple for the time being and adjust their methods according to the maturity of the part of the organisation that they are working with.'

Reduce carbon emissions due to fire and natural disaster risks

Dr Louis Gritzo

WITH BUSINESSES increasingly looking to design and build energy-efficient, environmentally sustainable facilities, FM Global has released new research showing ways business property owners can reduce carbon emissions (greenhouse gases) attributable to fire and natural disaster risks. The findings also reveal that, as the trend to build greener facilities increases, so do such potential unintended consequences.

The technical report titled *The Influence of Risk Factors on Sustainable Development*, is available for download at www.fmglobal.com/researchreports and is part of FM Global's efforts to enhance awareness of property-related risks and loss prevention solutions associated with sustainable development. It is the first time that FM Global has ever made its technical research available directly to the public. Previously, it considered such research to be company proprietary information and kept it confidential.

'While most research to date on sustainable environmental building design has appropriately focused on the energy efficiency of "green" facilities as the main source of carbon emissions, this is the first research that looks at the influence of fire and natural disasters,' said Dr Louis Gritzo, FM Global vice president and research manager. 'Risk management is an integral part of sustainable development and FM Global recommends that future criteria for sustainable design and operation consider the risks fire and natural disaster can pose and the benefits of mitigating such threats.'

According to Brion Callori, FM Global senior vice president, engineering and research, the company's decision to begin making select technical research reports publicly available without charge reflects the changing business practices and risk profiles of its clients around the world, which include one of every three Fortune 1000-size companies worldwide.

'In recent years, FM Global has observed an increase in frequency and severity of fire and natural disasters worldwide and a growing interdependence of businesses from globalisation and technology,' said Callori. 'It's an appropriate time to be sharing such information, given businesses' heightened consciousness around the environment, sustainability, risk management and their stakeholders' expectations.'

Heath Lambert appointed by Thames Water for London Tideway Tunnels

UK INDEPENDENT insurance broker Heath Lambert has won the insurance tender for the London Tideway Tunnels project, a Thames Water programme to substantially reduce the volume of untreated sewage discharged to the River Thames from London's Victorian sewers after rainfall.

In association with Thames Water, Heath Lambert staged a market briefing held on 5 June 2009, at the London Chamber of Commerce and Industry.

Pending planning approval, the Lee Tunnel will run seven kilometres from Abbey Mills, near Stratford in east London to Beckton Sewage Treatment Works (STW), the largest treatment plant in Europe. It will intercept approximately half of the 32 million tonnes of untreated sewage that currently overflows to the River Thames each year on average, when the existing system, created over 150 years ago, becomes overloaded. Construction is scheduled to begin early next year.

Alan Pratten, managing director of retail clients and development said: 'We are delighted to be involved with this landmark project, which is so important to the future of London, helping to ensure that the capital has a sewerage network able to cope with the twin challenge of climate change and population growth.

'At Heath Lambert, we have the flexibility to bring together a team from any relevant divisions in the group, which in this case included our major accounts, environmental, terrorism, project risk, liability, PI and construction divisions. The depth and breadth of knowledge in our team allowed us to understand the challenging technical aspects of the project, and we were able to demonstrate our ability to deliver in this area.'

Nick Fairweather, Thames Water's insurance manager commented: '… Heath Lambert showed a clear understanding of the detailed requirements of this project, and logical illustration of how they can work with the insurance market to get the best terms for delivery.' Philip Watts, head of tunnels and infrastructure at Heath Lambert added: 'Failure to achieve completion targets would not only allow untreated sewage to continue to be discharged into the River Thames, but also leave the UK Government open to fines from the EU, so it is imperative that the project runs to time.

'We have put together a highly specialised team to work on this project and we are confident that we can provide Thames Water with an unparalleled level of service.'

Thames Water is also developing the Thames Tunnel, to minimise the sewage discharged to the River Thames from a further 34 Combined Sewer Overflows (CSOs) along the foreshore of the river. This tunnel's precise route, from the west of the capital over to Beckton STW broadly following the route of the river, has not yet been decided. Thames Water expects to submit a planning application in 2011.

Together the London Tideway Tunnels will be the deepest ever constructed in the capital.

Reforming civil litigation

Lord Justice Jackson's preliminary report on costs in civil litigation in England and Wales is one of the subjects of QBE's Technical Claims Brief June 2009. In addition to LJ Jackson's own views, the extensive report (over 1,000 pages with appendices) reflects the views of a large number of interested parties.

QBE's Claims Brief says that at this stage very little has been ruled in or out of costs reform and the report sets the scene for phase two of the process which will involve a series of public seminars, collection of documentary evidence and responses to consultation questions. Stage 2 is due to be completed by 31 July with the final report due for publication in December of this year.

QBE briefly summarises the more important of LJ Jackson's preliminary views as follows:

- Conditional fee agreements or some other system of payment by results should remain.
- It may be in the public interest to remove insurance against adverse costs liability (ie after the event insurance).
- There is support for an expansion of the before the event insurance market (ie to provide funding for solicitors' fees for policyholders rather than selling claims to solicitors in return for referral fees).
- An extension of fixed costs to cover fast track and even multi-track cases is considered.
- The possibility of raising the small track limit to £2,500 or £5,000 is considered.
- There is qualified support for the assessment of general damages using computer software to provide neutral evaluation.
- It is suggested that the pending reform of the motor personal injury claims process by the Ministry of Justice should be fitted in with the overall process reforms proposed (this would cause further delay to the implementation of the MOJ reforms).

QBE says that at this early stage it is not possible to predict which if any of the reforms discussed will eventually be implemented. There is clearly a desire to contain the costs of litigation (up 32% since the introduction of CFAs) but some commentators are already questioning whether the changes to legislation needed to implement genuine reform can realistically take place at a time of economic recession with a general election pending.

Crawfords launches Broadspire – today!

StrategicRISK talks to Margaret Clubley, vice president, Broadspire a Crawford company, about Crawford's renamed UK third party administrator (TPA), Broadspire, why it's been formed and the key issues in the TPA arena

What is Broadspire?

As from today, Crawford is re-branding its TPA services in the UK as 'Broadspire, a Crawford company'. Broadspire is a TPA that Crawford purchased in the USA a few years ago. It's now become the brand for the TPA services that we currently offer in the UK. We're obviously still very much part of the Crawford family and able to draw upon the wealth of experience and knowledge that our colleagues have in the USA. Having a new brand, our own brand identity and logo is our way of telling the world that the TPA work we do is very important to us and that we understand that it's different from that undertaken by our loss adjusting division and has different business drivers.

Broadspire will have its own website (www.broadspiretpa.co.uk) and its own marketing campaign and literature. Of course, as and when necessary, we will still be able to call upon the expertise of Crawford's loss adjusters throughout any of the 63 countries within which we operate.

At our stand at this AIRMIC conference, we are revealing our new logo with our new colours. We are building our proposition around three key elements – quality, consistency and passion. Our tag line is 'passionate about TPA'.

We are also using Broadspire as a platform to drive forward into the future. It's not just a re-branding exercise but a whole project in which we're looking at the services we offer to our corporate clients to see how we can enhance them and put ourselves ahead of our competitors for some time to come.

What other changes have you made?

We wanted to ensure that we had an excellent platform for our business going forward so we've taken a number of other steps. We've reviewed our whole internal structure looking at how it's set up and how we work. We have re-engineered our process and we are making some substantial changes to our claims management system, e-Claims.

All this is being done to help ensure that we meet the requirements of our clients, ultimately deliver a better service and, most importantly, take necessary steps to help reduce their claims spend.

It's about adding innovation into our services and being progressive. We're not sitting on our laurels in the way that we handle claims. We've been involved in providing TPA services for a long time but they haven't had the market profile they deserve.

Has the rise in fraudulent claims resulting from the recession caused you and your clients any problems?

As far as our services are concerned, we try to stay one step ahead of the game. We have always had a robust fraud detection process in place and at present we are reinforcing that and double-checking everything we do.

We've seen an increase in claims in a number of areas, particularly in respect of motor incidents and low velocity motor claims. These involve the situation where two vehicles collide at a very low speed and people then claim whiplash and similar serious injuries. Often you can get a bad whiplash injury from such incidents but these type of accidents can breed fraudulent claims so we are working closely with forensic engineers to look at individual accidents and to confirm whether claimed injuries were legitimate and related to the accident.

We're also seeing people claiming for things that they would not have claimed for before. The list of items claimed under 'special damage' is growing. While the majority of claimants are of course genuine, some people are seeking to claim for everything as well as exaggerating their claims generally. We always look at fraud through the lifecycle of the claim.

What other issues are affecting your business?

The Rehabilitation Act means we have a duty now to look at rehabilitation with every personal injury claim. We're taking a very proactive approach. If someone has had a whiplash injury and would have to wait a long time for treatment under the NHS, we are offering them private physiotherapy so they are treated much quicker. This provides a great solution all round. The claimant recovers quicker and they are very pleased with the service – which benefits our clients. Also reducing employees' time off work and getting them back to work quicker helps our clients to reduce their overall claims spend. Taking this proactive approach also has the effect of discouraging exaggerated claims.

Obviously at Broadspire we cover all lines of business but currently we're focusing on a number of key areas including liability and the motor arena, where we think that there is a lot more that could be done. Crawford's Paul Bermingham, vice president, global motor, is, for example, jointly leading a workshop at the conference tomorrow morning about motor claims and the comprehensive service we provide to risk managers. The message is that new technology can provide risk managers with a new set of tools to manage their fleets. The aim is to provide an effective solution for fleet managers which will help reduce the overall cost of their repair bills and minimise the time their vehicles are off the road.

Has the recession hit your own business?

We have never been busier! In the current climate, companies want more control over their risks and to make sure that claims handling is done in a way that mirrors their own business values and protects their brand.

Increasingly too our business is becoming more global. Most of our clients have operations in other countries besides the UK and they're looking for TPA to extend across their whole programme regardless of how many countries are involved.

Claims and the credit crunch: a Crawford & Company UK Whitepaper

'Fraud occurs whenever a suitable opportunity presents itself and the current economic situation is a perfect breeding ground,' warns Crawford's Whitepaper on 'Claims and the credit crunch'.

In the Whitepaper which was published on 1 May, Crawford says that, according to its own data, property personal lines fraud cases increased by 21% in certain sectors, with a 15% increase in commercial fraud from 2007 to 2008.
The Whitepaper is available to download for free at crawfordandcompany.co.uk

PwC fraud academy opens its doors...

PRICEWATERHOUSECOOPERS has launched the PwC Fraud Academy, a forum allowing members to share information on how best to prevent, detect and investigate fraud, bribery and other economic crime.

John Tracey, a partner in PricewaterhouseCoopers LLP forensic accounting practice said: 'We wanted to provide a forum for clients and others to share knowledge at a time of unprecedented change in how fraud and economic crime is perpetrated and combated.

'The ebbing economic tide is exposing frauds that lay submerged and were sustainable when times were good. Alongside this, the downturn is affecting companies of all sizes in all sectors. Banking covenants are being breached, costs are being cut, reputations and businesses are on the line. The pressure for some to "cross the line", or to turn a blind eye while others do so, is growing. Companies urgently need to look to at the measures they have in place to resist this trend.'

The world of regulation and enforcement in this area is also changing. The incoming Bribery Bill seeks to replace the UK's patchwork of Victorian legislation with a purpose built system appropriate for dealing with companies operating in a global market place. Under these new rules companies and directors will be firmly in the firing line for abuses in their sales channels and supply chains, whether they have been conscious of these or not.

Regulators are also showing a renewed desire to be proactive and to work together with business to understand how best to enforce the rules. Richard Alderman, head of the Serious Fraud Office, said: 'There is so much more that the SFO wants to do to help society protect itself from serious fraud. This means engagement, talking to companies, to professional advisers, to regulators and to international partners. Above all it means sharing ideas and where we can, sharing learning. The Fraud Academy will play an important role in all of this.'

The twin forces of globalisation and technology have also had a permanent impact on the nature of business fraud and economic crime. Andrew Gordon, a partner in PricewaterhouseCoopers LLP forensic accounting practice said: 'The rapid increase in the prevalence and mobility of digital technology in business has changed the game. Over the last two decades certain types of fraud have evolved from Tippex and fax machines to deeply digital affairs. It is strange to imagine, but at the time of the UK's last downturn in 2001, the internet was not even a commonly used business tool. Now it is used by almost every business and most private individual have access. 'This is just one example of how the landscape has changed and how the speed of change can render companies' preventative systems and procedures obsolete. Companies are faced with a continually shifting terrain in this area and joining the Fraud Academy will help them to respond to the threat of fraud in the most appropriate and effective way.' Most of those attending the launch were heads of risk management, security and internal audit.

...and more on corruption

Toby Latta

AS BUSINESS becomes increasingly globalised, more and more companies find themselves operating in jurisdictions plagued by pervasive corruption and weak corporate governance standards. In this climate, companies operating internationally are forced to devote increased time and resources to due diligence.

As a response to this increasing market demand, Control Risks has established a new investigations team dedicated to high-volume, compliance-focused due diligence screening services. Its global business integrity programmes (GBIP) division is designed to assist clients in structuring and executing due diligence programmes under which the client's potential counterparties – such as local sales agents, joint venture partners, intermediaries, clients and candidates for senior positions – are screened for evidence of corrupt activities, money laundering, unethical conduct or other issues of concern.

US and European enforcement agencies have recently handed down historic fines (running into millions and sometimes billions of dollars) under legislation such as the US Foreign Corrupt Practices Act, and the US Department of Justice has shown a sharply increased emphasis on individual liability. This and the prospect of the introduction of a new Corruption Bill in the UK will make it even more critical for companies and executives conducting business overseas – particularly in emerging markets – to implement and adhere to global compliance programmes that meet the requirements set out by international and local regulators.

The key role of third party due diligence has been underlined by the US Department of Justice, which has stated that regulators would consider the extent - or absence of - due diligence when resolving a case pertaining to foreign payments. Mark Mendelson, the DOJ's chief prosecutor of foreign bribery, has advised companies to undertake 'aggressive due diligence' and said that the DOJ would be 'much less sympathetic' to companies that 'stumble on' foreign payments a year or two after the transaction. For these and other reasons, GBIP offers compliance solutions in the form of robust due diligence, tailored to the specific needs of individual clients.

Toby Latta, regional director for Control Risks comments: 'In this climate of rigorous enforcement, it has become critically important for companies conducting business internationally to implement programmes to appropriately vet all of their business partners. It is vital that such companies understand the professional history of individuals and companies and whether there is evidence of illegal or unethical activity.'

HOT TOPIC Promoting the risk manager

Some companies have indicated that they are prepared to invest more in establishing their risk management team. What should they be looking for and what skill sets may risk managers need in the future that some of them don't possess now?

Julia Graham, outgoing chair of AIRMIC and chief risk officer, DLA Piper LLP: 'Get a sponsor who is interested in the subject and who will give you support. It may be the company chairman but in any event it definitely needs to be somebody on the board or with access to it who talks the same language and can help open doors.

'That sponsor will also help you to keep relevant and on the right track. This is important when you do risk management as a job. You have to remember that it's not the end to the means but part of the wider picture.

'Step back and take the time to understand what your organisation is all about. One of the biggest lessons I learnt when moving from my previous employer to working within the legal profession was that there were huge differences in things like the structure and the culture. You have to understand the business culture of the sector that you're in, how your business compares to others in this sector, and what its own individual culture is about. If you can do that, risk management can be a career as it's not so difficult to switch ships and progress.

'When you understand your business, you have to recognise that you're part of it. Risk management is not an add-on but just like the other types of management within the business. Find the best way of embedding what you do in your business and work out who and where the key stakeholders are and how to engage with them.

'Demonstrate your value. It is not easy but you do need to provide evidence that what you are doing is adding value rather than detracting. For example, I created a total cost of risk model for my firm so that I could show them that they were getting a good return on investment.'

Felix Kloman, president of Seawrack Press and former editor and publisher of Risk Management Reports in the USA:

'I have to admit that I believe that many so-called risk managers are simply insurance buyers. Those who are interested in risk management should consider joining some international organisations in addition to AIRMIC - for example PRIMO, GARP and the Society for Risk Analysis.

'Read much more widely – publications that are way beyond your area of experience. For example, get a copy of ISO/FDIS 31000 (Risk management – Principles and guidelines) and critique it – how could it apply within your organisation? That will give you an opportunity to redefine the role of risk management in your business and, if you do this reading, you will be able to base your decisions on a global definition of what the discipline is about.

'An understanding of how other specialist disciplines within your company view risk management will also be valuable. Sit down with the people who manage your company's credit risk, foreign exchange risk, have responsibilities for security, etc, and ask what you have in common. Together you can come up with a very holistic view of the organisation, what it faces in the future and how you respond to it. It's a matter of education!'

Clive Nicholls, vice president, global markets, Crawford & Company:

'Risk and how we manage it has seldom been more in vogue than now. The world is in the grip of a financial crisis brought about many would say by ignoring risk. There was an assumption that the economies would continue to grow, businesses and consumers would continue to expand and consume, all largely fuelled by cheap debt. Those participating in the growth, citizens and governments alike, were seen to prosper so why would anyone question behaviour that was so clearly to everyone's benefit? Equally there are some who now say "I told you so" that nothing goes on for ever or indeed that they actually lost their job by daring to challenge the perceived wisdom of the time.

'It didn't last and because it was a global financial leverage problem when it failed all countries were affected if not directly by their banking system then by falling demand for products and services.

'Against this background it is immediately apparent that not only is there a demand to check the financial impact of risk. Is our insurance carrier safe? What are appropriate levels of risk retention? Use of capital for our captive? But also have we properly understood the nature of risk in the current climate which is clearly global? How robust is our supply chain? Is the business running risk that we hadn't considered before?

'The dichotomy is that whilst risk managers are best placed to answer such questions they are too often only asked such questions around the purchase of insurance protection. This is clearly too narrow a definition given that as little as 15% of risk is insured.

'Usually those organisations of sufficient substance to employ a risk manager are public companies. Such companies are driven by issues that the board considers will drive shareholder value. The purchase of insurance is rarely if ever such an issue!

'Therefore whilst the current crisis has caused risk to be elevated to board level consideration like never before, there is a great opportunity for the risk manager to elevate both his profile and the board's understanding of risk. This must be in a way that the board can see will positively influence shareholder value both in the short term (that is where their attention will be grabbed) and also in the long term which tends to be more difficult and cultural in nature or capital intensive. It does require a thorough understanding of what drives the business and a holistic view of its risk.

Most organisations are quicker to respond to threats than opportunities.

'Have we ever seen a better time for a risk manager possessed of the skills in understanding risk, (not just insurance related risk) able to relate that to a board wishing to protect capital and drive shareholder value?

'Remember:

"Don't be afraid to go out on a limb. That's where the fruit is."

H Jackson Browne

"The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty."

Winston Churchill.'

Gavin Lilllywhite, key account manager, Allianz Global Corporate & Speciality:

'The skill sets that risk managers will need to develop now and for the future can perhaps be summed up by 3 Cs – culture, communication and capability.

'**Culture** - in an increasingly globalised world risk managers cannot necessarily visit every company asset and have to be confident that the company culture is being lived globally. They need to be able to manage local regions, not just their own country.

'The risk manager will increasingly be challenged to look at alternative balance sheet protection, as new risks emerge (for example new supply chain risks). It is likely that they will be asked to investigate alternative risk transfer (ART) options. Some insurers offer this facility so risk managers should encourage dialogue with their insurers. This direct dialogue is equally important to establish relationships with insurers, and the successful risk managers of the future will try and map a relationship throughout their business, for example their CFO to the insurer's CEO to try and achieve mutual alignment. They need to be willing to push this forward.

'**Communication** - insurer's pricing and catastrophe management tools have become far more sophisticated which will continue unabated. Risk managers will need to pay great attention to how their risk is presented to the market, particularly if exposures and/or the market change. The ultimate goal must surely be sustainable rates and terms over the cycle, taking out the cyclical volatility. Increasingly risk managers should advocate working with both their brokers and insurers to achieve this, something that some have not yet fully embraced. This will require open communication between all parties.

'**Capabilities** - one of the key capabilities required is the ability to influence - the ability to influence the board to understand that a proactive risk management culture is beneficial, and then executing this strategy globally. In a global company there will be cultural differences which will have to be incorporated for successful risk management implementation.

'Additionally there is also a requirement to be able to speak the board's 'language' and ensure that you can communicate the facts to influence outcome. Good business acumen is therefore increasingly a pre-requisite. In a plc, ultimately the risk manager is accountable to the shareholder.

'Finally risk managers will increasingly need to scrutinise selection of insurers on the following top five credentials: (1) financial security; (2) flexibility; (3) service capabilities; (4) value, and (5) compliance (of multinationals).

'They will need to understand local legislation and demonstrate to their board that their programme is legally and tax compliant. The capability bar will continue to be raised in the future.'

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HOT TOPIC

Fraud

It's been predicted and perhaps now is being experienced that a recession encourages fraud. What processes do risk managers and their employers need to put in place to counter and detect fraud?

David Halstead, business manager, Robertson & Co: 'In times of recession or economic downturn it is inevitable that there will be an increase in attempts to defraud organisations.

'The financial environment has changed immeasurably in the last 12 months and continues to do so at a rapid pace. Risk managers can adapt to this by increasing the frequency that they perform and review their risk assessments.

'The global recession has forced people to view the world from an entirely different perspective. Risk m,anagers need to ensure that risk assessments reflect this. It is likely that hitherto unidentified risks have emerged from individuals that were previously considered low-risk (such as professionals, middle-income families, those who use savings as a source of income, etc), but faced with the consequences of a recession become increasingly enticed to commit opportunistic fraud. Risks previously unconsidered or deemed "acceptable" may not be in the current economic climate.

'Many employees are working with the threat of redundancy hanging over them and those individuals who are fortunate enough to still have jobs are finding themselves working increased hours and managing heavier workloads.

'Both issues can contribute to feelings of resentment towards the organisation and this in turn can lead to a greater risk of internal fraud.

'It may be necessary to conduct enhanced due diligence checks on employees, particularly those in management or executive positions. These checks should not just take place at the commencement of employment, but on an annual basis. If companies do not already have reliable systems in place for internal complaints (whistle-blowing) these should be considered and promoted within the organisation.

'Finally, where fraud is identified and proven it is vital that employers prosecute those individuals to the fullest extent possible. Doing so will act as a clear deterrent to any other members of staff who could be considering committing similar acts of dishonesty. If organisations are hesitant or unsure about involving the police they should be employing impartial, external consultants to provide professional advice and, where possible, to produce evidential packages that can be presented to the police (or relevant authority) to facilitate successful prosecutions.'

Lisa Kelly, partner, fraud and intelligence unit, Hill Dickinson: 'In the current climate it is likely that employer's liability and public liability claims will increase, with a number of these cases being potentially fraudulent or exaggerated. This can impact directly upon overall claims spend in terms of compensation payments and defence costs and indirectly in terms of future increased insurance premiums and damage to reputation.

'In certain circumstances some businesses may be at risk of sophisticated fraud targeting, in particular those with a motor fleet. In addition, the likelihood of fraudulent activity committed against the employer by employees will increase. Desperate times may lead to desperate measures.

'It is important for all businesses to identify areas of fraudulent activity and respond accordingly. The key to the identification and management of fraud is the effective application of intelligence and claim investigation. The work of our fraud unit is underpinned by its intelligence unit which is staffed by analysts with military intelligence, police, insurance and financial service expertise and provides high grade intelligence and analysis directly to clients and in support of our expert legal teams.

'For many clients we deal with claims from the point of notification, through the investigation stage, providing lawyer-led guidance to the assessment and collection of evidence, as well as traditional litigation support.

Glen Marr, vice president, financial crime, AIG UK Limited: 'Fraud and other types of financial crime risks generally have two key drivers – need, ie where employees or businesses are experiencing financial difficulties, and greed – aligned to opportunity. When individuals and businesses encounter the "need" pressure point, as is often the case during a recession, committing fraud may become attractive.

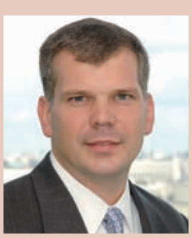
'Because of this, there are some fundamental questions that risk managers need to consider in the current economic climate, including:

- What are the key fraud risks and why?
- What is your company's financial and reputational exposure?
- Are controls in place to counter any risks – and when were they last tested and updated?
- How do the controls benchmark to your market competitors'?
- Do employees have access to a whistle-blowing facility?
- What is your spend on anti-fraud controls? And what benefit is this delivering?

'Even though employees are commonly a company's most valuable asset, they can also present a notable risk. Therefore, businesses also need to consider what pre-employment screening is in place; whether screening should continue once employees have joined the company; and which employees pose the greatest risks, and why.

'In addition, companies need to consider their approach to screening and managing temporary staff and contractors.

'Another important area of focus should be the supply chain. Risk managers should look at whether any of their suppliers are under financial stress, as well as assessing whether all suppliers are making profits from their business relationship. If they are not making profits, the "need" pressure point may be a factor, so the risk of fraud may increase.



Jim McCurry, partner, fraud investigation and dispute services at Ernst & Young: 'The incentive to defraud is strengthening in order to maintain income and reported earnings. In the current climate management are under increasing pressure to stabilise their businesses and meet financial targets – both at a personal and organisational level. Organisations need to respond to the increased threat.

'The four preventative measures described below are "must haves" in the current environment.

- Experience has shown that one of the most frequent mechanisms by which fraud is discovered is through tip-offs. Risk managers should review the effectiveness of their internal channels. While they may exist, limited use could indicate a lack of awareness or worse, a lack of trust in the independence and effectiveness of the process.
- Staff are being made redundant, moved to less familiar parts of the organisation and distracted by the changes in the business. All these contribute to possible gaps in the control environment. More vigorous testing and assessments in key risk areas such as payment controls and vendor approvals should be adopted. Risk managers and employees should be asking:

- How rigorous is the process for accepting new vendors?
- How well does the company know its agents and distributors?
- What level of oversight do subsidiaries have in terms of opening bank accounts and making payments?

- Education and training should respond to the changing needs of the organisation. As well as the changes in staff mentioned above, we are seeing the consolidation of businesses and entry into new markets with different standards of controls. Senior management must be aware of their responsibilities including the effectiveness of existing controls, how they should react to incidents of fraud, current legislation and potential penalties.
- Unfortunately, experience has shown that senior management is also responsible for the most damaging types of fraud. Having strong non-executive directors regularly challenging business decisions and the responsibilities of senior management is the final check against large scale fraud.'

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HOT TOPIC Absence management

Absence management and rehabilitation strategies work – employers save money and employees get back to work quicker. Why haven't more companies in the UK embraced this strategy?

Iain Hovell, chairman of the AIRMIC rehabilitation and absence management group, and group risk manager at Rentokil Initial:
'Let's begin with the positives. Progress may be slow, but the number of firms genuinely adopting rehabilitation as part of absence management increases all the time.

'There's a very good reason for this. Rehabilitation works, and it is cost-effective. No employer, as far as I am aware, has ever withdrawn from a commitment to rehabilitation once started. In the case of my own firm, Rentokil Initial, a proactive strategy of helping injured employees back to work has substantially reduced the number of days lost as well as generally improving employee relations and morale.

'For all that, there is still a long way to go among UK employers as a whole. Although many firms pay lip service to the concept, it is estimated that only 10% take rehabilitation seriously, and I doubt whether the public sector is any better?

'The failings are most common among SMEs. A number of large companies have instigated exemplary rehabilitation programmes but, even among AIRMIC members, they are not typical.

'Why the reluctance to embrace rehabilitation when there is so much evidence for the financial benefits? The main reason, I think, is this: implementing an effective organisation-wide rehabilitation programme is not easy. It requires strong support of management. In my own firm, the senior executive team took a personal interest as we developed our system which started in 2005.

'Rehabilitation also requires substantial up-front investment in expertise and systems, even before taking into account the in-house time spent creating the necessary infrastructure. For example, absences must be reported immediately and in a consistent manner, and there needs to be a well-understood system to escalate them into practical interventions when appropriate. Providing a streamlined and automated system is vital in ensuring that the process is effective and the employees receive appropriate treatment as soon as possible.

'Making this work requires the support of line managers, who must be educated. It all adds up to a change of culture.

'In short, a firm has to make rehabilitation a priority. Given all the competing demands on management time, especially in a recession, it requires an internal champion.

'I remain, however, an optimist. A healthy workforce is a productive workforce, and productive workforces help produce successful businesses. The message is getting through steadily – even if a bit slowly.'

Stuart Sutherland, UK casualty manager, XL Insurance:
'I think they have not embraced it because they don't necessarily see the benefit to them. It is important that we start highlighting the uninsured costs that an employer will be picking up when one of their employees is absent.

'With the increased squeeze on everyone's bottom line, these things are being looked at far more closely. I think people will see the impact on their bottom line and that it's really important to implement absence management. Fundamentally, it comes down to costs.'

Recession issues at the forefront

StrategicRISK editor Sue Copeman asks Mike Crisp and Warren Dann from JLT what issues they're expecting risk managers to raise at this year's AIRMIC conference

Warren Dann

Mike Crisp emphasises that the effects of the recession are on most people's minds and how the current economic climate is affecting the insurance market. 'Risk managers are obviously interested in views on where the market is going as there are mixed messages around at present; some insurers are trying to talk it up while others are remaining competitive on their pricing.'

He says that there are no easy answers as to how the market evolve in the short to medium term. It depends on the kind of business you are in and where your risk exposures are. But if as expected the market begins to turn, clients will ask what actions they will need to take protect themselves against premium increases. His advice is: 'Make sure you maintain your approach to risk management, and look at different ways of structuring your programme - i.e. whether there are alternative structures which could mitigate rate increases such as increasing levels of self-insurance or checking the levels of cover are reflective of the needs of the business at this time.'

Linked to fall out from the credit crunch will be the continuing concern over insurers ratings where recent downgrades have focussed the attention on the counter party risk. In fact a number of programmes have been restructured to reduce the participation certain carriers where long term security remains a concern.

Key to market direction will be how renewal of the 1 July reinsurance treaties play out. Dann says, 'Quarter 1 09 renewals did not change things much because competition has remained a factor in keeping rates down, this may change if reinsurance rates see further upward movement. However, a number of actual and potential clients who have long-term agreements with insurers are trying to extend these.' Insurers' willingness to allow such extensions varies between the different companies. 'We're also having some interesting conversations about use of captives, Solvency II and the possible benefits of conducting a captive review,' he adds.

Warren Dann says that, on the operational side, risk managers are not immune from the pressures of the current climate and increasingly being expected to assess their value to an organisation. This may lead to some companies downsizing their risk management teams and an increase in the outsourcing some functions to brokers or consultants. On the budgeting side, he explains, 'Risk managers are coming to us and saying they have a budget of X, what can they buy for it?'

Dann sees another likely topic for conversation around the whole issue of enterprise risk management (ERM). 'ERM is not a new concept and many businesses have been embracing the concept for some time. It has been receiving greater attention recently as lenders are tending to include a wider review of a management of risk when assessing their lending appetite for businesses. Also the recent issue of British Standard BS 31100 code of practical risk management is further increasing the attention on the adoption of a consistent framework'.

Additionally he expects non-executive directors to focus on this area and ask for visible evidence of a coordinated approach to the management of strategic, operational, and financial risks.

Mike Crisp and Warren Dann are available for comment at the JLT exhibition stand which this year focuses on the re-branding of JLT. They will also be checking out the results of a recent survey of AIRMIC members which concluded that the current number one priority for risk managers is price with service from your broker some way down the list. They plan to do their own little survey on that one!

XL launches rehabilitation services

XL Insurance is using this year's AIRMIC conference as the launching pad for its new rehabilitation product. Sue Copeman, editor, StrategicRISK, talks to XL's casualty manager, Stuart Sutherland

Why should companies consider introducing rehabilitation processes?

In my view, rehabilitation has been a hot topic for the last 15 to 20 years. When it was first discussed, it was generally viewed as a cost containment exercise that allowed people to manage and keep down their employer's liability (EL) insurance cost as well as providing an additional benefit for the employees.

Things have moved on considerably. For example, everyone used to focus on musculoskeletal issues but now it's broadened to take in sickness and, in some cases, any absence from work. Many employers are now recognising that they have a social commitment to their employees – it's not just about cost containment.

Are the benefits quantifiable?

Yes, there have been a number of studies done over the last few years. Initially it was difficult to assess how valid these were because this type of rehabilitation initiative was still fairly new. Now that we have this 15 to 20 year history, the figures are much more convincing. Basically, employers can expect to reduce their costs in respect of sick or injured employees by a minimum of one-third. It depends whether you are looking just at the insurance or claims costs or including the uninsured costs. It is difficult to quantify the latter but, as a guide, for every £1 of the cost that is insured, there will be between £8 and £32 that is uninsured. Obviously, it depends to some extent on the role of the employee concerned. Uninsured costs include things like replacement labour, additional shifts, national insurance contributions, additional management time, etc.

When and why is XL launching its new product?

We are launching it at this year's AIRMIC conference and delegates will see that we are featuring it on our exhibition stand. The reason why we've introduced this particular product is very much to do with the type of clients we have and their buying styles.

Having been traditionally focused on providing products and services for Fortune 500 companies, we last year announced the launch of a new division providing liability and CAR cover designed specifically for middle market clients. You have to remember that in the UK something like 85% of businesses only have between 50 and 100 employees. So in addition to appealing to our large corporate clients, we believe rehabilitation is an area where middle market businesses will appreciate the opportunity to provide their employees with a service that can be tailored to suit their specific needs.

What does the product consist of?

XL are working very closely with an independent rehabilitation provider, IPRS Limited, who has been providing rehabilitation services for some 13 years. XL provides the EL insurance and IPRS provide the professional rehabilitation assistance. This can range from a triage service, where any employee who is injured or suffers sickness can call the IPRS free-phone number to speak to a clinically qualified professional for a free assessment and advice, through to a complete occupational health evaluation for some of XL's larger clients.

Clients have access to an entire suite of services, however XL are able to dovetail these to fit in with any product or cover that the client already has in place.

Whilst a lot of global players will indeed have some form of occupational health system, XL would like to work with them to explore the possibility of adding additional services to their current process which could be hugely beneficial to both employer and employee.

What about cost?

We will be including this service with our standard EL product, and there will be some initial cost implications for clients. That's why it is important that the client is not purely a transactional buyer but rather an employer who is prepared to make some investment in the management of their employees.

Ultimately, they should benefit financially by the saving they make on their bottom line costs. And the effect of reducing the number and cost of EL claims should mean that we can charge a sensible sustainable price for cover.

Could this type of add-on being extended, for example for personal injury or sickness arising from defective products, linked to your product liability cover?

That is something that we might consider in the future. We already have a product recall operation within XL.

I also think that the skills and experience that our carers have will enable us to consider developing some wider products that can be used by our clients.

Don't you think that medium sized companies might regard this as rather a luxury in these tough economic times?

I think the reverse is true. Perhaps people have not bought into rehabilitation services in the past because economically things have been going fairly well and management of costs has not been so important. Nowadays with the economic squeeze and when you consider what your uninsured costs could be, we're in a good position to make the case. We believe that large as well as medium sized clients will see the benefit on their bottom line. We want to work with people who are keen to look at the management of their risk and to improve risk.

STATISTICS

The July 2008 Chartered Institute of Personnel and Development survey on absence management reported that:

- The average cost of absence increased to £666 per employee per year, from the previous year's figure of £659 per employee per year
- Manufacturing and production employers saw the average cost of absence increase to £759 per employee per year from £726. Among private services sector organisations, the cost of absence per employee per year increased from £600 to £663, while average absence costs in the non-profit sector jumped from £648 to £741.
- Nearly four in ten organisations provide no rehabilitation support for employees and, where support is provided, frequently it is not available until an employee has been off work for more than two months.

REVIEWING THE YEAR

Sue Copeman interviews AIRMIC's retiring chairman, Julia Graham

What do you see as the highlights of your year as AIRMIC chairman? And were there any down-sides?

Like many AIRMIC chairmen I started off thinking that I was not going to have a theme and then completely succumbed! My theme was all about building and promoting the role and profile of the risk manager.

The main highlight of my year is that, from the feedback I get as I visit organisations like AIRMIC partners and events like the BIBA and CILA conferences we have clearly made great progress. I am hearing from people that the profile of AIRMIC has increased this year and part of that is that the perception of the role of the risk manager has grown. That is exactly what I wanted to see.

I'm also delighted about the way that AIRMIC has delivered its core strategy, which is all about helping our members do their jobs and develop their careers. We have become much more prominent in lobbying and are getting more media air time and coverage. Everywhere I turn we seem to be exercising influence and making a real input. AIRMIC's views really do carry weight.

I am very pleased about the focus which is being achieved by AIRMIC. The association represents people who buy insurance, people who are risk managers and do not necessarily buy insurance, and people who do both. We are getting a balance between meeting the needs of these different interests.

Other highlights include the research on enterprise risk management (ERM) that we conducted with DNV and our involvement in contributing to the committee which developed the first standard of risk management for the British Standards Institution (BSI), a committee I had the privilege to chair. All of these initiatives underpin the professionalism of the role of the risk manager.

On the insurance side, we have really succeeded in pushing claims up the agenda in a practical way, reflecting the wishes of our members. The claims best practice guide, agreement on reservation of rights and ongoing work on speed of settlement are all going to make a real difference.

Another highlight has been the growing relationship with our partners, particularly insurers, brokers and loss adjusters. I'm also delighted that we've been able to develop relationships for new partners who provide affiliated services. These organisations make a very important contribution for risk managers and allow AIRMIC to deliver services and learning for our members.

The support that we have been getting at AIRMIC events over the last year has been terrific. We've had a good turn out at most of the meetings with our partners as well as at the other events that we organise including our latest venture, the AIRMIC Academy.

Another plus is that the association's financial stability has improved. We have worked very hard as a council to put in prudent financial management and I think we have achieved that with a good finance committee and a strong audit committee.

We have really succeeded in pushing claims up the agenda in a practical way, reflecting the wishes of our members

Personally, I have benefited enormously from having AIRMIC's chief executive John Hurrell and technical director Paul Hopkin backing me every inch of the way in my year as chairman. I am fortunate to have enjoyed working with John in his first full year in office. Their combined help and expertise have made my job much easier, coupled with the fact that I have been working with a really great council and supportive deputy chairman in Paul Howard!

The only real downside is that it's taken a lot of time and work. I am passionate about what I do and about the industry that I have the honour of representing. I've put into it everything I can so I'm pretty tired at the moment and feel I need a break and the opportunity to do more of the other things I enjoy such as being with friends, going to the theatre and just relaxing. Some people might see another downside as being the difficult times that we live in but I think that they provide an opportunity for risk management. The economic climate and recent fears of a pandemic are a practical demonstration of how important the work of risk managers is to their organisations. These challenges are an opportunity for risk managers to prove their worth.

How easy was it to combine the role of chairman with the demands of your job?

It wasn't easy but I work for a firm that gave me terrific backing. I couldn't have done it without DLA Piper's enthusiastic support. That made all the difference.

Tackling both roles has meant that I have had to work weekends and evenings because I won't deprive the firm I work for of any of my day job time. I love my job, we have a great team, so I have worked longer than might be sensible at times. However, being AIRMIC chairman has helped in my job. I've been closely involved with a number of projects. This proximity has helped me in what I do in my day job and added to my ability to do that job. I like to think that undertaking the role of AIRMIC chairman has made me a better risk manager for my firm.

You made supporting the risk manager your theme for the year. Why did you choose this and what progress do you feel that AIRMIC has achieved here?

Ironically, if I'd known about the environment that we would be in today I would have emphasised this theme even more. I took it up because risk management was a euphemism that people did not really understand. People were regarding risk management as a career but there was not really an identifiable progression route you could take.

We are launching a risk management career model at this AIRMIC conference. We are very keen to show people how they might come into risk management and the career paths and opportunities that they might take.

In the current economic climate risk management has become very relevant. I think we have made fantastic progress although I'm very aware that it's

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the start rather than the end of the journey. AIRMIC's succession policy allows for continuity of thought. The two year run-up to chairman and the two year run-off afterwards means that I will be able to see a number of projects that I've been involved in come to fruition. Promoting the risk manager is one of these.

What do you think the other key issues for risk managers generally have been in the last year?

I think the big issue has to be the economic context. I'm a real survey geek – I read them all. At the start of the year there was the World Economic Forum survey followed by an Ernst & Young survey and surveys produced by AIRMIC and others including a new survey from Lloyd's.

Risks like economic downturn and a potential pandemic are challenging but the thing that has really taken my breath away is the speed at which they can develop. Who would have thought that the World Health Organisation would move swine flu up to phase 5, one step short of a full pandemic, so quickly in a matter of days?

When I first started out in risk management over 15 years ago, things definitely moved at a slower pace so I think that one of the key areas for risk managers now is the pace of change and the pace of the effect of that change. The message seems to be, if you are not able to be nimble and agile then forget it!

Another key issue is that businesses are now looking for risk management to rise to the challenges and for their risk manager to be there to meet these challenges. Can you do the job? If you can there is a huge opportunity for you to take your place at the board table or to influence the board more directly than you have been able to do in the past. But you have to be confident about your capabilities. Don't raise your head above the parapet unless you know what you are doing because it might get shot off!

As far as insurance is concerned, the industry has weathered the current financial storm better than banking. There may be some storm clouds on the horizon, but so far, apart from some glitches like AIG, I think they have weathered it quite well. Maybe the insurance industry has learnt from things like aggregation issues of the 1980s and 1990s and 9/11 and emerged as a fitter business than it used to be. That said, I don't think that everything is perfect and to some extent the story has yet to be fully told. Risk managers have to keep their eyes on this subject and that will be a key issue going forward.

The last year has shown that ERM is the way to go. You have to manage all your risks together if you don't want to find yourself struggling. A lot of what has been said about ERM has come true. Some people don't like the term much but that doesn't matter because it's the principles that are the issue. As a discipline, risk management has matured and come of age this year.

And do you think the role of the risk manager is changing?

Absolutely. Chief risk officer (CRO) was an expression that many people did not understand other than in financial circles but it's now being accepted in other industries. I do believe that the risk manager is becoming an accepted profession in its own right. But –and it's a big 'but' - we have to move with the times and develop new skills. Being a technically competent risk manager, essential as that may be, is no longer enough on its own. That's one of the themes of our conference and indeed of my whole year in the chair.

What are your plans for the future?

I will be involved in AIRMIC for as long as they want me! I also want to continue presenting papers and writing articles. I'm involved in some very interesting projects for my firm at the moment - we are at an interesting stage of implementing our risk management framework. I'm looking forward to doing a bit more and being a better citizen for some of the other organisations that I'm involved in like the Insurance Charities. I'm also looking forward to getting my social life back, but I wouldn't have missed this year for the world.

Julia Graham is outgoing chairman of AIRMIC and chief risk officer, DLA Piper LLP