StrategicRISK

THE PRESIDENTS' ROUNDTABLE

MANAGING RISK IN THE RECESSION

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The Presidents' Roundtable Participants

Marie-Gemma Dequae,
president, FERMA,
chaired the discussion

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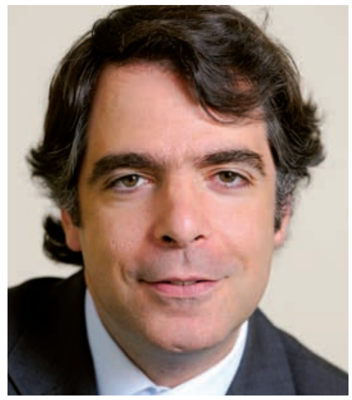
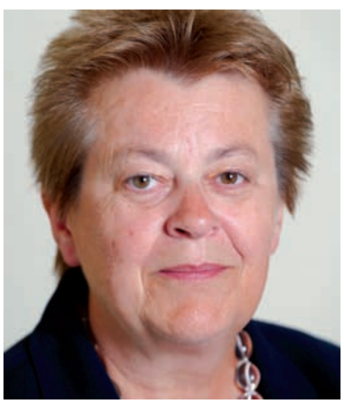


António Fernandes,
secretary-general,
APOGERIS



Julia Graham,
chairman, AIRMIC

Carl Leeman,
vice president, BELRIM

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president, POLRISK

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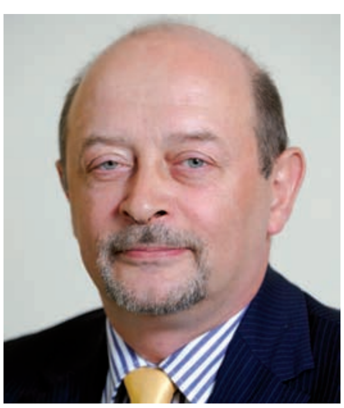
country manager, ACE Switzerland



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MANAGING RISK IN THE RECESSION

Not surprisingly, the effects of the current economic recession on risk and risk management dominated the agenda at this discussion in May. Some participants were concerned that governments were fighting the recession with the weapons that had caused it – notably making 'cheap' money available to encourage spending and stimulate recovery.

However, there was general agreement that this particular risk event has an upside for companies that are well capitalised, in that they can gain a competitive advantage over their less well capitalised or more risk averse peers in terms of acquisitions and expansion into new areas. For others, sensible cost cutting seems to be the answer for survival, provided it can be done in a way that does not jeopardise the future of the business.

Opinion was divided as to whether more regulation was the answer to preventing the kind of actions that led to the recession in the first place. The downside of more stringent regulation is that it can over-burden SMEs, who make a very significant contribution to most European countries' economies. But all participants agreed that good management and their improved understanding of risks were key in helping businesses not simply to recover but also to recover in a way that would leave them fitter to take advantage of post-recession opportunities. In terms of the risk manager's role, this means communicating the right information at board level.

There was concern that governments are bailing out large organisations at the expense of SMEs – and more concern too that whistle blowing does not reap its just rewards. 'Nobody likes the bad guy complaining about the risks,' said one participant.

At a time when public confidence is key to an organisation's survival, the media also came in for some criticism. Is the power of the press too great? And could its focus on the next 'sexy' risk issue encourage companies to ignore historic risks, even though they have not lessened in importance? A long-term perspective remains valid.

Managing change is a daily necessity in the crisis and, for organisations to do this effectively, risk managers need the ear of their senior management. 'Trying to discuss the downside is still an issue,' said one participant. Companies also need to be flexible and willing to divert resources to exploit new and potentially lucrative areas – provided that they have people who understand these new markets.

The meeting concluded with a discussion of the insurance market and the likely effects of the current economic climate on future premium rates.

Participants were concerned that governments are fighting the recession with the weapons that caused it

Sue Copeman, editor, StrategicRISK

Markus English, manager financial lines, CE Frankfurt office

Florian Mueller, country manager, ACE Swiss

MARIE-GEMMA DEQUAE: The agenda is dictated by the economic reality. The economic crisis was very severe in the fourth quarter of last year and that has extended into this year. The question is, what will happen next? Let's discuss where we are today, the reasons for, and origins of, the current crisis and the solutions that we see, focusing on the responsibility of risk management. Then, if we have time, it may be important to discuss what is happening in the insurance market and how the financial crisis and recession are affecting it.

We all know that the crisis started in the financial sector with the liquidity problem and the problem with modelling. It then moved to the corporate sector, whose risk priorities changed to the credit risk area. In short, some high level companies without cash are having very big problems. In my view, others that have a lot of cash have many opportunities today to buy companies or expand into new activities at interesting prices.

The Economist Intelligence Unit issued some interesting research – *Managing risk in perilous times: Practical steps to accelerate recovery*. As ACE was one of the sponsors, Florian, perhaps you could give us a short introduction as to how that research was organised and how you see the elements of the crisis in relation to recovery.

FLORIAN MUELLER: We started by talking to several risk managers to get more information about the reasons for the crisis, the lessons learned and the role of risk managers. This was mainly focused on financial institutions. To start with the economic situation, we don't have a crystal ball. It's difficult to predict. The signs a couple of months ago were very negative. Fundamental problems are still there. Debts are increasing, including government debts, and there is the potential threat of inflation in years to come although it is not a threat now. It's a delicate situation because we are fighting the crisis with the weapons that caused it.

One cause was the aggressive monetary policy of the Federal Reserve Board in the US under Alan Greenspan at the time. This was pushing the economic growth that brought us prosperity. Now, to avoid a further and perhaps total crash of the housing market, to re-stimulate the economy and to avoid inflation, we are using the same tool. We understand that we have to do this in the short-term because we have to stabilise – but it is a real challenge.

Looking at more fundamental information about the economy is interesting. In the US housing market, February 2009 was the first time that the index went up again after 24 consecutive months of decrease in value. That is at least a good sign. Another indicator, the house affordability index, was at 107.6% in 2006. It is now at 173.5%. Why is that? Interest rates are down and prices are down, so more people can afford houses. At the same time, they are afraid of losing their jobs. But I want to point out that there are some positive signs now. Companies that are strongly capitalised are taking advantage of opportunities.

My personal view, although I am not in the business of making predictions about the economic outlook, is that we have some signs of stabilisation. The big question is how sustainable that is. That leads to the question of how risk managers – we have the real experts here – cope with that level of uncertainty. What are you doing about it?

To return to the original question about the research, this should be a tool to collect information on what can be done. What actions should be taken? There's a lot of talk.

TOMASZ MIAZEK: We have to decide whether to increase or decrease risk appetite at this time. I think it should be increased because there are so many opportunities. It is like the stock exchange. Everything is cheap but people are not buying because they are risk averse. But it is the right moment to buy, the professionals (who know) buy when people are risk averse. My feeling is that companies should increase their risk appetite to take advantage of the opportunities on the market. There are many examples. In cost cutting and cash generation, if you accept more risk, you can generate more cash. If you accept more risk, you can do much more cost cutting. For example, if you are prepared to accept that your employees could be unhappy, you can reduce some benefits. What do you think about risk appetite?

CARL LEEMAN: I fully agree. It has been said that cash is king. Companies that do not have a lot of cash are in even more trouble than those that do. Similarly, in the economy out there, some businesses are going on more or less as usual, while others are having a lot of difficulty. I think that it is crucial for those companies to be aggressive in cost cutting in order to survive, because a lot of companies these days are thinking, not about growing, but about surviving. How to do that might be a slightly different debate. Cost cutting is crucial. A lot of decisions must be made, as you said. Where can we cut costs without completely jeopardising the future of the company?

Cost cutting can compensate for market shares lost due to an economic crisis and slowdown that could have nothing to do with your activities as a company. It is just that the outside world is buying less and, due to that, the whole system is slowing down.

It is a matter of survival for some companies, and I think that is where risk management should step in: to help them survive, certainly not to take risks that might completely bring them to their knees. Only afterwards will they be able to talk about how to expand.

Everything is cheap but people are not buying, because they are risk averse

TOMASZ MIAZEK

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We have seen that there are always ways around every regulation
CARL LEEMAN

JULIA GRAHAM: A very good lecture was given in London recently by a professor from the London School of Economics, John Kay. His opening comment was: 'Don't waste a good crisis', which I thought was a great expression. He supported a lot of the comments made by other people that now is the time when good businesses will get even fitter.

Rather than just cutting costs across the board, I think it is about cutting the right costs and getting fit. When the recession starts to ease, it is the fit businesses that will be away quickly. They will not only survive but prosper and outstrip the competition.

People need to do that preparation now by cutting the right things and identifying what will make their business for the future, not necessarily cutting the things that are easiest to cut. That is the big challenge, because my own view about the recession is that what we see is a failure of good management. People are saying, 'Let's have more regulation.' But the regulations failed. So are we asking for more of something that has already failed!

What we actually need is more good management to get businesses fit and the adoption of good, strong practices so that businesses are ready to run when the time is right. At the moment, we are walking, and we'll keep walking until we think it's time to go. And then we will race. That's a personal view.

The other fundamental thing that I see is that people have been managing things that they do not really understand. All the big case studies that I have read seem to involve a failure on the part of boards who do not really understand the detail of what they are running. Businesses that do have leadership and are really in touch with what they do will be the ones that come out of the race as winners. So for me, the thing is to get fit, use this opportunity and put good people in charge who really know what they are doing. A lot of the issues that we have faced probably would not have happened if we had done some of those very basic things. It is about management as much as risk management.

MARIE-GEMMA DEQUAE: Another professor from the London School of Economics, a Belgian named Wim Van der Stede, also said that, based on risk aversion, businesses are often run with a yo yo approach to risk and performance management. You have to take a longer term view and look at the business cycle, so that you can take a more consistent approach to risk and performance. He was talking about enterprise governance.

That brings us to the board that didn't take the right decisions. The question is – was the board well informed about the risks? Where did the problem lie – at board level or at management level? What was the position of risk management?

With the crisis, it has become clear that in risk management, there have been some problems in representing the global risks to the board. Are the right risks being reported? Do we have the right information from the operational level to the board level? There are some questions that you find in a lot of different reports: for example, the whole problem of whether models and scenarios should be used. There's a lot of discussion about that.

ANTÓNIO FERNANDES: I agree that we need new management, but we need new management at all levels – not just the top level. The lower levels also need to change.
Will this crisis change the world for the better? Will we learn something from it so that we will try not to make the same mistakes again? We are facing a lot of problems on the management level and in other areas. Companies will have to adjust, and we are still in the process. From an economic point of view, we are still very depressed. We don't yet know how things will move forward, but we must do something.

CARL LEEMAN: I would like to return to the point about regulation, because it is important. We were already submerged by regulations. Most of the time, regulations made during crises are not the best ones, because they are made quickly just to have something new in place. There are enough regulations around. The point is that those regulations are developed by authorities but mainly driven by big companies and consultants, while much of the economy is run by SMEs – small and medium sized enterprises. They are the heart of the economy, and they just have to swallow all this regulation. It can even limit their business.

Today, some of them – certainly the SMEs that work for and depend on big companies – are victims of the crisis. A lot of SMEs still work very well – the bakers and butchers are doing business as usual. Bur there are people out there who were hit by the crisis and have lost their jobs, and then there are people who talk about the crisis but still have their jobs and actually have a better life. Apart from the tension of wondering whether they will lose their jobs, they are making more money, relatively speaking, than last year because everything is getting cheaper.

It is important to stress that we do not need more regulation. We have seen that there are always ways around every regulation passed. If you make more regulation, people will again find a way around it.

The second important thing that we have seen is over capacity, particularly in the automobile and petrochemical industries. Everybody had known about it for years, but we continued to push the problem. Even now, by sponsoring GM, we are keeping that over capacity alive.

JULIA GRAHAM: Another issue sits behind that, though. Some of these organisations have become so big that governments cannot allow them to fail. The normal Darwin theory of evolution is that the weak fail and the strong survive. Actually, the big ones that are weak are surviving for the wrong reasons. A lot of the packages that governments have put in place to save these businesses are actually saving the very businesses that probably should not be saved, but the government cannot afford not to do so. It is an interesting twist on what you are saying, because the SMEs that need that support are the ones being allowed to fail, and the big businesses that have not done a good job are being supported. It is actually making things worse.

FLORIAN MUELLER: You brought up an interesting point about regulation. Regulation has a cost. Everybody is now asking for more regulation, but I have seen that the regulatory burden has increased over the past few years for companies that we insure. There are more reporting and exercises. Often it is just ticking a box or filling in forms. It's a very static process.

Coming back to the point that Julia raised about management and people, I don't know whether it was the same in other countries, but in Switzerland there was a trend at a certain time to have more and more CEOs who had no experience of the particular business they were heading up. So somebody who was CEO of a travel company could become CEO of a bank. There was a theory that only the quality of the individual counted. That clearly failed in many ways. It comes back to your point about having people who understand the business. It's not just about process.

CARL LEEMAN: A lot of those top people were paid way too much. Sometimes people made comparisons with the sporting world. Athletes – football players or whatever – are paid huge amounts of money, but on the day of the Olympics, they have to perform, and they have to win, whereas for the big managers, it is the team around them who perform. If things go wrong, they take a big bonus and they leave, while athletes step out of the competition and are left with nothing.

That's a big difference. If you pay a lot to an athlete, he has to perform on the day, but CEOs in a lot of big companies just look at the share price. If it grows, they are doing good business. Then they say, 'Look, while I was at the wheel of the company, the stock increased for three consecutive years, so I did a good job. Thank you for my bonus.' Meanwhile, it was the guys around them who actually did a good job.

To come back to the big companies, they make rules, but they actually kill a lot of companies by making those rules. Sometimes it is done on purpose, because small companies cannot take all the regulation and have to step out of business.

FLORIAN MUELLER: In the US, you had banks sponsoring politicians, lobbying, and now they are getting aid.

JULIA GRAHAM: One issue that we could also explore is the ability of people, when they see something going wrong, to put their hand up and blow the whistle. It seems to me that one thing that was a complete failure – we've seen this even with risk managers – was the ability to say, 'This is not right, this is not working', and to get to the top of the business with those comments. Is whistleblowing common in other people's areas? If not, should it be? If so, did it work? In the UK, it certainly did not.

MARKUS ENGLISH: It is highly questionable whether it works. As long as you are generating profits, everybody is happy. Nobody likes the bad guy complaining about the risks. Of course, it is so hard to estimate risks. In a way, a risk manager always has to overestimate risks. Then everybody says, 'Well, you only see the risks. You do not see the chances, and we want to take the chances. For 10 years, we have been successful. We took chances, and we generated high profits.' There has to be a cultural change, not just in companies but also in society.

TOMASZ MIAZEK: This is the question. Should risk managers be seen as people who find the black scenarios or exaggerate the risks? Maybe they should show the critical risks and help managers do risk management more wisely. For example, relatively recently, banks were giving loans to anybody for 130% of the value of a property. Now they have all stopped. And they apply the same rules for everybody even if it is a loan for a butcher's shop or a bakery that is going very well. To me this is not risk management. It is just following the trend and what they've read in the newspapers. It is a safe course for the managers. They are not rewarded for their wise decisions, but they can be blamed if they do not follow the market. That's what I feel about managers in big companies. It's a very comfortable job if you don't make difficult decisions.

CARL LEEMAN: The risk manager not only has to point out the risks but, if he wants to be popular within his organisation, also has to find a way to get the company where it wants to go without taking risks that are too big. We have to guide the business through the minefield. Another important point is the role of the media. Tomasz, you just said that a lot of people take decisions based on what they read in the newspapers. If you take the train from some locations in the morning, you see everybody reading the same newspaper. Then they go into their offices and, based on what they read in that newspaper in the morning, they take decisions. The power of the media is huge. Besides that, if a newspaper runs a detrimental story about your company, it can kill your business in one day, even if what it wrote is not true. It will never put on the front page, 'What we wrote yesterday was wrong.' You will never see it.

JULIA GRAHAM: There's another point here. What has been in the headlines for the past week? It's not the recession; it's the pandemic. That underpins what you have just said. A lot of people manage the most important thing that happens to be in front of them. The fact that the press were bored with the recession and saw this as a much more interesting subject to sell newspapers is another issue. It also says that, although the recession is the biggest issue in the risk management environment at the moment, we should not forget all the other things that are still very much there.

I often use the analogy of nine year olds playing football. When the ball goes over to the far end of the pitch, nine year olds have no strategy or tactics. They all run after the football. We are a bit like that as a race, aren't we? We look at the latest story, and we all run after it. We forget that behind us, all the other things are still there. The big risks for me in the recession are all the things that are not to do with the recession that people have stopped

There was a theory that only the quality of the individual counted. That clearly failed in many ways

FLORIAN MUELLER

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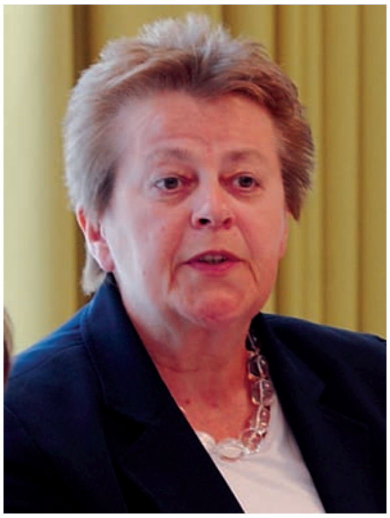


In a recession, I wonder how many businesses keep their plans up to date

JULIA GRAHAM

looking at. That could be a significant issue if people are not careful. There is still the threat of a pandemic; there are still issues affecting the climate; there are still issues involving terrorism, and so on. They're all still there, and their profile is as big as it has ever been, but they are not on the radar of all these wonderful surveys that organisations facilitate and provide. We should never forget them, because they are going to have an impact in the future. If we stop managing them, it will inhibit our ability to come out of the recession as well.

MARKUS ENGLISH: Who has the responsibility for these big issues in your view? Is it only the World Health Organisation or governments? I think it is also the responsibility of international firms to manage those risks.

JULIA GRAHAM: I agree completely. Governments and other organisations are a good source of information and a good way to trigger your response. But that does not remove the need for businesses to respond. However, in a recession, I wonder how many businesses keep their plans up to date – and have kept enough people. For example, I went back and looked at all my business continuity plans about two weeks ago. We do it regularly, but we particularly did it then because of the swine flu outbreak. In the plans I found the names of many people who do not work for us any more because they had been made redundant. They were victims of the recession. If you do not keep your eye on these things – that is part of my point – other things will come and attack you. You have to keep your eye on the whole picture, because its impact is huge.

MARKUS ENGLISH: So a long term perspective is still valid.

JULIA GRAHAM: Absolutely.

MARIE-GEMMA DEQUAE: Due to the crisis, some risks are changing. At the end of last year, credit risk had increased dramatically for corporations and was affecting not only the client side but also the supply side, because of the harsh reaction of the credit insurers who stopped credit limits. Normally they worked with ratios, but they saw the crisis coming and quickly changed their way of operating. They were looking mostly at the cash available in companies. So many high level companies lost their credit limits. That meant that those in the business of buying and selling goods were squeezed. Their suppliers were told that they were not given a credit limit, so these companies did not get the goods they needed to produce. Then they had problems with their clients, because they could not get a limit on them.

In that kind of situation, you have to look at risks in a very dynamic way and be flexible. That's a good example of how a risk can transform abruptly due to a changing external environment.

MARKUS ENGLISH: The question is, can I really manage this sudden change in the environment?

CARL LEEMAN: You do not have much choice.

MARKUS ENGLISH: It goes back to what Julia said. You have to have a business model that is sound for many years, and you have to have experienced and good management. Even that management is being faced with problems that they have never faced before. They do not have solutions for it either, but they have enough capital, hopefully, to survive.

MARIE-GEMMA DEQUAE: You also need transparency within your management system, from bottom to top, so that when something changes dramatically on the operational side, the managers can report it quickly to the top level and changes can be made in the approach to the problems.

MARKUS ENGLISH: As Florian said, that will cost money. The cost ratio will go up. And you need the support of your shareholders and the press, if you are a listed company. You need people to accept your approach rather than comparing it to that of your peers and saying, 'They do better'. They may do better in good times, but they will not do better in bad times.

CARL LEEMAN: Managing change is a daily necessity in the crisis. Take the example of my own company's business in Texas. First the state had the hurricanes and some businesses did not survive these. Then came the recession, and the US, as we all know, was much harder hit by the economic crisis than Europe. At a certain point, our business locally was down a significant amount. As a manager, you have to manage that. That means laying off perhaps half the people, changing a lot of things to provide work for the other 50% and continuing to support the client supply chain – we are in logistics.

But today, due to the change in the economy and the fact that energy prices are so low, all of a sudden, we have more work than ever before, so again the manager has to cope with big changes. First you are 50% down and two months later you are 100% up, so you have to manage that. You can listen to the professors talking or whatever, but this is what happens to managers in the field. It is not always easy to do these things in daily life.

I think that a positive point that has emerged as a result of the swine flu outbreak is that a lot of lessons have been learned from the Asian flu epidemics. The authorities have developed a lot of contingency plans, and people's reaction to swine flu has been completely different from their reaction to Asian flu. We are lucky that this has not been as bad as the Asian flu so far, but the positive point is that a lot of companies and authorities had developed plans to cope with the situation. We are more or less as prepared as we can be. It will always take three or four months to develop vaccines, so the question is how to get through those three or four months from the moment when they find the source.

FLORIAN MUELLER: I would like to return to a point you made about managing the cycle. Sudden loss of income is a crucial thing that we are all experiencing in different organisations. Obviously, the insurance cycle is a bit different, but we are experiencing that too. The real challenge is to keep the franchise and not destroy its essence. Even if you have to rebound, as we described, you have to be able to react within a reasonable time frame, because competitors may be faster. Ultimately, capital strong companies can maintain their franchise. If they are weak, they just cut costs and the franchise is destroyed, although they may be able to keep it in a few locations. That is a strong company's competitive advantage: maintaining the elements of the franchise. You will not find all those specialist critical staff within a very short period if the economy improves. I don't know how you managed that challenge, Carl, in your example – whether it was an exercise in cutting a certain percentage, or whether you identified critical staff.

CARL LEEMAN: We had been shifting people for technical reasons but what we did, for example, is to put some of the management people into operations, because we knew that it would be easier to find some of the operational guys than management who had more know how. That was well received because the management guys had to change their white collars for blue collars, so they learned what was going on in operations. The people who were still in operations were also happy, because the guy who normally told them what to do was now working alongside them and actually listening for the first time. It was a learning experience for everybody. The day that the economy started up again, the management went back to management, and it was easier to find blue collar workers to carry out those jobs.

JULIA GRAHAM: That goes back to the point about doing the things that are basic for your future, doing them well and getting yourself fit for when you do need to expand. The issues are complementary and very similar. At the moment, particularly in the financial and insurance sectors, I think 'boring' is good – doing the things that your business is really about, doing them well and sticking to what you understand.

There are some big lessons for the insurance industry in there about gravitating into areas that are not really your core business. It seems to me that those insurance companies that are doing better than some others are the ones that have stuck to what they do well. They are perhaps some of the ones that were hit the hardest in the past by straying into areas where they shouldn't have been. Maybe they got fit, so they are now still fit. They look quite stable. They are not exciting, but I don't want exciting. I want stability and reliability. Maybe they have learned some of the lessons from 9/11 or even previous recessions.

MARKUS ENGLISH: Hopefully that lesson has been learned not only by the managers of insurance companies but also by analysts, stockholders and stakeholders. I have some doubts that they will understand it.

JULIA GRAHAM: Me too!

MARKUS ENGLISH: Some governments are fighting the crisis by flooding the market with fresh, cheap money. Cheap money is one of the causes of the crisis. It is fighting fire with fire. It might work, but it is risky.

JULIA GRAHAM: I do not think that there is an easy answer other than sticking to a long term goal, having the confidence to do it and having people of good enough quality, including risk managers.

FLORIAN MUELLER: Markus, you made a viable point. To take the example of ACE, we were criticised in the past by financial analysts for not repurchasing shares. They thought we had too much capital. Now everybody sees it as a big strength that ACE is capital strong, does not need to raise capital and can trade in a tough environment and offer our customers solutions. Even if the market changes, we will be there.

TOMASZ MIAZEK: That is a good example of wise risk management. You did something different from your competitors.

FLORIAN MUELLER: Yes. That was on a senior management level. They were criticised and there was pressure, but they resisted it. They stuck to what they believed in.

CARL LEEMAN: It is getting more and more difficult to do something different from your competitors. With all the regulations and standards, by the end of the day everybody will be doing everything in the same way. Originality is getting more and more difficult due to all this regulation.

TOMASZ MIAZEK: That is why we do not want an ISO standard for risk management. We will lose the ability to be flexible. And you need flexibility and to be able to react quickly. One day your risk response is one thing; another day, for example, your risk criteria for selecting contractors is different. It may change from one day to the next. A standard would probably make it less easy to change.

CARL LEEMAN: To come back to the point about sticking to what you know, I agree – and I disagree. Sometimes you have to change things and dive into things that you do not know. For example, in my own business which is logistics, we hadn't worked with companies in the food industry and didn't see this as our business. We didn't know about it. But when the crisis came, we saw that the food industry was not too bad an industry to be in. People will always have to eat! So we are reorienting some of our business into that industry. Sometimes you have to learn and change, because the world is changing, and you need to move and change. It's not always the big ones who kill the small ones – the slow ones are eaten by the fast ones.

JULIA GRAHAM: There is a difference, though, between understanding what you do and not trying out new things. I am not suggesting that businesses should be sterile and never do anything new; it's just that if you are going to do something new, you should make sure that you understand it and have people who understand it before you do it. One problem with the banks and some of the insurance companies is that they did not understand what they were doing. It is not about the status quo at all. It is about managing well and understanding what you are doing. You are right. If people never innovated, there would be many dead businesses by now which are still alive because they have moved into new areas. But they need to understand them.

MARIE-GEMMA DEQUAE: By diversifying into different business sectors, you can reduce the risk to your business. But using models that are not transparent and only basing your decisions on these models is getting further from reality. We need innovation, but all innovation must be

You need flexibility and to be able to react quickly

TOMASZ MIAZEK

All innovation must be analysed with a view to risk

MARIE-GEMMA DEQUAE

analysed with a view to risk. That is important. We have talked about risk managers, but risk management is a part of all management activities. Every step in a company has a risk element, and the risk manager or risk committee must be able to assess and aggregate the risk in order to make report accurately to the board. In the end, the board must take decisions based on good information.

JULIA GRAHAM: It is also a question of what you expect from your investment. In some of the scandals in the financial world, looking back at the returns that people were offering, I am not very sympathetic to the people who lost their money. It was very high risk for very high returns. Some you win, and some you don't! However, if I am putting money into something with a lower return, I do expect returns. That is my analogy with insurance. I do not expect insurance companies to gamble with my investment, which is my premium. I would like them to be conservative, because that is what I am investing in. If, however, I put money into a new world, new edge stock, of course I am putting money at risk, and I may lose it. It depends on what you are putting your money into and what your expectation is.

CARL LEEMAN: But some people did not know that their money was in high risk things. That is what people are talking about now on a European level – making a clear differentiation. 'Here you have 2% or 3%, but nearly no risk. If you want to have 9% or 10% – OK but be careful because you could end up with nothing.' But in the past, in a lot of cases, people did not know that the risks were so high.

MARIE-GEMMA DEQUAE: An example that is becoming a classic is Fortis Bank in Belgium. That was the stock bought by prudent housewives and responsible fathers, and look where that stock is now! Insurance companies have to be very careful in investing their reserves, but we have seen those very good investment rates disappearing in the crisis.

TOMASZ MIAZEK: There are many things to do with the promotion of risk management, not only on the operational level but also, for example, to distinguish safe companies from those that are more aggressive. That does not mean that they are not safe, just that they are more aggressive with a potential for higher return. It should be quite strict. The people who buy shares should be educated.

MARIE-GEMMA DEQUAE: And information should be transparent.

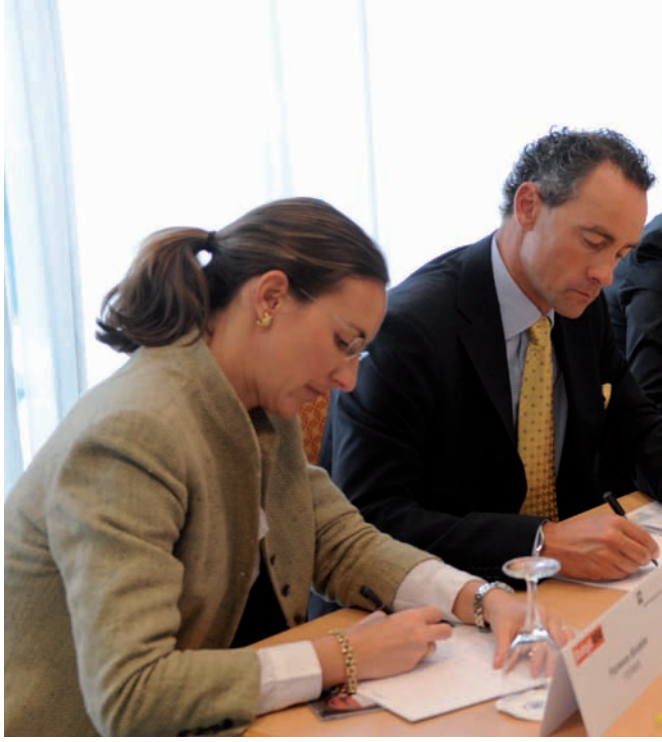
FLORIAN MUELLER: Looking back at recent events, there were situations in which risk managers had flagged issues, for example in banks. Sometimes it was official and sometimes you heard things behind the scenes, but people had been saying that it was getting risky. As risk managers, how do you deal with that? How will you make a difference as risk managers to avoid mistakes? Risk management did not fail in every case. There are examples where the risk managers knew that the company should stop what it was doing, but no one listened or would listen. How do risk managers lead change?

JULIA GRAHAM: That is a big question, but it is meant to be. Risk managers must have the right position in their organisations. We talk a lot about whether they have access to their board and report to the right people. It is about position.

If they have that position, the next thing is whether they have the knowledge to exploit that position, so that when they do say something, it is sensible and well informed and people believe them. For me, the two big things are authority and making sure that, if you put your head above the parapet, it doesn't get shot off. You have to know what you are talking about; if you don't, you will not be there very long. It's quite a brave thing to do. If you feel you have the skill and knowledge to do it, that's OK. One of the big challenges for the risk community is that a lot of people in risk management do not have that knowledge and skill, and they do not have the reporting line. You're not going to change that overnight, but over time.

One thing that we are doing in AIRMIC (the UK risk management association) is trying to put together a proper career structure for risk managers. At our conference this year, we are launching a career model that includes the competencies, skills and knowledge that people need to do a risk management job at different levels, right up to chief risk officer, so that people have a proper career path and understand what they need to get through that career path. Things will not change overnight, but you have to make a start. Every other profession that I know of has something like that. Our problem is that risk management does not. We start with people who feel they can stand up and be counted, and for others, we try to build that progression, so that ultimately risk management ends up as a proper profession with respect. Having a place in the boardroom rather than reporting to somebody on the board, might be an aspiration in some organisations.

CARL LEEMAN: But you are talking about people who are



already in the business. I think we should go further and look at the role of universities and business schools. How much time do they spend on risk management? They were the ones who educated the management now at the top of the big organisations and the consultants – planning bonuses and so on. The business schools and universities should also be involved in discussing how they can teach more risk management in their educational plan.

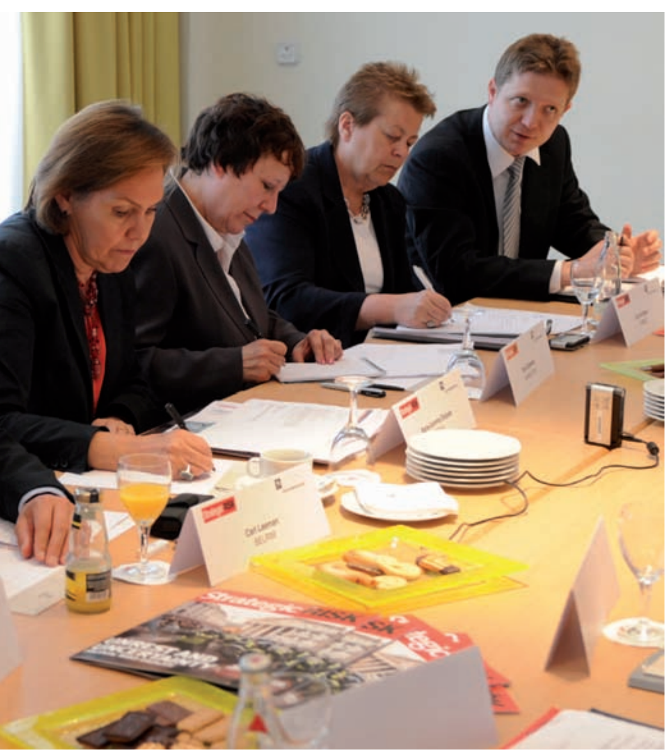
JULIA GRAHAM: I agree. In fact, our career model doesn't start with people in business; it starts with education. The first step involves people leaving further education. We are talking to universities and business schools about what they need to educate people to get on that first step. The first step is not when they are already in the industry.

ANTÓNIO FERNANDES: I agree totally. When we talk about change to management, we should improve management and make more profit, for sure – that is the whole point of management – but also talk about reducing risks. When we teach and discuss management, we are more focused on profits and the upside, but we do not teach people really to understand the downside and the consequences of taking some decisions.

To return to the issue of risk, several people have said that it is important to become more aware of the downside. How do we put that on companies' agendas? When we talk about profits and the upside, everyone is excited. Trying to discuss the downside is still an issue. It is sometimes difficult to reach people. That is a challenge for the risk management community.

TOMASZ MIAZEK: Carl, was your point that the universities should not only educate risk managers but also pay attention to risk management as a subject for general education?

CARL LEEMAN: Yes.



MARIE-GEMMA DEQUAE: I have been involved recently in these topics. If we want risk management to grow into good management practice, we need more practical research at business school level to analyse the links between, for instance, risk management and performance management, and risk management and remuneration. All these topics are closely related, but risk management always considers what can go wrong and what opportunities exist to use things that can go wrong in a positive way. Management involves different steps. We may not look at risk management as a stand alone management practice, so it should be incorporated into other practices.

Corporate governance oriented people start by looking at internal governance as a given, and then they look to corporate governance, but in fact risk management plays an important part in internal governance. It must function with the other elements. European directives say that companies must have a good system of internal control, internal audit and risk management with good reporting to the board. How is risk management integrated in the other management practices?

CARL LEEMAN: Once the economy picks up again, we will quickly go back to square one and be window dressing for the stock exchange, maximising profits in the short term.

MARKUS ENGLISH: You were criticising the regulators. You have seen the scenarios. Don't you believe that we need, if not more rules, then more execution of the rules? Don't you think that we need the regulators?

CARL LEEMAN: People's mentality has changed. When we were young, we had one house, one car and one TV. Now everybody has two houses, three cars and seven TVs. We work from 8.00 in the morning to midnight when before, we started at 9.00 and stopped at 5.00. Are we happier now?

JULIA GRAHAM: I think that one answer is not more regulation but better regulation. I feel sorry for some of the regulators. They find it hard to recruit the right people for the money that they are prepared to pay. I favour having less but better, getting people who understand what they are regulating and focusing them on the right things rather than trying to regulate everything, which is what I think regulators tend to do. You are right: they tick every box, and they want to check.

Regulators use people who are not necessarily correctly skilled and trained, and they treat everyone the same. They do not necessarily segment the big, medium and small. I feel sorry for them because I do not know how on earth they can possibly do their job well. The regulators themselves need a bit of regulation to sort out their management structures, approach and resourcing. Then I think they could be very effective.

I like regulation. I think it is a good thing, if it is done well. It is a dreadful thing if it is done badly, because it drags you back and costs you money if you're trying to deal with people who do not know what they are doing. Less but better would be good.

MARIE-GEMMA DEQUAE: I recently saw a new UK Financial Services Authority draft code on remuneration practices that says remuneration must be consistent with

Don't you think we need the regulators?

MARKUS ENGLISH

The risk landscape has changed

ANTONIO FERNANDES

and promote effective risk management. You have a very creative FSA.

JULIA GRAHAM: That is not how I would describe it!

MARIE-GEMMA DEQUAE: You get more regulation out of a crisis. Will it be good for everybody?

TOMASZ MIAZEK: I get the feeling that sometimes people would like to push for risk management to be a regulator within the company: 'Let's check what the risk manager is saying.' For me, that is not a good solution, as we are talking about regulation. Less regulation is better. The ideal situation would be for the risk manager to be an adviser to the managers who are taking the risk and making the decisions. The risk manager might be able to help open their eyes to some risks that they do not see, but it should be a situation where they call the risk manager, rather than a situation where the risk manager is trying to make an appointment half a year ahead to discuss the company's top risks.

CARL LEEMAN: There must be a permanent interaction, and information going back and forth. Risk management cannot be a silo; it must be enterprise wide. Personally, I do not like the phrase 'enterprise-wide' because for me it is a buzzword; everybody uses it. However, risk management must be enterprise wide, or it is not risk management. There must be continuous coordination and a facilitator for exchange of information.

It should be as normal for risk management to be involved in certain aspects of a contract as it is for lawyers to be. That is one of the key pillars of risk management. You can work for years on internal structures, but if the commercial guys just take risk on board and sign whatever the client asks them to sign, then you might as well go home and sit in the sun!

TOMASZ MIAZEK: I think it is quite unusual for a risk manager to review contracts. There are probably fewer risk managers than lawyers in companies.

MARIE-GEMMA DEQUAE: It was more than 30% of my job in my former company, because many more things are captured in a contract. A contract must be OK legally, but looking through the contract at the risks that are put into that contract is very important.

JULIA GRAHAM: It may be that in future some risk managers will be lawyers. I have the unusual role of risk manager in a law firm, so I am not a lawyer, but I look at the lawyers' contracts.

CARL LEEMAN: In my company, all contracts must be checked by risk management, or they cannot be signed. It is not just the insurance clauses; it is the complete contract.

MARIE-GEMMA DEQUAE: It is the risk content of the contract.

TOMASZ MIAZEK: I work for one of the biggest companies in Poland. I see many lawyers' opinions, but very few of them point out risks in the contract.

CARL LEEMAN: Because they do not understand the business.

TOMASZ MIAZEK: That is probably one reason.

CARL LEEMAN: It is only the people in the company who understand the business. An external lawyer knows about the contract, but he does not know your business.

JULIA GRAHAM: One thing that we do in risk management is to design the framework. I design the overall approach and fire off each piece of the contract to the relevant expert. There are some benefits to being in a law firm. I can go to the data protection expert, the information security expert, the anti money laundering expert, and so on. Operational risks increasingly involve things in a contract, such as information security. We are not ourselves the experts, but we design what we want the experts to look at, and then we bring it all together. The risk management role is actually risk managing rather than contract managing.

TOMASZ MIAZEK: You coordinate with the experts.

JULIA GRAHAM: Yes. Our role is to facilitate and to design the process. We do not actually do all the reviewing.

TOMASZ MIAZEK: What is your experience with the lawyers?

JULIA GRAHAM: They like it, because I'm not asking them to review everything. I fire at their specialisms. I do not ask corporate lawyers to review clauses about litigation, for example. I am talking about contracts my clients send me – the type of contract you might send to my firm – and I fire that contract at the relevant lawyers for a professional view. That is a good role for risk management and that embeds us with the business. I'm not going to comment on data protection or confidentiality, because it is not my specialism. But I know someone whose specialism it is.The business likes it because it means that I give them a safe contract.

It is the same for any risk management principle. The risk manager's role is pivotal, but that does not mean that I have to be an expert on everything we do. I just need to understand the process and who the players are.

ANTÓNIO FERNANDES: You try to ensure that everything is covered. You do not have to cover it yourself; you just have to check that someone in your company is covering everything and that there are no holes in the barrier.

JULIA GRAHAM: Correct. And then I keep a database of them all, so that in future other people can learn from that. It is really general management as much as risk management, isn't it?

CARL LEEMAN: And it's about knowing your business. That is also key to risk management. Risk managers should know their business. The risks are very specific to the business.

JULIA GRAHAM: Yes, it would be very hard to do it if you didn't.

CARL LEEMAN: My view is that you have to walk around the shop floor. Don't just talk to the managers; go and have a drink with the guy who's actually doing the work. He will tell you what's happening more accurately than the guy who is in charge of the division.

In respect of contract risk, IT is getting more and more important for every company. You have software that drives your company, you have an IT department, and that department at some point comes into contact with your client. If you are developing or adapting software for your client, you could be breaching your contract or the licence you have with your software provider. And because you are doing something that you shouldn't do for just one client, they can stop your whole company completely – you are breaching the software licence and the contractual stipulations. And they are organised to do it. They step in with lawyers, they have a perfect battle plan, and they tell you the amount you will have to pay them. I know of companies that are now virtually bankrupt due to the amounts that they will have to pay. That is a big risk in the contract.

JULIA GRAHAM: To come back to the recession, has anyone around the table done a recession-related risk assessment – looking at your business, your culture, the environment in which you are doing business, and so on – specifically from the perspective of the recession and how that affects the risk profile?

ANTÓNIO FERNANDES: Specifically from the point of view of the recession, no. But the risk landscape has changed and the recession has influenced your risk profile. The risks have changed and have to be assessed whether you only do it because of the recession or not.

MARIE-GEMMA DEQUAE: It depends what business you are in. For example, my former company was a global business, and it is a fact that there are regions where the recession has not yet hit, such as Latin America. It's important to review regularly where the risks are. For instance, what's happening in the US did not start last year. It started earlier, certainly in respect of the automobile industry. If you produce all over the world in different sectors, that exercise on the recession is dynamising your risk management approach. That was a permanent evolution of our risk approach.

JULIA GRAHAM: You could say that being global is one of the best risk management strategies.

MARIE-GEMMA DEQUAE: My former company wasn't global until comparatively recently. Before that, it was a very cyclical company. There were always two good years and one bad year. But now it is not so cyclical. As a result, it is perhaps less vulnerable to global or regional recessions – but it is still quite vulnerable in the automobile and construction sectors.

CARL LEEMAN: I have not done this, Julia, but my boss, who owns the company, has done exactly what you are discussing. He has conducted a complete review of what is going on, what businesses we are in, how we can cut costs and continue business, what different types of contracts we have, what our obligations are and what the situation is with the banks. That exercise was followed by a number of meetings to explain the company philosophy, where we are going and why we are doing various things. That has been explained to everybody, and it has made the company more dynamic. People understand why we've cut back in certain areas, and nobody argues any more.

It is an exercise that should be done, but the question is, who should do it? I think that the company CEO should do it, and maybe not the risk manager, although the risk manager might assist him.

JULIA GRAHAM: If we are talking about the role of the risk managers in the organisation and about making themselves heard, it is great to be able to say, 'I have techniques and ways that I can help you' and to offer to give that help. It would also be valuable to look at it across all types of risks, because looking at all your risks through the eyes of a particular issue is a very powerful thing to do.

When we did this, it raised all sorts of things that we had not thought about. Although we don't own property, we have buildings with a great many people in them, and we found one with a landlord who was becoming insolvent. What sprang to mind was 'uninsured business interruption', which is serious. For us, strategically, that was very important, yet it had not been on our radar until we looked at these issues through the eyes of the recession rather than generally.

FLORIAN MUELLER: The consensus seems to be that we need less but better regulation. How will we achieve that? What is driving the crisis is systemic risk. It's not one company failing, but events triggering the failure of several companies and industries. How can you regulate that?

MARKUS ENGLISH: I disagree slightly: a few companies are failing and, because they are systemic, the others are in trouble.

CARL LEEMAN: The two things that drive the world today are the media and the stock markets, neither of which are to be trusted.

JULIA GRAHAM: We also have a culture of everything being seen as short-term. With some big businesses rewarding results by bonuses, rather than by considering long-term performance, the remuneration process is

> **It is quite unusual for a risk manager to review contracts**
>
> TOMASZ MIAZEK

We do not know what risks might arrive tomorrow

MARIE-GEMMA DEQUAE

encouraging a short-term view.

MARIE-GEMMA DEQUAE: That is changing.

JULIA GRAHAM: It is changing, but it has taken the problems that we are seeing to force the change.

CARL LEEMAN: People in the US were hit harder and their mindset has changed more than it has in Europe. Today, they are asking whether they need big cars and houses. That isn't the case in Europe, where a lot of people think that they will soon be back in business and pick up from where they left off.

MARKUS ENGLISH: I hope that we have changed as a society. We need to change our priorities and to be more focused on long-term rather than short-term success. While money is important, do we really need a fifth Mercedes in the garage?

JULIA GRAHAM: I would like to own just one!

VICTOR VERECHSHAGIN: We have similar problems, some of which are specific. For example, a few months ago, several Russian banks received $90bn in order to support the economy, yet Russian companies did not receive any such support. That money has been converted into euros and is being saved.

MARIE-GEMMA DEQUAE: Does that have anything to do with the bank problems that we have seen in Europe?

VICTOR VERECHSHAGIN: Yes. There are more than 1,000 banks, but there are only 100-200 'real' banks. Many so-called banks are small and regional.

MARIE-GEMMA DEQUAE: Has there been any reaction from the government?

VICTOR VERECHSHAGIN: Yes, but they have no influence.

MARIE-GEMMA DEQUAE: How is the economy doing now?

VICTOR VERECHSHAGIN: The economy has stabilised somewhat but inflation has been running at 12-13% for the last two or three years. The government has enough resources to support the economy in terms of reserve funds. It has a clear strategy in terms of supporting Russian industry. But we do not have a strong banking and insurance system.

MARIE-GEMMA DEQUAE: What is the position of the risk manager today in the context of today's crisis?

VICTOR VERECHSHAGIN: We do not have enough risk management experience. Risk managers have not really helped to defend the Russian economy. We are seeing good experience coming through in some companies, although industry is still a problem.

CARL LEEMAN: I have a question for ACE, which brings us to one of today's topics: the situation of the insurance market. What does ACE think about Solvency II? What impact will it have on the insurance market? There is growing concern among the insured that, although the purpose of Solvency II was to protect clients, the result will be less capacity, fewer insurers and fewer new products. Products around long tail and catastrophe risks will become increasingly difficult to cover. Should we be afraid?

FLORIAN MUELLER: You raise a very valid point. The cost of capital has been increasing recently. It is difficult to raise capital unless the business is very solid. Because of Solvency II, more capital may be needed in some businesses. Regulators like to see more capital, and the rating agencies, which have been heavily criticised, will also be rather more cautious on capital requirements. Ultimately, more capital means more cost.

MARIE-GEMMA DEQUAE: We do not know what risks might arrive tomorrow. The greater the uncertainty and the risk, the more capital the insurer will have to allocate.

FLORIAN MUELLER: Ultimately, we also have to remain competitive and attractive to customers.

CARL LEEMAN: The question is whether you will raise our prices.

FLORIAN MUELLER: I can't answer that. Logic says that increasing capital requirements necessitate higher costs, which are passed on. I also want to make the point that we are in a recession. Clients are under cost pressure, and there are various indicators suggesting that the insurance market will probably develop in another direction. However, we have to offer solutions. They might not be the same solutions, so they have to be discussed with the clients in terms of taking on more risk or changing limits in cases where there is no budget for higher insurance spending. From a client's perspective, this is the risk of driving through more regulation; ultimately, it has an impact on pricing.

MARKUS ENGLISH: In my personal view, most of the Solvency II regulations are acceptable, and we appreciate most of the points that it regulates. It fits with our business model. We have always had a conservative underwriting strategy. If we cannot achieve a premium that is adequate for the risk, we walk away from the business regardless of what other insurers may be charging.

There is always a conflict of interest between the customer and the insurer. However, the customer may want to be certain that the insurer is well capitalised and strong. In the short-term, however, the customer wants to have the best premium and to transfer the risk.

CARL LEEMAN: It is all very well to have a good premium, but not if there is no capacity to write the risk. In France, for example, only a very limited number of insurers insure decennial liability. At the beginning of the year, these declared how much capacity they were putting into the market, adding that it was finite, regardless of when during the year it sold out. The situation will worsen. One of the biggest risks is catastrophic risk. Last year was one of the worst years for insurers in terms of payouts. Due to Solvency II, this risk may be increasingly difficult or even impossible to cover. Why would insurers offer that coverage if it costs them a fortune or if they are not able to place enough?

MARKUS ENGLISH: One solution is to explain this to the customer and try to achieve a higher premium, provided that the premium is still acceptable and represents a risk transfer. Of course, one day you might realise that it makes no sense to transfer the risk, because it is too expensive. At that point, you can work with captives to insure yourself, for example.

JULIA GRAHAM: While ACE is under the spotlight, I would like to ask how it differentiates between a well risk managed client and a not so well-risk-managed client. What are you going to do at times when you cannot insure everybody for the level and at the price that you would like? Are you going to segment your clients according to how well they manage risk and, if so, how are you going to do it?

FLORIAN MUELLER: We already do that for financial lines analysing the financials of companies and the quality of the management. We have a strong underwriting culture. If we underwrite a major property account, depending on the industry involved and the gearing, we go through the underwriting process analysing how well they manage their risks. We may not insure some of the risks if they do not meet our criteria.

JULIA GRAHAM: What can the risk manager do to ensure that they represent the most attractive risk?

FLORIAN MUELLER: It starts with information and being transparent. We like to understand the risk, understand how things are done, what the philosophy is, what the expectations are, how the company works and so forth. The better we understand the client, the more credit can be built in; the less we understand, the more uncertainty is built in.

MARKUS ENGLISH: Clients occasionally have underwriting meetings with us, at which the COO or the risk manager is present. The final and crucial question that I always ask at the end of such a meeting is, 'How many people work in your risk management department?' If they say two and they have an operation involving thousands, their risk management is rubbish! Whatever they say, and regardless of how nice their presentation is, we want to know how many people really work on risk management. The other important question is whether a business process can be interrupted if we say it is too risky.

MARIE-GEMMA DEQUAE: It is not only the size of the department that is important, but also how risk management is embedded in the management committees, and whether the risk manager can say no to the top management. Decentralised working is important, but so too is having an element of risk management within other management committees.

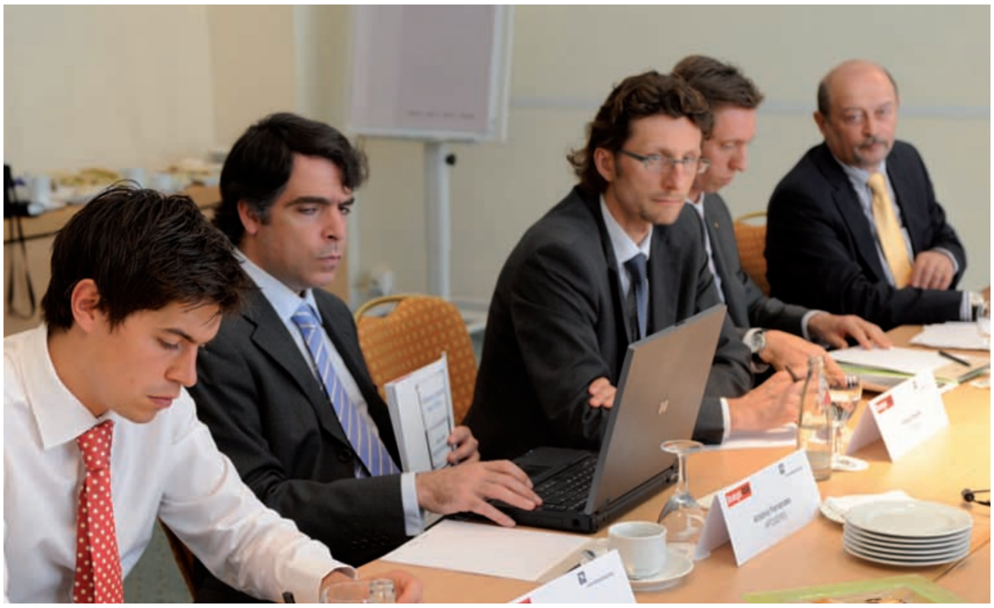
FLORIAN MUELLER: It is also crucial to have a risk management culture that is embedded and one that the company lives up to. It is difficult to measure. Some things are subjective, but we like to understand our clients. The better our understanding, the more credit we can give. In a hardening market, we believe that we still have reinsurance support because of the conservative approach we manage with our business. This will be allocated to the customers and, if the market is capacity-scarce, decisions have to be made around how much can be allocated for each risk. If you have risk management in place and it is successful, it can pay off.

TOMASZ MIAZEK: What do you think the reaction of corporate clients will be to the crisis? The objective will probably be to reduce premiums, which is just a consequence of reducing costs, but will it be done through limiting insured risks, increasing deductibles or reducing limits?

FLORIAN MUELLER: We can try to come up with solutions within our capital and reinsurance model, but you have the choice. As long as you find good-quality

Risk managers have not really helped to defend the Russian economy

VICTOR VERECHSHAGIN



Capital is too expensive for insurers to continue offering low premiums

MARKUS ENGLISH

capacity, with the solution and pricing that you want, you will probably be driven in that direction.

TOMASZ MIAZEK: Some big insurers like yourselves have strategies for negotiation. Some have been reducing deductibles over a few years, and suddenly changing the trend would be seen as a strange move. The question is how you would behave if the risk manager asks for a premium reduction. While you might not be happy, you can advise on where the room for manoeuvre is.

FLORIAN MUELLER: It depends; there is no generic answer to that question. We have a tailor-made approach to large clients. We continue to underwrite each individual risk. If we think we need a million for a certain risk and you can pay no more than 500,000, we have to come to an agreement around what we are going to do. Is it higher deductibles, less cover, or the exclusion or layering of certain risk?

TOMASZ MIAZEK: Is there any such trend from your clients?

FLORIAN MUELLER: It is difficult to say; it depends on the business line. In Switzerland, we have seen an uplift in premium rates among financial institutions, with some competitors pulling out. We underwrite every risk individually. Of course, we like long-term relationships, which are the basis of the business model.

JULIA GRAHAM: We had this debate in the European Insurance Forum, where a significant insurer challenged the risk managers that they would buy at the cheapest price. In the current climate, that is an enormously high-risk strategy, and I completely disagreed with him. I think risk managers are not looking for the cheapest price; they are looking for quality. I want to know that the insurer is going to be there when I need them, that they are going to pay my claims when I need them to pay them, and that they are going to adhere to some professional standards.

Partnership, quality and flexibility are the sorts of things that risk managers want to hear. We then have to use our professional position to argue with our finance director or COO that cheapest might not be best, and that comes down to how good we are at our jobs. We are not, however, always going to win.

MARIE-GEMMA DEQUAE: The price is only one element. There are other important considerations around service. I also have a question on the effect of the financial crisis on insurers that have a lot of reserves. How has the investment of these reserves been affected by the financial crisis? Could poorer financial returns lead to premium increases?

MARKUS ENGLISH: ACE had some write-offs on the investment side, and we too have suffered. We are not insulated. Our investment strategy has always been conservative and we are not heavily invested in stocks, so we performed much better than many of our peers. However, capital has become expensive for every insurer. If an insurer is not requesting a technical premium that they can live with, and if the insurer is accepting premiums that generate combined ratios of above 100, it is not sustainable. They can no longer compensate that with investment results. In my view, the management has to react by deciding that insurance has only one source of funding, which is premium, and that this should be increased. This should work automatically, and I cannot understand why the market is not hardening.

CARL LEEMAN: It is an invisible hardening market, because there will be less premium. A number of companies will lay off people and go bankrupt, so revenues will be lower. The volume of premium on the market will be lower and insurers will fight for it.

MARKUS ENGLISH: However, no insurer has gone bankrupt, so there is still enough competition. I cannot believe that that model will work. Capital is too expensive for insurers to continue offering low premiums. They cannot survive in the long-term.

CARL LEEMAN: A lot of risks are better managed now than they were before.

MARKUS ENGLISH: Some are; some are not. However, if you are the CFO or COO of an insurance company and you look at your balance sheet, the only option available is to increase your premiums.

CARL LEEMAN: I would challenge any insurer to tell us how much time its people spend on business and how much on reporting and compliance. I would prefer an insurer that spends 100% of its time on business than one that spends 50% of its time on regulation. That has no added value.

FLORIAN MUELLER: How can we change? We are all participants in a global environment and, with all the laws and legislation, we are part of the game. In essence, insurance is a simple thing made complicated by human beings!

MARIE-GEMMA DEQUAE: Thank you all for this lively discussion. Risk management remains an interesting topic and has a good future – hopefully in a good economic environment.