What keeps you awake at night?
The world is changing fast; companies are bringing new products to market, developing new business models and seeking out growth in emerging markets.

As companies are increasingly operating across borders; supply chains are becoming more global and complex. The risks companies are facing are not only multiplying, but becoming increasingly interdependent.

Events on one side of the world can impact operations on the other; be that a natural catastrophe, a product recall or a cyber attack.

This view is backed up by this year’s survey which highlights the increased demand for Global Programs coverage. Respondents said this type of coverage is absolutely critical for the larger corporate sector and increasingly the upper middle market client base, as European companies expand further afield in search of new business.

Complex risks should not stop our clients moving the world forward and this is why we have placed innovation at the heart of what we do.

New risks require new thinking. This is why The Risk Frontiers Survey is so worthwhile as it delivers an in-depth picture of the state of the risk management profession, gleaned from its leading practitioners. It also outlines the big risk issues and ideas on how risk managers and those in the insurance market need to respond to these risks and challenges.

In our view, central to meeting and overcoming these challenges is having the right talent and technology. Today, like never before, developing and winning business means winning the long term battle for talent. This is especially relevant to insurance, as it is a heavily talent-driven business. Talent is attracted by the right environment, which includes advanced technology delivering valuable insight to respond to market needs and support decision-making. This needs to be a priority for all of us.

The risk industry has never been more challenged to support business success. We hope you find the survey, which was also sponsored by Willis, interesting and we look forward to furthering the debate.

Jason Harris
Chief Executive, International Property and Casualty
XL Group
Time for talk is over...

This year’s Risk Frontiers survey was once again a fascinating and highly valuable exercise that enables us to focus on what really matters to the European risk and insurance management community.

The questions posed were specifically designed to provide a good element of continuity and therefore comparison with last year’s survey but also incorporated new elements to reflect the ever evolving market.

We worked hard with project sponsors XL Group and Willis to make sure that we attracted a good range of risk and insurance managers from a wide array of industries across Europe.

Thanks to everyone who gave up valuable time to take part. All the discussions were lively and challenging and well worth the effort.

The survey is, as usual, split into two halves. The first focuses on the big risks and the role of the risk and insurance manager. The second half focuses more on risk transfer than management.

The completed survey has been designed to provide both the risk management community and risk transfer industry with a list of things ‘to do’, or at least think very hard about.

I will attempt to sum those up in a few short paragraphs:

1. The risk management community is being dragged into the wider world of business risk or enterprise-wide risk management whether it likes it or not. The nature of the key risks faced by corporations are broad, interdependent and international. Risk and insurance managers can therefore no longer hide away in silos. The opportunity is there. Grasp it!

2. Europe’s risk and insurance managers are being challenged by their board members and fellow managers to find new risk transfer solutions to apparently new risks. These are, however, primarily old risks that are evolving along with the global economy. The insurance industry is going to have to sharpen its game to keep up with the needs of its bigger customers especially, or face losing relevance (and fat slugs of premium) over time.

3. Risk and insurance managers would like to see the insurance sector really up its game on service and claims in particular. Cash flow is tight and valid claims need to be paid faster and with less hassle, particularly for overseas operations. The insurance sector should regard this as a key competitive edge and invest accordingly. Claims handling is more important than price, apparently.

4. Global programmes are absolutely critical for the larger corporate sector and increasingly also for medium-sized companies. The leading brokers and insurers have invested in this area recently and continue to do so. But they will have to seriously step up their game if they are to meet the fast-rising demands of their customers. Compliance is important but workflow and communication even more important.

The conclusions of this year’s survey are therefore not radically different to last year’s.

But what I found interesting was that there appears to be a real desire among risk managers to sit down with their risk transfer partners to seek out new solutions to these big challenges and opportunities.

The market needs to work out how the desire for greater partnership and a more mature and sophisticated relationship can be achieved. Make a start at this year’s Fema Forum!

Enjoy the read and as ever please do send me any thoughts or ideas for next year’s survey which starts soon.

Enjoy Maastricht.

ADRIAN LADBURY
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SWISS PSYCHOLOGIST CARL JUNG ONCE WROTE:

"In all chaos there is a cosmos, in all disorder a secret order."

In a world of seemingly ever faster change and chaos risk managers find they are challenged to seek order. They must use their skills to help their companies avoid volatility and find certainty. When asked what the big three risks are that their CEOs worry about it was clear that Europe’s risk managers find themselves both excited and challenged by the range of global macro risks that they are nowadays forced to tackle.

ADRIAN LADBURY reports
The response to the first question in this year’s survey was both highly consistent and diverse at the same time.

It was consistent because most risk managers who took part in this year’s survey identified economic, political and social risks on an international basis as the main challenges that keep their CEOs awake at night.

But it was also diverse because of the wide range of specific risk types that fall into these big categories identified by the risk managers who work for a range of very different companies with different priorities and operating models.

In contrast, it was interesting to note that risk managers in different countries who work in the same sector—telecommunications for example—tended to pick the same risks as the big ones. In the case of telecommunications the big risks were unsurprisingly cyber and regulation.

In simple terms it is clear that it is uncertainty that keeps CEOs awake at night.

The basic job of the corporate risk manager is to provide the business with a formal process that offers greater certainty of outcome. This is because the risks to the plan have been identified, measured, prioritised and transferred where desirable and possible.

The basic job of the insurance manager is to focus on the latter part of this process and provide risk and other managers with a range of options to transfer risk at a cost-effective rate.

Thus both jobs (which are of course often combined) are designed to dampen volatility and deliver greater certainty.

In a fast changing, volatile, increasingly interdependent and thus difficult world ‘market’ this means that the job of the risk and insurance manager becomes both more interesting and harder at the same time.

This is why the big risks that were identified this year were essentially all macro business risks which do not fall directly into the remit of the risk and insurance manager but over which they have some (and hopefully growing) influence.

Outside the realm of traditional risk and insurance...

Edwin Meyer, Insurance Manager for Steel Group Arcelor Mittal:

“I believe that these are mainly risks that are outside the
realm of insurance. There is the European economic crisis and its effect on demand for products. We experience great insecurity about prices for raw materials and energy. All these elements are key to our economic success. My second point would be the political insecurity. As an industry, we are heavily dependent on political decisions. When we come to those risks that are insurable, we don’t see major problems. Even I get tired sometimes citing cyber risks, because that term is a bit vague. In the final analysis, it is a risk for governments, where you as a company are hit indirectly. I am not sure whether insurance is the solution here.”

**Expansion and pressure for growth...**

*Heinz Risi, Head of Group Insurance and Risk Management at Schindler Group, the Swiss manufacturer and supplier of elevators, escalators and moving walkways:*

“The risk reality for a group such as ours is that if I see growth in China this is mainly linked to investment in real estate and the construction business which is basically good for us because we are in the elevator industry. But there is a huge credit bubble forming in China which could lead to a lot of problems. China should try to change from a pure infrastructure investment society to a more consumer-oriented society.”

**Competition, pricing and quality...**

*Jörg F Henne, Risk Manager at German electronics group EPCOS:*

“Our main risks stem from the economic situation. We are in sharp competitive battles over prices with international rivals. You can either become more innovative, or you can offer lower prices. In recent years we experienced situations where we saw a general downturn, which was suddenly replaced by high demand. The question is then how you plan for that, how you secure your market share. Of course, we also have insurable risks, such as product liability up to product recall. Risk management is important, quality controls are important, but you need to be covered for the eventuality that something goes wrong. And thank God we have sufficient capacity here in Germany.”

**Government budgets...**

*Richard Krammer, Risk Manager for Strabag, the Austria-based construction group that operates across central and eastern Europe:*

“Government spending on infrastructure projects has still ceased, there are fewer projects and with those projects that are occurring there is substantial price pressure. The pressure is raised at all points because if you have a bad sub-contractor it can have a negative impact on the quality of the work and lead to damages. This is a very macro economic topic with a wide influence.”

**Crisis mode, social pressures and unemployment...**

*José Luis Amorim, Director of Risk Management at Portuguese retail, telecommunications and insurance group Sonae:*

“We are all still in crisis mode, especially companies like ours that are dependent on Iberian markets. And there is a new word that we have to listen to every day now which is ‘austerity’, and which nobody had even heard of about five years ago. For us the most important risks are those linked to external economic conditions. The macroeconomic situation is having very important effects on our business. And even though we have taken action and much creativity has been employed in the effort to mitigate the effects of the poor economy, it is very difficult to begin to answer all the challenges. It affects very strongly the purchasing power of people and especially of young consumers who are consuming less than young people used to do in the past.”

**Political risk is rising...**

*Paolo Rubini, Risk Manager for Italian telecommunications group Telcom Italia:*

“This can be seen clearly in Italy where there is so much political uncertainty as politicians try to deal with the budget and debt. It is very difficult to make decisions in such an environment.”

**Speed of economic and regulatory change...**

*Carl Leeman, Chief Risk Officer at Katoen Natie, an international logistics service provider based in Belgium:*

“It is not stopping. It is increasing. That means that we have to take drastic steps to move with the changes in the economy. This is a global phenomenon rather than just a Belgian or a European matter. Countries all over the world are having to adapt to situations and we face more rules and regulations as we go into new territories. This is making it more difficult to operate in emerging markets. On top of that we as Europeans are also making our own life more and more difficult by inventing new rules and regulations on a daily basis. For example, the very tight anti-bribery laws in the UK could be a regulatory nightmare in other countries. But there is also useless EU regulation such as Solvency II.”

**Natural catastrophes...**

*Lars-Olaf Köhler, Risk Manager for Austrian Railways (OBB):*

“The floods in central and eastern Europe, Austria and Germany caused big problems for Austrian railways (OBB) as we operate throughout the region. Growth in this region is a big opportunity for us in countries such as Italy, Germany, Belgium, Turkey and Russia where there is a lot of infrastructure investment but it also brings big risks.”
CHAPTER ONE—THE BIG RISKS

Supply chain...
Jacqueline Plessius, Netherlands-based Senior Insurance Manager, Group Treasury & Insurance at TNT Express:
“Companies look to buy what is necessary rather than the best, and providers are also looking to cut costs, processes and controls. Risks are now so interconnected—like dominoes, when one falls the rest come down in a row. For example, you think that you have a good overview of the supply chain but you can never really see the full picture.”

Skills shortages...
Dr Marie-Gemma Dequae, Scientific Advisor at Ferma:
“Engineering schools are not growing at a rate required to realise the technical innovation that is needed. There is a problem convincing students to go into the more technical side. Every year technical services departments cannot find enough graduates to fill the vacancies they have.”

Unclear risk appetite...
Miguel Angel Zarandona, a Vice-President of Agers, the Spanish risk management association:
“A risk that is common to all of us risk managers is to be out of line with what our CEOs want. It is incredible, but the truth is that sometimes we do not have any idea of what our CEOs think. A real risk is an incomplete alignment between a strategic approach and the tactical decisions required to make it work.”

Need to raise board awareness...
Maria Emilia Marsaglia, Insurance & Guarantee Manager at telecommunications group 3 Italia SpA in Italy:
“Transparency is key to this. Risks and solutions must be correctly and fully reported and analysed with the top management. I would say that we need cooperation from the insurance market to make top management aware of the importance of risk management and in presenting the risks to them, as they have evidence of the same risks across the market, with the evidence of if and how the risks can be transferable. Risks need to be analysed and quantified, and the possible negative consequences and alternatives detailed in as complete as possible a way. Decisions can be then correctly made by the top management with a fully caused cognition, depending on the risk appetite of the company.”

Cyber is here to stay...
Richard Krammer, Strabag:
“We have very little experience of these risks unlike telecommunications companies, for example. But every building features IT components in one way or another, sometimes including remote controlling so the risk absolutely exists. Also subcontractors may mess up and we can end up being liable. We should try not to get too overexcited by this but cyber risk is here to stay and so must be recognised and be paramount in the business culture. It is an important risk and we need to work out the exposures and how to mitigate them.”

Cyber is not special, deal with it...
Julia Graham, Chief Risk Officer at DLA Piper UK and Vice President of Ferma:
“What surprises me is that risk managers and others outside of IT don’t consistently seem to be getting to grips with cyber risk—it’s part of our job. Just because it’s connected to technology, people seem to forget the principles and practices of risk management. Perhaps that’s because people don’t understand it and are scared of it.”

Demystify the risk...
Nicola Harvey, Group Risk Director at auction house Christie’s:
“There is the apparently mystical side to cyber partly peddled by the ‘techies’ and we need to demystify it, which would then make it a lot easier for people to manage the threat. You have to work with the right people in your business—you cannot do it on your own.”

Cyber is a strategic matter not for IT...
John Hurrell, Airmic Chief Executive:
“Your IT managers are up against some of the best brains and the sorts of threats they bring are unlikely to have been experienced by your average IT manager. So these people need external help to mitigate the threat. IT understand systems very well but not generally the implications that cyber threats can have on the business as a whole. So that is where cyber becomes an issue for the risk manager or CEO. Boards need to understand how their organisation must react to cyber issues. So it is a much higher strategic issue to just be the focus of IT.”
EUROPE’S RISK MANAGERS identified a wide range of emerging risks that worry them and their bosses. They are almost all, however, not new risks but existing risks that are evolving. One of the main challenges presented by broad-based risks such as ethics, reputation and brand damage are that the risk mitigation solutions are not readily available and their management demands a complicated enterprise-wide approach that not all companies and individual risk managers are ready for.

ADRIAN LADBURY reports
CHAPTER TWO—SCARIEST EMERGING RISKS

THIS YEAR’S RISK FRONTIERS SURVEY found that the major emerging risks that Europe’s risk managers worry about most are cyber, supply chain and business interruption and political risks.

There is also a collection of other very broad risks such as social unrest, vulnerabilities created by the escalation of use of social media and water and energy shortages and supply that worry risk managers but do not fall directly into their remit.

It is interesting to note that many of the risk managers who took part in this year’s survey actually seemed to find it difficult to distinguish between the major risks that keep their CEOs awake right now and the emerging risks or so-called potential black swans.

A good example of this is natural catastrophe risk. This risk has, of course, always been present and a mature risk transfer market exists to cater for it. Indeed the hunger of the international capital markets for new growth opportunities in a still sick global economy has led to an unprecedented level of capital made available to back the high-end reinsurance and insurance-linked securities market.

SPLIT PERSONALITY

But many of those risk managers who took part in this year’s survey categorised cat risk as both an existing and emerging risk. This is because of the apparent speed of change in frequency and severity of the cats that threaten the bottom line.

Also there has been a well documented globalisation of the world economy over the last 20 years in particular and virtually all leading European corporations find themselves operating directly to—or reliant upon supply from—corners of the world that are vulnerable to catastrophes.

Thus the emerging risk presented by natural catastrophes is not the fact that floods can occur in Thailand because they always have done. Rather it is the fact that so many international companies found themselves reliant upon production facilities that were built in a part of Thailand that was prone to flooding.

Had these factories not been built in that particular part of Bangkok then the water would have simply flooded fields and not bothered anyone outside of the local community. This ‘emerging’ risk was therefore totally caused by a change in the way that the economy works, not some random external force.

Based on this year’s Risk Frontiers discussions the conclusion has to be that it is increasingly difficult to neatly identify and categorise existing and emerging...
risks because they are part of the same process.

At the same time it appears to be increasingly difficult to distinguish between ‘insurable’ asset risks and traditionally uninsurable pure business risks.

Non damage business interruption coverage is again a good example of this. Had the global economy not shifted to a virtual and global basis in which service provision has become more important than old fashioned manufacturing then the demand and debate would not have arisen.

This is again presumably why some risk managers feel increasingly uncomfortable about their role and how they fit into the corporate structure.

If the lines of demarcation between traditional insurable asset risk and wider business risk are increasingly difficult to set and define then it is logical to presume that the risk managers’ role has become more difficult to define and even justify.

This problem for the individual risk manager is further exacerbated by the fact that as risks become less easy to define and fit into neat traditional categories they will inevitably overlap with other corporate functions such as legal, accounting and corporate sustainability.

Some risk and insurance managers in Europe clearly find this blurring of the lines of demarcation unsettling. Others see big opportunities for an extension and expansion of the risk management profession.

The latter group sees this as a positive chance to emerge from the traditional insurance silo into which they feel they have been forced to dwell for too long and engage with a far wider corporate community that is inevitably closer to the heart of big decision-making.

These risk managers tend to be the ones who view their key role as coaches and communicators of risk management rather than owners of risk who are responsible for its effective identification, measurement, management and transfer.

The bottom line is that, as identified in last year’s survey, there really do not appear to be any completely brand new ‘emerging’ risks.

Rather risk managers in Europe face a set of challenges presented by the intensification and rising interdependence of risks and speed of change of business in a global economy.

Whether such ‘emerging’ risks present a threat or opportunity for the individual risk manager depends upon their willingness and ability to embrace the enterprise-wide approach to risk management and the level of true understanding and appreciation of the value offered by the discipline at board level.

The following is a selection of the best quotes from risk managers taken from this year’s roundtables on the topic of emerging risks.

**Water shortages...**

**Edwin Meyer, steel group Arcelor Mittal:**

“I think another scary risk is water shortage. As a steel industry, we are water-intensive. And this is a topic already emerging. Water shortage can affect all kinds of insurance, environmental, engineering, loss-of-profit. It might lead to higher premiums or to exclusions. It could be that new concepts have to be developed, because there will be no industry without water... And this topic is closely related to that of fracking, which can only be done with an enormous supply of water. We might solve an energy problem, and get a water problem, or even a seismological problem. I find it very scary to imagine that water prices rise in a similar way to those of energy.”

**Expansion and concentration of risks...**

**Demetrio Tahoces, Director of Insurable Risks at Portuguese energy group EDP:**

“Another risk that is linked to the concentration of our business units is the risk that a boiler explodes in one of our big coal plants. In such a case, losses could be big, both in terms of property damage and a loss of profits.”

**Risk investments overseas...**

**Gaëtan Lefèvre, President of Belrim and Group Risk and Insurance Manager at Belgian engineering group CMI:**

“We need to go outside our borders to develop new products. The problem is in finding the right market... Consequently engineering companies and other industrial companies are embarking on two- to three-year projects in emerging markets like Africa or Asia but stopping short of establishing a ‘bricks and mortar’ presence that involves investment in local assets.”

**Political and regulatory risk...**

**Ivan Delgado de Robles, Risk Manager at Spanish construction and concessions group ACS:**

“An emerging risk that worries us is political risk... We are also a very international company and there are some countries where we have to make a very careful study of political and regulatory issues to assess whether it is a good idea to participate in tenders. A case in point is Brazil, which has been targeted by several Spanish companies. Even though there is a construction boom going on in Brazil, we have not taken a step forward to get into tenders, and it is mostly because of political and regulatory risk.”

**Legal and social change...**

**Demetrio Tahoces, Director of Insurable Risks at EDP:**

“The emerging risks that concern us most today are those linked to civil liability, as a result of social and legal changes... For example, when it comes to environmental liability society is becoming increasingly sensitive and
demanding on issues like the levels of pollution caused by large industrial firms. Companies have had to adapt themselves continually, and we have made big investments towards that goal. The media repercussion is huge and we are expected to take responsibility for the disruption even when we are merely passive actors in such events.”

Rising interdependence of risk...
Sabine Desantoine, Insurable Risk Manager for South West Europe at ING in Belgium:
“We tend to have well-defined categories of risk but increasingly these categories are connected—banking, financial, IT, reputation.”

Harder to map...
Sonia Cambier, Risk Manager with Belgian chemicals and plastics group Solvay:
“It [interdependence] has made life more complicated for risk managers because the risks are harder to map. It is also more difficult because of the impact. Reputation used to be seen as a separate risk but now it is something that can affect everything. The impact is felt across the organisation and not just one department.”

Contract risk is rising...
Jörg F Henne, Risk Manager at German electronics group EPCOS:
“We feel that the contracts offered by some OEMs to suppliers are problematic and pose an emerging risk. The OEMs tell us that these contracts are non-negotiable, but

We are in a business where sometimes there can be corruption. Thales is an active member of the United Nations Global Compact and we have strong policies in place to avoid being involved with this kind of problem...
they try to cover all sorts of suppliers and service providers with the same contract. And then they ask: ‘Do you have insurance?’ We have to reply that of course we have far-reaching insurance, but that this special construction in their contract is probably not insured. We noticed, however, that some insurers offer cover for special contract clauses.”

**IT risks are not a fad...**
Miguel Ángel Zarandona, Vice-President of Agers, the Spanish risk management association and the Director of Risk & Insurance Management at retail giant El Corte Inglés:

“It is fashionable to talk about IT risks, but they are not just a fad, they are for real. Especially for a company like us, as the opportunities created by the online presence of the brand are just tremendous. In our case, the risk catches us from all sides. We have stored all kinds of data about clients, we provide consumer credit, and we have a complex supply chain, with lots of third parties that can be the targets of cybercrime or even hacktivism.”

**Ethical risk and sustainability...**
Carl Leeman of Belgian logistics firm Katoen Natie and President of Ifrima, the international federation of risk management associations:

“This is an area where Europe has made relative progress by insisting on strict environmental regulations. Meanwhile, in the industrial areas of China and Russia, environmental regulations are not impinging on industrial growth but are stretching the extent of pollution and the quality of breathable air to their limits.”

**Social responsibility...**
Jörg F Henne, EPCOS:

“Social responsibility is of growing importance in this respect. Look at suppliers. In the past, OEMs looked at quality controls and had them audited. But now, companies are audited for social standards, especially if they have production facilities in emerging countries. There is a great fear of being drawn into a scandal resulting from social factors.”

**Corruption and reputation...**
Brigitte Bouquot, Amrae board member and France-based Director of Insurance and Risk Management at Thales, the defence and aerospace group:

“We are in a business where sometimes there can be corruption. Thales is an active member of the United Nations Global Compact and we have strong policies in place to avoid being involved with this kind of problem, but there is always a possibility that the media in a particular country can target the group, as with our competitors, because there is a change of government. New officials can want to completely overhaul the previous system and they can make allegations against the group, and that constitutes a reputation risk.”

**Increasingly virtual...**
Nicolas Mason, Group Risk & Insurance Manager at French technological group Oberthur:

“A lot of the emerging risks are coming from the virtual world, involving issues such as reputational risks, potential business interruption or a loss of profits related to intangible assets. They are pretty scary because of the speed and brutality with which they can potentially occur and it is quite difficult to clearly quantify their impact, not to mention finding affordable insurance solutions at the moment.”

**Regulation and lack of risk transfer solutions...**
Ángel Cea, a Director at Grupo ENCE, the Spanish group engaged in the production of cellulose pulp and solid wood products, as well as in the production of biomass-fuelled renewable energy:

“We basically produce pulp for the production of paper, and for this reason regulatory changes, especially those concerning the energy sector, constitute a major risk for us. We have taken a look at alternatives to transfer this risk, but we have not yet found the right conditions in the market.”

**Industrial espionage...**
Werner Döringer, Vice Chairman at DVS and head of the insurance department of Germany’s engineering federation, Verband Deutscher Maschinen (VDMA eV):

“We see that with the help of spy programmes, new technical developments are being stolen. Theft of technical data is a giant problem. You cannot insure such risks completely, then you would have to insure the full development costs, either for the product stolen from you or for a new product. Another problem is manipulation of equipment. Imagine someone is manipulating a fire alarm or an anti-theft system. Suddenly you find a vault in a bank that is empty. I believe we are not far away from a situation where such manipulations can be done online.”

**Data and need for standardisation...**
Cristina Martínez, a member of the board at Igrea and Director of Risk Management at Campofrío Food Group:

“Emerging risks that can cause us grievances are all those related to the management of data and information. We can call them e-risks as they refer to the type of risks linked to new ways of communicating, managing and storing information. We receive much more information than we are able to manage. Maybe we do not put as much emphasis as we should on how this information is created, on the standardisation of data, especially in international companies where there is a need to consolidate and to aggregate lots of data.”
EUROPE’S RISK MANAGERS continue to seek deeper, broader and more innovative risk transfer solutions from their insurers and brokers and apparently remain exasperated by the speed and vigour of the response. We focused on cyber, supply chain, reputation and environmental risks to try and find out what is really needed to join up the dots in this critical area.

ADRIAN LADBURY reports
His question introduced the critical link between the fast-evolving risk scenario faced by most European corporations as noted in the first two chapters and their ability to mitigate those risks.

The recent Thai floods and their impact on business interruption coverage was again used as the prime example of the challenges faced by the market.

This event caught the entire global market by surprise—both corporations and their insurers—as the extent of the interdependence and vulnerability it introduced were realised.

After much debate and wringing of hands the discussion has finally, and perhaps, inevitably focused upon information needs.

The insurers say that they need more information about their customers’ suppliers and their supply chains.

Many risk managers are not happy with the increased demands made upon them at a time of tight budgets and limited resources [see chapter 4 ‘Knowledge Transfer’].

Most agree that it is reasonable for the insurers to demand more information for evolving risks that are difficult to identify and measure.

But the customers want to make sure that the effort they put into finding this information is rewarded with more accurate and tailored coverage terms.

The debate on coverage developments particularly when focused on so-called emerging risks such as cyber and reputation also raised some interesting questions about the approach of the insurance market in general.

Self-serving

There is a concern among many risk managers that such risks are labelled, categorised and new products developed to meet the needs of the insurers rather than the customers.

The risk managers would like to see insurers take a more joined-up and mature approach to their risk portfolio.

An increasing number of risk managers do not want insurers to chop up their exposures into slices that are dealt with separately by different underwriting and claims teams to meet their structural needs.

They would rather see a more joined-up, portfolio approach that delivers more cost efficient and comprehensive multi-line coverage.

This discussion was summed up during the Belgian roundtable.

Sabine Desantoni of Belgian bank ING said of cyber risk coverage developments: “In the banking sector we already have some existing coverage because cyber risk is just another form of fraud—computer fraud. So there is not a lot of interest in cyber risk among Belgian banks because...”

Are you happy with recent developments in coverage for key areas such as cyber, supply chain/business interruption and environmental?
“There is also a lot of confusion in the market about what is and what is not included in the coverage and there are a lot of grey zones...”

there is no feeling there is something new in the insurance market.”

Carl Leeman, President of Ifrima and Risk Manager for Belgian-based logistics firm Katoen Natie, used his famous ‘sausage’ analogy at this point.

He said that the development of cyber risk insurance is similar to the development of reputation insurance products. It is being sold as a separate, standalone product when it should be incorporated as part of existing coverage.

“There is also a lot of confusion in the market about what is and what is not included in the coverage and there are a lot of grey zones,” said Mr Leeman.

The traditional approach adopted by the insurers to so-called emerging risks therefore runs in contrast to the trend identified by risk managers, that risks are increasingly interconnected.

“Insurers should be developing blended coverage where you have all types of risk in one policy,” said Mr Leeman.

Warming to his sausage theme, Mr Leeman said that insurers like to sell coverage as separate slices.

Cyber risk should be part of a fraud policy and environmental risk should be part of a liability policy but instead they are being sold as separate policies, or slices.

Gaëtan Lefèvre, Risk Manager for Belgian steel group CMI and President of Belrim, said that inevitably this approach creates a gap in coverage between the two policies.

And Mr Leeman made the important reference to the mass of medium-sized companies out there that do not have full-time risk and insurance managers and therefore are not able to demand more bespoke ‘joined up’ coverages.

On this basis there is a real risk that many of these buyers will wrongly believe they are insured for certain exposures—a realisation that will only become evident when they suffer a loss and try to claim, said Sonia Cambier of Belgian chemicals group Solvay. “And when claims are not paid, this hurts the reputation of the insurance industry,” she pointed out.

As noted in Chapter 4 it really is time for action in this area as enough debate has been had in public, in meeting rooms and in bars at industry conferences.

We at Commercial Risk Europe really sense that the market has reached a point where some significant change is needed to join up the dots in this critical area.

The world economy has changed immeasurably over the last 20 years driven by the development of new information technology.

This has fundamentally changed the way businesses are managed, the way in which they communicate with their customers and source and distribute products and services and the markets in which they are willing and able to operate.

The big question appears to be whether or not the insurance industry has evolved along with its customer base or whether it is still trying to sell products designed during and for the industrial 20th century in the IT-based 21st century.

The good news is that most of the leading insurance and reinsurance groups and brokers appear to have worked this out and are on the case.

But, as everyone in this market knows, change does not happen overnight in the risk transfer industry and often for good reasons.

A growing number of risk managers, particularly those who work for bigger companies, are justifiably worried that insurers will not keep pace with the speed of economic change and consequent product development needs and therefore become increasingly irrelevant.

Is this why most of the big insurers have invested so much time and effort in recent times to dig deeper into the middle and upper middle market?

Are they hedging their bets in case they are simply not big or clever enough to meet the evolving needs of their biggest and most complex customers in a way that promises decent returns for their investors?

This is a big question that will be pursued in CRE over the next year and hopefully we will have some firm answers in 2014.

For now we thought it would be useful to dig deeper into this topic by focusing on three areas that have been identified by risk managers as key for product development. We asked what progress has been made, what progress still needs to be made and the effect it will have on cyber, supply chain and environmental risks.

**CYBER**

Cyber appears to be a classic example of the fundamental problem that faces the European and international corporate insurance market in terms of product development and innovation.

The insurance market has ‘gone for’ this market, particularly in the US, because it quite correctly identifies a big opportunity to sell a lot of coverage to almost every company in the world at a decent price. And significantly it offers the rich potential of brand new business in mature markets such as Europe and the US where premium growth is difficult to find.

But, and it’s a big but, the customers do not appear to be very happy with what is on offer. They say that the capacity is too low, the coverage too limited and many of them do not really understand why it is being offered as a separate policy at all.

Nobody likes to face up to the fact that they need
to spend more money on new stuff at a time of scarce resources. So risk and insurance managers are no different to anyone else in this sense.

But there does seem to be a valid and rising concern among the European risk and insurance management community that the insurers are basically trying to make an easy and quick buck out of a very complex and ill-defined risk category.

Indeed there are many risk managers who question whether cyber is a separate risk category at all that justifies a standalone product.

As Sabine Desantoine of ING pointed out, to the banking industry cyber risk is really just fraud and therefore should be already covered under existing policies.

Is this not the case for all sectors?

The conclusion from this year’s survey as represented by the following quotes is surely that this is a ‘product area’, if indeed it is one, that demands a lot more thought and investment before it will grow up.

The following quotes will hopefully help shape that debate.

More effort needed from insurers…
Gilbert Brat, Head of Insurance at France's postal service La Poste:
“IT risks have not been completely covered yet, especially in terms of the accumulations of claims and capacity…and above all because some insurers do not want to take these kinds of risks.”

Be careful with wordings…
Sophie Mavieux, member of Amrae’s board and Head of Risks and Insurance at French digital security firm Gemalto:
“Cyber risks insurance products available in the market can provide first party and third party coverage. But what is covered by third party coverage is generally already included in traditional liability insurance. Hence, there is no need to buy specific coverage if you do not have any significant exclusions in current policies. You just have to be really careful with the wordings of your contracts. Third party cyber risk insurance coverage is, for the time being, more a marketing tool than a real innovative added value coverage.”

Wider coverage needed…
Sophie Mavieux:
“Insurance companies should propose wider coverages for third party damages, including investigation costs and prevention costs in case of potential intrusion into IT systems or networks. To my knowledge, prevention costs, such as upgrades of the security infrastructure, which would help avoid a major compromising of data and customer claims, are not covered by policies currently available on the market.”

Cover is coming but faster please…
Brigitte Bouquot, Amrae board member and Director of Insurance and Risk Management at Thales, the French defence and aerospace group:
“Insurers are starting to deliver solutions for cyber risks, but there is still little capacity available in the market. In the future we should see the market offering the same level of capacity for cyber risks that it provides, for example, for aviation lines.”

Nicolas Mason, Group Risk & Insurance Manager at technological group Oberthur:
“Regarding cyber risks, the insurance world is improving, with wordings getting better and prices becoming more affordable…Third party side coverages are pretty comprehensive at the moment, especially for those who buy insurance in France, where we have the benefit of very extensive general and professional liability programmes. They already cover a lot of items that are covered by the cyber policies sold in the London or the US markets. If you add to those programmes what you can obtain in terms of data protection or cyber liability policies in London or in Paris, you are getting very close in terms of the quality of coverage you are looking for.”

Some claims would help…
Nicolas Mason, Oberthur:
“The issue then is going to be more in terms of pricing and capacity, especially in view of potential claims like those that have already happened in the US. In Europe the market has not seen that many claims as yet…”

Where is the international cover?
José Luis Amorim, Director of Risk Management at Portugal-based Sonae group:
“The insurance sector does not like to deal with the unknown, which is a natural reaction, but the fact is that risk is uncertainty…In general it has been very hard to find in the international insurance market the right coverages for cyber risks. We are very active in looking for solutions in areas like client data protection, but the market has been unable to present us with satisfactory coverages.”
Difficult to cover the unknown...
Fredrik Finnman, President of Swerma, the Swedish risk management association, and Group Risk and Insurance Manager at ASSA ABLOY:
“Cyber risk is something that needs to be looked at. Cyber risk means different things for different companies. Five years ago for us most of our key risks were mechanical but now we sell more and more electronic and mobile solutions. So how to assess those types of exposures and how to manage them and what type of insurance capacity is out there for those risks nobody really comprehends. They don’t tend to map the risk and then come up with a solution. I think a lot of the products are more off-the-shelf, certainly in terms of cyber. More discussion is needed in order to get a product that works in real life.”

Cover too immature to explain...
Lennart Edström, Vice President of Group Risk Management at Electrolux, the Swedish multinational household and professional appliances manufacturer:
“I am gradually getting slightly more interested in the products. A year, or two years ago, I was not even interested because sellers were not able to communicate their products—where were the triggers, how was the cover designed. If you buy that cover and you communicate that internally people think we have cover and never see the exclusions. But if the insurer doesn’t fully understand how it should be handled in a claims situation how can I have the confidence to buy? I think the market needs to mature a little more before we go in. So if the board asks me are we covered for cyber risk I would say not—we have to manage the risk ourselves.”

Needs to be tailor made...
Juan José Gil Sánchez, a member of Igrea’s board and the Risks Finance and Corporate Insurance Director at Telefónica, the Spanish telecommunications group:
“In order to buy such coverage [cyber], you need to have a good internal understanding of the risk, and insurers need to know what your exposures are and how you are mitigating them. And for large corporations, the fact is that this is a coverage that needs to be tailor-made in basically all the cases.”

And progress reported...
Juan José Gil Sánchez:
“We have had cyber risks coverage for several years already, and we have changed it gradually in the course of the years. Insurers have been offering ever better coverages, and there is more capacity in the market today.”

Where are the value added services?
Julia Graham, Chief Risk Officer at DLA Piper UK and Vice President of Ferma:

“On the risk financing side of things I am not satisfied with the bundling of value added services with cyber cover... There are certain insurance and risk financing solutions, which are also still emerging, but I am not seeing much value added linked to these to help in response and recovery for cyber issues. In Kidnap and Ransom solutions, for example, you can have risk transfer with an insurer and a pre-agreed service provider to come in and help deal with a response to an incident. We are not yet seeing that for cyber but we should.”

It needs to be global...
Julia Graham:
“The risk is cross-border and it needs risk financing without borders. It’s the classic risk financing solution where you need a global solution and a global wording—it has to be a more global approach than for many other risks.”

Focus on first not third party...
Paul Hopkin, Technical Director at UK risk management association Airmic:
“If you have an IT data problem you get fined by the regulators, there are legal issues and you have to write to your customers—that is a finite amount of money. If you provide services through the internet and you have an IT disruption the losses can be huge. You could be talking hundreds of millions of pounds. That necessitates billions of first party IT/cyber cover and I don’t think it is out there.”

Learn from the US and think outside the box...
Julia Graham:
“From talking to insurers and brokers in the US I have had a slightly less conventional response with more out-of-the-box and open thinking... so we have tended to go to the US to talk. I have sat in a recent meeting where the underwriter and broker were crafting the wording—it’s been a long time since I’ve seen that happening.”

Take on the IT department...
John Hurrell, CEO of Airmic:
“Insurance legitimises the involvement of the risk manager in every other part of the business. However, because so few people are buying dedicated cyber cover risk managers can’t go to their IT manager and say we have to do this or we can’t place insurance. So that is blocking risk managers’ way into this risk. The individual risk manager has to get some leverage over the IT department and insurance is a good tool for that. In the absence of that you have to use your personality, which is sometimes more difficult.”

SUPPLY CHAIN
As with cyber this is not really an emerging risk, it has been around for ages. The Romans ultimately wiped out Carthage because they needed to secure their grain supply chain from...
Africa and olive oil from Iberia.

But, as noted above, this risk has evolved rapidly in recent times as barriers to trade across the globe have fallen, powerful new markets have emerged and competitive pressure has ‘forced’ global companies to adopt risky new supply systems that they have less control over.

This evolution has also of course driven a shift in focus from traditional physical damage-based exposures and thus risk transfer needs to cover non-damage-based exposures.

As with cyber this risk is actually really more about business continuity and crisis management and not about physical loss prevention, control and replacement cost. It also carries with it a significant slug of that other big ‘emerging’ risk that everyone in this market is worried about—reputational risk.

If you cannot manage your supply chain effectively what kind of a company are you?

The good news is that many risk managers who took part in this year’s survey actually report decent progress in this area. Brokers and insurers are also working hard to deliver solutions, particularly for contingent business interruption or non damage business interruption.

Whether those solutions will ever, or should ever be expected to be, as comprehensive and fast reacting as the risk managers would like is very doubtful.

As with the cyber section above, the following selection of quotes should provide the insurance market with a big plate of food for thought.

It’s not an emerging risk...
Carl Leeman, President of Ifrima and Risk Manager of Belgian logistics firm Katoen Natie:
“The issue is not whether we are happy with new insurance products for cyber and supply chain and environmental risks. It is whether there are any insurance products at all. For supply chain, it is a risk we have had for 80 years so it is not an emerging risk for us.”

Restrictions too high, limits too low...
Brigitte Bouquot, Amrae board member and Director of Insurance and Risk Management at Thales, the French defence and aerospace group:
“I am not convinced by the solutions that the market has today for supply chain and business interruption. I have never been able to understand how they could be useful for my company. They have so many pre-requirements. Secondly, they include so many conditions that I am not sure the coverages would be of any use. And capacities are not very impressive for supply chain risks either.”

Too much info demanded...
Sophie Mavieux, member of Amrae’s board and Head of Risks and Insurance at French digital security firm Gemalto:
“The market is becoming increasingly restrictive when it comes to supply chain insurance. You have to provide a growing amount of information about suppliers to allow insurers to assess your suppliers’ exposure to natural hazards, their level of prevention and business continuity capabilities. Otherwise insurers will not cover you. Furthermore, limits remain low.”

More pragmatic approach spotted...
Edwin Meyer, General Manager, Risk and Insurance at global steel giant ArcelorMittal:
“In response to the disasters of 2011 elaborate details on suppliers, sub supplier and so forth were demanded. But now we have moved towards a more pragmatic approach—what is the information available and what can be supplied. I think the market has rejected coming up with elaborate information.”

Triggers are the focus...
Edwin Meyer, ArcelorMittal:
“Triggers are now the focus. Everybody is saying get to the trigger rather than the information because then we can be far more specific on how to approach a range of issues.”

Impossible demands...
Helen Hayden, Head of Insurable Risk at UK supermarket giant Tesco:
“How on earth can you demonstrate [understanding of the complete supply chain] when you are talking third or forth tier suppliers? You have no control over them whatsoever. You can maybe control and know first and second tier suppliers, but not those further down the list.”

Real world problems...
Paul Hopkin, Technical Director at Airmic:
“In so many supply chains you have the location where you believe things are being manufactured, but in reality those goods have been outsourced through the back door. And you will never know that has happened until something goes wrong and your supplies are not delivered or not to specification. So there have been big steps forward but this issue is not always easy to deal with in the real world.”

Risk managers must commit...
Edwin Meyer, ArcelorMittal:
“If we want to get things off the ground we would need to show commitment to a product at a scale that is far beyond any association. Big insurers should be able to get these products moving on a worldwide scale, and they do, but it is hard. Having been on the insurance side earlier in my career I can tell you the worst thing from an insurer’s point of view is to write a policy and not find many buyers. I think, as this [Airmic] discussion has suggested, each one of us around the table has very isolated interests because we are all from different companies. So none of us are prepared, as we are on liability, property and some other lines, to mutualise the risk. We accept that property is mutualised,
that liability is mutualised, because we have the same risks and interest. But now we are getting into lines where some of us have more interest than others. The question is how do you determine the price we are willing to pay with a limited number of exposed buyers to these risks?"

**Identify the risks and be more specific...**

**Edwin Meyer, ArcelorMittal:**
“For a company of our size, the problem is more one of risk identification. We are a globally active company in a basic industry, to identify all supply chain risks is a huge task, especially if you think of the fact that there is sharp competition among suppliers. The moment I receive a list of suppliers it is out of date. We need to be realistic about which risks we want to insure, and which not. Here, we have a key role as risk managers. And when we look at these risks as a whole, the insurable part becomes comparatively small.”

**Standardise information needs...**

**Hans Jürgen Allerdissen, President of the DVS and Insurance Manager at Deutsche Bahn:**
“We need to research our supply chains and document them properly. This is precisely the point. With how many insurers am I going to discuss my supply chains, in order to find the market rate? I don’t have that time. I need to describe the risk, document it, and then get offers from several insurers.”

**Manage your suppliers at source...**

**Cristina Martínez, Spain-based Risk Manager for European food group Campofrío:**
“One emerging risk that is a concern and where insurance solutions have room for improvement is supply chain. We believe that in the current context, there is a growing complexity involving the number of suppliers working with us. Not only do we need to take care of our own activities, but we need to be able to manage the activities of all the suppliers that directly or indirectly are involved in our supply chain.”

**ENVIRONMENTAL**

The risk management community appears to be genuinely divided on this important risk area.

The final arrival of the European Environmental Liability Directive (ELD) sparked a flurry of talk and action as lawyers warned of the impending flood of claims facing corporations and insurers and brokers launched standalone policies and support services.

Unlike cyber, reputation and supply chain this is a much easier risk for anyone to get their head around as a basic physical concept.

But the manifestation of this risk is not so easy to identify, measure, manage and therefore transfer.

This is because the directive and existing and new national versions of it are very open to interpretation. The lobby groups that the lawyers expected to swing into litigious action do not appear to have woken up to the potential and possibly national governments view this as a competitive edge over national rivals in Europe because of the non-binding nature of the rules.

The potential impact of the rules is also very different depending upon the country where the risk lies and the type of industry or sector in which companies operate.

Chemical producing firms have a very different exposure and existing set of risk management and mitigation measures already in place compared with internet-based retailers for example.

It should come as no surprise therefore that when asked about this risk probably 80% of risk managers who took part in this year’s survey expressed sublime indifference and/or ignorance whereas the other 20% were very interested indeed.

This is one directive that could and should be applied in a myriad of different ways and it is not clear exactly how it will pan out at a macro and micro level.

The following two quotes neatly sum up the divergence of opinion within the risk management community about the response of the insurance market to their needs. And it is no surprise that the discussion was most lively in Spain because this is one country that has vigorously translated the directive good and early.

The UK and German groups, for example, could not have been less interested mainly because their national governments introduced pre-emptive legislation a long time ago.

**Market responded well...**

**Ángel Cea, Director of Insurance at ENCE, the Spanish pulp producer:**
“I believe I have got good advice in the environmental insurance sector. Our current coverage provides us with an answer to the challenges presented by current legislation. We transfer part of the environmental risk we are exposed to, which is the one linked to third party liability, and we retain everything that is related to the image of the company.”

**But not for all...**

**Iván Delgado de Robles, Risk Manager at ACS, the Spanish construction and concessions group:**
“I see a scarcity in the offer of solutions for environmental liability risks in Spain today. The variety of environmental liability coverages available is poor, especially compared to other segments of the market. Maybe the reason for this is that we have an environmental insurance pool in place, but it helps little or not at all. Few companies offer coverages for this risk, which is of little frequency although losses can be high, and I think insurers could collect more premiums in this segment.”
During the series of roundtables held across Europe for this year’s Risk Frontiers survey, risk and insurance managers have expressed frustration with the data demands of insurers. Many believe that the insurers ask for too much information and are not confident that their risk transfer partners really know what to do with the information once they have it. It is accepted that the brokers and insurers need more and better information in order to develop new coverages for evolving risks such as non-damage business interruption (NDBI). But the market clearly needs to up its game and rapidly improve the way it gathers, analyses and uses the data.

Adrian Ladbury reports
THE ALLEGEDLY UNREASONABLE DEMANDS for new information about risks from insurers has been a recurring theme at industry events in 2012 and 2013. It was therefore selected as one of the key questions to be tackled by this year's Risk Frontiers survey.

As with all of the questions posed during the survey the basic goal was to use the open platform of the roundtables to try and dig deeper into the headline discussions held during events and identify some real solutions or at least grounds for more positive discussion.

The fundamental finding of this year's survey on the topic of knowledge transfer appeared to be the identification of a rising feeling among risk and insurance managers who work for bigger corporations in more challenging markets such as energy, construction and pharmaceuticals that the apparent limitations of the insurers is severely hampering their ability to offer meaningful capacity.

The risk managers who took part in the survey are frustrated by the apparent inability of the insurers to ask the right questions, pertinent to their specific risk portfolios and come up with answers that deal with their risks. Many risk managers appear to therefore question the basic ability of the insurance market to meet their fast-changing demands quickly enough. The model upon which the risk transfer market is based is perhaps nearing the end of its ‘sell by date’ for the large corporate market.

In order to keep up with the customers’ demands, insurers, and increasingly reinsurers entering the primary large corporate market, will thus need to significantly up their game by investing in state of the art technologies and expertise way beyond current capabilities.

It is important to note, however, that this conclusion probably only applies to the largest corporations who present particularly complex cross-border challenges to insurers and reinsurers.

The middle and upper middle market is probably not so concerned about this issue and are not suffering the same volume and complexity of data demands simply because their businesses are not so complex.

The logical conclusion to this conundrum surely has to be that the carriers need to work out how to efficiently meet the needs of their biggest customers in a more bespoke manner.

They can then use the experience and knowledge gained in that process to build more standardised and thus cost-efficient products and services for the rest of the market.

The key to keeping both larger and smaller customers happy is to make sure that the big customers do not feel that they are paying for the product development efforts of the carriers upfront so that the rest of the customer base receives a more competitive product and service.

This is surely possible and the evidence gathered by CRE in recent interviews with leading insurers, reinsurers and brokers seems to confirm that they are well aware of this challenge.

The winners will inevitably be those companies that are able to organise their limited resources, not least people and technology, in the most effective way possible and before the rest of the pack.

For those carriers that have not quite worked this out yet a close reading of the following quotes from this year's survey would be a very good place to start.

**Invest in technology and models...**

Klaus Greimel, Risk Manager of German energy company E.on and former President of the DVS:

“The insurers’ risk analysis models which in the last instance led to capacity approval really leave a lot of room for improvement... When you ask insurers about a portfolio or cover element: ‘What does your global portfolio look like? How many losses do you have in this particular portfolio? Are there any new risks?’ then they tend to look at you and say: ‘We don’t know exactly but it is a very bad risk...’ This kind of response can drive one up the wall.”

**And poor models are not just for emerging risks...**

Klaus Greimel, E.on:

“There are many regions for which insurers have no natural cat models or only very limited ones. None existed in...
Thailand at the time of the flooding a few years back. The actual key to tackle risks much better would be a perfectly-functioning IT system which insurers could use to make a better analysis of their own portfolio, taking certain risk factors and exposure into consideration. I do not understand why insurers are so slow to act... At present I see the tendency for customers not being able to access the cover they really need as far as limits are concerned, even in classical cover.”

**Insufficient capacity...**

Gregor Köhler, Chief Executive of Bayer subsidiary Pallas Versicherung:

“When an insurer offers me cover of €50m and I can eventually get another €50m from a second insurer, then I have €100m in risk cover... The question is, does that really help me, if for instance I have exposure of €1bn? If I lose €50m, then I do not have €7bn EBITDA, but only €6.95bn. That is annoying, since €50m is a lot of money, but that doesn’t mean the end for us.”

**Inadequate IT systems...**

Gregor Köhler, Bayer:

“That is a permanent theme where the insurers, but also the brokers, are not especially good... Even big broker networks like Marsh, Aon and Willis have no convincing solution which can reflect what we have in the different countries without a major effort... If I want to have an appropriate analysis, then these firms start working manually, and that cannot be so in the era of Facebook and iPhone.”

**Don’t expect me to do your job...**

Creighton Twiggs, Risk Manager for Clariant International, the Swiss-based international specialty chemicals group:

“I say: ‘You tell me and then we will buy the limits’. If the insurers do not know my neighbour’s exposure then how the heck am I supposed to know!”

**Start by looking at my loss history...**

Heinz Risi, Risk Manager for Swiss elevator giant Schindler:

“The insurance company is asking for as much information as possible from the customer. But we are currently placing an international property damage programme and the first question is about the zip code then they model it... I have a lot of information prepared that covers the last 20 years’ loss history but the insurers do not seem to be interested at all this history and loss reports. I have to sort out all the information that they want for the catastrophe modelling and then another insurer comes to the market, demands no information, just asks for a zip code and gives a quote which is the same! So I do a lot of work and do not see any benefit... The question is: What do the insurers do with all this information? Can they really handle it?”

**Disclosure problems, help from the broker needed...**

Carlo Cosimi, Vice President of Insurance at SAIPREM, the Italy-based oil and gas contracting company:

“We are aware that a complex activity means complex risk to manage and consequently to transfer. We noted in recent years, probably as a consequence of big events such as the Macondo Deepwater Horizon oil spill disaster, that the insurers are requiring more detailed information than in the past, and on a periodical basis during the policy period, not only at renewal time... In some cases such detailed information requested from insurers contrasts with the increased level of information that become price sensitive for the assured, which needs to be carefully managed, especially for assureds listed in the Stock Exchange markets. The support expected from the broker is to help to find a reasonable trade-off between the two opposing needs.”

**Use the captive to understand the risk...**

Jorge Luzzi, Risk Manager for Pirelli Worldwide and President of Ferma:

“The insurers need to understand the needs of the captive more than ever. For the level of coverage required for such companies the market is not pushing real solutions for the full value of the risks faced by big companies so the captive has to retain a significant level and must have the data to underwrite it itself and find excess coverage.”

**Need a greater spirit of cooperation...**

Jorge Luzzi, Pirelli:

“The other big problem is that with every new risk that comes to the market underwriters tend to be very conservative about loss history and loss ratios. Naturally if there is less knowledge about the loss history then insurers will be more conservative with the pricing and over time, when knowledge is built up, the pricing can improve. But to help this to happen there has to be a greater spirit of cooperation. This is needed because of the need to build more experience and achieve better pricing and capacity with bigger deductibles.”

**Do the brokers offer value for money?**

Richard Krammer of Austrian construction group Strabag:

“In an ideal world the independent broker can see the bigger and broader picture and can prepare and improve wordings. But sometimes the world is not ideal and brokers are obviously not doing the job for a hobby, they do it for money. So the question is: Are they offering value for money? One thing to also look out for is the fact that sometimes information can get lost in transition to insurers. It is fine if all three parties sit around a table but this is not always the case.”
**Liberate that information and share it...**

Juan José Gil Sánchez, Risks Finance and Corporate Insurance Director at Telefónica, the Spanish telecommunications group:

“It is clear that, when it comes to large risks, in the big industrial sectors, there is a lot of valuable information that is held by insurers and, to a lesser extent, by brokers. We as insurance buyers need this information internally to prepare benchmarks about premiums and losses. It is very clear that insurance companies are losing to brokers the battle to provide this service to their clients. Brokers have been using their databanks to satisfy the needs of their clients by meeting the needs that we have to compare data and statistics. Insurers increasingly make use of actuarial studies to define the premium for large risks. Some of them have set specific ranges for the premiums charged in certain sectors, of which almost no buyer can escape. And we as risk managers are kept completely without access to this information.”

**Data sharing risk...**

Ivan Delgado de Robles, Risk Manager at Spanish construction group ACS:

“In the early stages of international tenders, we often have to share information with brokers that is very important, as it can win us a project. So I always ask my brokers if there are any conflicts of interest, such as the possibility that they are already working for other participants in the same tender. Brokers answer that, if that is the case, they have ‘Chinese Wall’ policies in place, and they assign different teams to deal with each client. Even then, however, if there are alternatives available, I prefer to avoid the risk. The teams are different, but they use the same offices, the same equipment, and this is something that worries me.”

**Give us non-disclosure agreements...**

Lennart Edström, Vice President of Group Risk Management at Electrolux in Sweden:

“I fully understand why insurance companies are asking all of these questions. I think they are doing the right thing as it forces us to dig deep within our own organisations. The question is how far down [the supply chain] can you go and how far down will the insurance company ask for information...On CBI some of the information required by the insurers will be business secrets. When handing over this type of information we must ensure we have the right non-disclosure agreements in place.”

**What about crisis management?**

Charlotte Barnekow, Sweden-based Head of Insurance and Risk Management at Ericsson:

“It is important that insurers understand the risk but not necessarily as a result of zip code level detail. The information and risk assessment could just as well be found in the processes an organisation has in place to actually procure a service or component. Proving that as an insured you have a solid process, good crisis management systems and cultural mechanisms in order to act immediately in case of earthquake or flooding or a supply chain issue is what I am talking about. That is the information that insurers should look at. Some do this but not always. You rather hear this noise about detailed information and uncertainty driving prices.”

**Give us the return...**

Elaine Heyworth, Safety and Assurance Director at Heathrow Express in the UK:

“I just seem to give more data, more data and then some more data without seeing a positive effect on return on investment.”

**More intelligent questions please...**

Nicola Harvey, Group Risk Director at auction house Christie’s:

“I think there should be more intelligent questions asked rather than just a demand for everything you have in terms of data.”

**Seek data for our risk not your model...**

Chris McGloin, Chairman of UK risk management association Airmic and Risk Manager at Invensys:

“If we are all doing internal risk mapping why don’t brokers and insurers work better to take the information we have in our language and interpret that in a different way? Why do we have to turn all of the information on its head to satisfy line of business-type structures within the insurance market?”

**Seek a more open way of data sharing...**

Chris McGloin, Invensys:

“Look at cyber risk and supply chain risk. The underlying principal, which is identical, is that a lot of people know a lot about cyber but are in no position to share it. A lot of people also know a lot of information about supply chain, but likewise are not in a position to share that. If there is the opportunity to take data and information and apply...”
it in a much more open and creative way then all of a sudden we would have better information to make better decisions.”

**Take more time...**  
Gary Marshall, Group Risk Manager, Polestar UK Print:  
“Quite often insurers are asking generically, they are not asking specifically. They want you to come back and tell them more than their question would initially suggest... What I am trying to do in conjunction with the insurance market is highlight where we think the next trends will be in terms of potential loss development and then talk about how we could perhaps change the wordings, or take a slightly different approach to the way in which we buy cover. We should spend a lot of time looking at the risk register and our risk profile and we should be talking to people and trying to get a lot more information about how that is going to impact our business. But of course, we are time constrained so need to be right on the ball in our judgement of risk.”

**Hire the right people and do your homework...**  
Sabine Desantoine, Insurable Risk Manager at Belgium-based banking group ING:  

dothemath.com

**Create a database of industry-wide risks...**  
Dr Marie-Gemma Dequae, Ferma:  
“Everybody wants to know the benchmark for major risks. In the US there is a greater level of statistics but in Europe there is often a lack of up-to-date statistics from insurers because the reports take two years to be completed...What I see [in the banking sector] is a lot of work being done on operational risk. Specialist organisations are putting together the information that is provided by the banks and allows them to benchmark their operational risk programmes.”

**More standardised data requests needed...**  
Jacqueline Plessius, Global Insurance Manager, TNT Express:  
“We are more than willing to provide information because it can help give a better insight into our own risks. But we want to provide it in a standard form to all brokers and insurers. It’s quite basic but it never happens.”
The rapid and hassle-free payment of valid claims is what all risk and insurance managers dream about. It will, of course, never be that simple as the contract is legal and contains exclusions and business is becoming ever more complex as stressed in the previous chapters. But there is a real desire among Europe’s risk and insurance managers for a more mature, business-like and joined up approach to claims handling.

Adrian Ladbury reports
CLAIMS IS A BIG TOPIC FOR EUROPE'S RISK and insurance managers currently as cash flow remains very tight at most European companies.

CEOs and CFOs are reportedly taking a keener interest in what their risk and insurance managers are spending on insurance and naturally want to see more ‘bang for their buck’.

Any insurance manager in this tough environment will find it difficult to explain to their boss why it could take years to collect valid claims payments from a range of insurers across the globe.

As a result European risk managers would like claims to become a more central part of the whole placement process. Many of those risk managers who took part in this year’s survey said that they would like to engage in more pre-claim discussion with their insurers and brokers to clarify exactly how the cover would respond in the event of a claim.

The insurers say that they are keen to do this too. Price remains important of course but there does seem to be a shift of emphasis among both buyers and sellers of insurance away from the up-front placement process to the whole process.

The underwriting cycle appears to have been somewhat dampened and tamed by a removal of many of the historic barriers to entry for capital of the past and the attraction of the high end reinsurance and ILS market to the capital markets.

This means that it is in the interests of the insurers to shift their focus from up-front placement and pricing negotiations towards the creation of a more efficient and cost-effective chain.

A huge amount of frictional cost, not least lawyers’ fees, can be generated by a drawn out claim.

It can also destroy a lot of goodwill that may have been built up over years. Retaining good customers is clearly more cost-effective than going out into the market to find replacement ones, not least because it usually involves having to undercut the competition.

It is clearly in the interests of everyone (except for the lawyers and arguably also the brokers who does adjusters) therefore to make sure that lengthy claims disputes are avoided, particularly at a time of tight cash flow.

Some may argue that, given the tight cash flow and sluggish investment return environment, it is actually in the interests of the insurers to delay payment of claims for as long as possible.

As shown in the quotes below there is some evidence to support the notion that claims payments are generally becoming more difficult to secure.

There will also inevitably be an element of delay introduced by the fact that so many CRE readers have expanded internationally in search of new markets, which has naturally led to more complex claims in areas such as business interruption.

But on the whole it seems that among the leading international industrial insurance community there is a real desire to step up the game in this area and this can only be good news for the risk management community.

The following selection of quotes paints the picture as far as the risk managers who took part in this year's survey are concerned.

‘Hair in the soup’...
Richard Krammer of Austrian construction group Strabag:
“Some [insurers] are in the middle but many insurers simply try to get out of the coverage in any way possible. The insurer can always find a ‘hair in the soup’.”

The bigger the claim the worse it gets...
Pedro Nazaré, Head of Risk Management at Refer, the Portuguese rail group:
“I feel that there has been less sensitivity on the part of insurers when it comes to properly understanding and classifying what has really happened in certain loss events...I also believe that there is a systematic effort to try and find legal ways to avoid responsibility for the payment of large losses. I do not feel, from the part of insurers, much commitment to sitting down with their clients in order to identify the real nature of a claim. Insurers need to act more like real partners of companies. Of course there are some exceptions, but that is the general impression I have.”

Rising uncertainty along with complexity...
Annemarie Schouw, Chair of Netherlands risk management association Narim and Risk Manager at a global metals company:
“When losses occur there can be considerable uncertainty over how long a claim can take to settle, how much it might settle for and even whether an insurer will pay at all.”

Role of the broker confused...
Jacqueline Plessius, Netherlands-based Senior Insurance Manager, Group Treasury & Insurance at TNT Express:
“There is no management of the process and no time allocation. And sometimes it seems that the broker works for the insurer in the way they respond to large claims...
outsourcing of claims handling by brokers] is a worrying tendency because an outsourced claims firm does not have the same expertise, nor will it understand your own company in the way a dedicated claims department will.”

**Develop track and trace systems...**

Jacqueline Plessius:
“We need insight into when a claim gets stuck, otherwise the legal costs mount.”

**More coordinated approach needed...**

Peter den Dekker, Netherlands-based Insurance & Risk Manager at VimpelCom, former chair of Narim and past president of Ferma:
“The players in the market should work together—cooperation between local and global insurers is not always optimised, especially in emerging countries where the practice of assessing a claim is not as developed as we would like.”

José Luis Amorim, Portugal-based Director of Risk Management at Sonae group:
“Loss adjusters, insurers and brokers have a lot of experience in dealing with claims and they could share the information they have in order to reduce the learning curve about a loss...If it was possible to know early about the problems that will inevitably arise during the servicing of a claim it would greatly help the process. Also, sharing knowledge of major incidents, their causes and how to avoid them, would help a great deal in improving risk management processes.”

**Especially in global programmes...**

Gilbert Brat, Vice-President of French risk management association Amrae and Director of Group Insurance at Groupe La Poste:
“Claims services can be improved with a more proactive approach from our insurance partners. Especially in international programmes there is often a problem of articulation between the local policies managed by the local broker and the master policy that was arranged by the master broker. This could be improved with frequent, regular reporting.”

**Take control of the process...**

Otto Bekouw, Head of Insurance and Risk Management at Netherlands-based Royal Philips:
“We have a claims management function because we want to be in control of the claims process...This is a people business—when relying on brokers there is often no sense of urgency and no ownership whereby one person can be fantastic, while another can be a complete disaster—so we want to make sure we have the best and are on top of things.”

**Time is of the essence...**

José Luis Amorim, Director of Risk Management at Portugal’s Sonae group:
“The negative side of claims services, of course, is that the whole process takes a long time, which is not such a big problem for a group with several stores, like ours, but can be fatal for a small company...So one aspect that could be improved would be to make the money paid as compensation more promptly available.”

**Self-control makes it quicker and more efficient...**

Otto Bekouw, Royal Philips:
“The process is too sequential, so having our own claims handling is essential for us to better control the timing aspect and to manage expectations towards our business units. We like to involve the fewest number of players and only include the people that truly add value.”

**Insurers introduce a ‘customer first’ culture...**

Jean-Christophe Rodin, Head of Global Insurance at France-based CNIM:
“To enhance claims services it is necessary that insurers and brokers improve their relationship with clients and implement a customer-first culture in the claims department.”

**See it through to the end...**

Gilbert Brat, La Poste:
“When we change brokers or insurers we find it difficult to conclude the processing of outstanding claims. Once we are not working with a broker or insurer anymore they have a tendency to disengage themselves from the process.”

**Treat claims as a business not legal matter...**

Brigitte Bouquot, a member of Amrae’s board and Director of Insurance and Risk Management at Thales:
“In broad terms I am happy with claims services. But I believe that insurers should deal with claims as a business issue, and not as a legal one.”

**Disclosure can be a problem...**

Brigitte Bouquot, Thales:
“One thing that is important about claims is that it is a game played by three parties: the company, the broker and the insurer. If we do not play our own part, the process does not work. A claim is a big, complex project. It involves collaboration between people who do not usually work closely together and I believe that there is often much resistance from the insured to disclose information.”

**Clarify with insurers and brokers at the outset...**

Sophie Mavieux, a member of Amrae’s board and Head of Risks and Insurance at Gemalto:
In order to enjoy good claims services, we as customers need to be very clear about what we expect from our partners in the insurance industry... From the very beginning it is necessary to organise meetings with brokers and insurers, so that we (insurers, brokers and insured) are all aligned along claim strategy and objectives. It is necessary to share information from the very beginning of the process, otherwise efficiency will be lost and the whole process will not be good. But this is not always the case.

Preparation is key...  
Frédéric Lucas, Secretary General of Amrae:  
“When you work with your broker and your insurers and invest time before the claim, the service tends to be good... If you do not do this, you will definitely be in trouble. The main issue is to spend time before the claim, and not afterwards.”

Preparation and planning is all...  
Charlotte Barnekow, Head of Insurance and Risk Management at Ericsson:  
“It is not the limit that should be discussed when you are entering an insurance contract but rather how will the product be delivered in a claim, who will be there and how are you going to coordinate all insurers together in cases where there are a number of insurers or reinsurers on the risk... You cannot have 20 different insurers debating if something is covered or not, you need to give the authority to a lead or a panel. That pre-claims discussion must take place well in advance of any loss. I think a lot is talked about this but then other things take over, and although as a risk manager you might want to prioritise this discussion it doesn’t always, or even often, take place.”

Make time to discuss and benchmark...  
Sophie Mavieux, Gemalto:  
“It is necessary to share the lessons that insurers have learned from previous claims from their clients, of course preserving confidentiality... In our company we have been pushing for a debriefing of each claim with brokers and insurers to make sure that we can capitalise on what was done well and what can be improved. For the time being, however, we have only managed to do this exercise once. There is no real resistance against this kind of exercise, people only have to find the time to sit down and talk to each other.”

Bigger problem for smaller companies...  
Hans Jürgen Allerdissen, President of Germany’s DVS and Chief Risk Officer at Deutsche Bahn:  
“The smaller the client is, the more problems he has. Large customers are in a position to talk directly to a management board member of an insurer, and use their market power. But small companies often feel a clear tightening on the part of the insurers. With a small capital base, this is often sufficient to bring a company close to ruin.”

Pay the claims locally...  
Carl Leeman, President of Ifrima and Chief Risk Officer of Katoen Natie in Belgium:  
“If an insurer provides coverage in one country it should pay claims in the same country.”

Need better information...  
Dr Marie-Gemma Dequae, Belgium-based Scientific Adviser to Ferma and former president of the federation:  
“This is one area where the insurance industry has lagged behind. They are not good at providing information such as risk information, claims follow-up and premium information.”

Choose your partners wisely...  
Lennart Edström, Vice President of Group Risk Management at Swedish electronics firm Electrolux:  
“Cheap capital [easily flows] in and out of the market but you will have a problem when you have a claim because they don’t really consider paying claims. They will put their lawyers on the case to try to get out of the claim and then they will run. So we are always looking for long-term relationships—companies that we know and that understand us and will help us in the event of a claim. And we have really good partners.”

But it’s not all bad news...  
Edwin Meyer, Chief Risk Manager at steel giant ArcelorMittal and a board member of DVS:  
“I can only say positive things about claims handling. In all the years I have been on the customers’ side, there were no problems whatsoever in claims handling.”

Andreas Beck, Insurance Manager for the Austrian-based Voestalpine global steel group:  
“Last week I had a relatively high liability claim and the way it was handled by the insurers was perfect. They listened to the needs of the client and what was really needed.”
Reinsurers, insurers, brokers and risk managers nowadays like to avoid the topic of price and talk instead of emerging risks, new coverage and service standards. But price of course remains critical in such a tough operating environment and there were plenty of risk managers who took part in this year’s survey who were happy to comment on the outlook.

Adrian Ladbury reports
The outlook for insurance terms and conditions was not discussed in each of this year’s roundtables. This was partly because there was such in-depth and lively discussion of big topics such as information demands, emerging risks and the ability, or otherwise, of the market to deliver coverage developments in tricky areas.

But there was still plenty of discussion about the state of the market in a number of key territories that demonstrated a remarkable consensus across the continent.

The bottom line appears to be that supply and demand are more or less perfectly matched and therefore a state of equilibrium has arrived. Some risk managers expect a mild overall hardening, some expect a further overall softening and most expect little change.

It has become increasingly difficult to generalise about the state of the market and, as noted above, insurers, reinsurers and brokers are much less keen to discuss the topic than they used to be.

There has been a very notable shift in the discussions during press conferences and one to one interviews during the annual Monte Carlo Rendez-Vous meeting of the European and international reinsurance market, for example.

When this commentator first travelled to this meeting some 20 years ago all the discussion was about the likely direction of rates at the year-end renewals. The reinsurers generally attempted to talk the rates up and the brokers attempted to talk them down.

But there was an overall consensus about the likely direction of rates and the movements were often quite dramatic depending upon the level of catastrophe losses that year.

In recent years, however, the debate has shifted to wider market trends such as the rise of alternative capital market instruments, the need for greater market cooperation in difficult areas such as offshore energy and regulation like Solvency II.

This year Denis Kessler, CEO of French reinsurer SCOR, scolded one poor French journalist who simply asked what would happen to rates at year-end.

Mr Kessler told the journalist that this was a daft question to ask in today’s market because it is no longer possible to generalise about pricing trends as the past.

He pointed out that markets have become much more fragmented. There is no longer an overall market cycle but rather a series of micro underwriting cycles for specific lines, national territories and regional markets.

Pricing has become more technical at the reinsurance and primary insurance level as models have become more sophisticated. The carriers have vastly improved the way they manage their capital and risks and regulators and credit rating agencies have become more sophisticated in the way they ‘charge’ for risk bearing.

Above all, perhaps, the barriers to entry faced by new capital have fallen. The Insurance-Linked Securities and catastrophe bond market has come of age.

It now offers capital markets relatively easy to understand underwriting structures that are underpinned by commonly used and accepted models and which do not require long-term commitment. The capital can shift in and out of the market quickly and easily.

Combine this with a stubbornly low interest rate environment and scant opportunities for returns worldwide and the result is a glut of capital made available to the international reinsurance and increasingly primary insurance market at the high end.
This means that even though the international insurance and reinsurance market has suffered big hits in recent times, not least 2011, there has not been an exodus of capital as in the past. The reinsurers still enjoy record levels of capital despite paying back fat slugs to investors and there was little evidence at this year’s Rendez-Vous that this outlook will change in the foreseeable future.

The biggest threats to this equilibrium are a rise in interest rates across the globe as the recovery picks up pace and capital markets suddenly find other opportunities for growth, a sudden end to the reserves releases that have underpinned insurer and reinsurer results in recent times or the mother of all catastrophes.

As one reinsurer told CRE during the Rendez-Vous this year: “What would shift this market? Perhaps Arizona becoming the west coast of the US.”

This is significant for the primary corporate insurance market in Europe because it means that there is still plenty of capacity out there for risk managers to choose from, backed up by readily available reinsurance capacity.

It came as no surprise therefore that the risk and insurance managers who commented on the outlook for terms and conditions expect little change.

Generally speaking they concurred with what we have been hearing from the leading insurers and brokers in recent months: property lines are becoming slightly harder as insurers become more selective, liability lines remain soft and if anything will continue to soften and speciality lines are mixed depending upon loss experience and expectations.

German healthcare and motor fleet business is expected to harden because these local markets have experienced losses and capacity is dwindling as it is shifted to more profitable lines.

It is also evident that larger corporates play in a different market to the rest of the economy and so it is more difficult to generalise about the ‘state of the market’.

The big insurers and increasingly reinsurers like this sector because it offers big lumps of premium that can be economically underwritten on a multi-line basis and in a more bespoke risk-based manner than the mass market.

The big corporates tend to hire expert risk managers who operate captives and actively manage their risk. This means that the price discussion should be much more tailored to the specific risk profile and experience and offer long-term renewable profits.

The problem for the insurers appears to be, however, that everyone else has worked this out and so it is an increasingly competitive market.

It is no surprise that Munich Re, Swiss Re and SCOR have significantly stepped up their efforts in recent times to bring their expertise and capacity to bear in this market both as primary insurers and on a facultative reinsurance basis.

If this market can also work out how to bring the capital markets to play in a meaningful way in longer tail corporate lines as well as the catastrophe lines then this could become an even more competitive space and rates will remain soft forever!

For now, however, based on our survey of leading European risk managers CRE’s readership can thankfully breathe easily as we head towards annual renewals. The insurers have plenty of capacity and appetite for your risks so do not expect a challenging renewal again this year.

The following selection of quotes from key markets sums it all up very neatly.

GERMANY

The market is stable but difficult to generalise...

Edwin Meyer, AccelorMittal:
“Unfortunately, I have to be a bit evasive on this point. As a large company, I believe we play in a different league. In principle, I am less interested in the question whether the market hardens or not. Right now, it is stable for us. If I look at the market as a whole, I see that prices in financial lines are rising. In liability, we have sufficient capacity, but there is a trend by insurers to adjust prices in line with their loss experience. In property, we have to concede that rates have reached such a low level that it is not tolerable for insurers.”

No general hardening but more selective...

Jörg F Henne:
“I don’t see a general hardening. But there is a more selective approach by insurers, which no longer automatically participate in larger risks. Today, they might say, I’d like to be part of it, but I can’t give the conditions on the table. Another insurer might be happy to take the risk. As a risk manager, I am glad that they all have their individual risk assessment.”

Still room for price reductions...

Rüdiger Auras:
“I clearly do not see any hardening. In financial lines, the bottom has been reached. In property, everyone tries to talk up rates, but they don’t move. There might be exceptions, especially for risks with a loss history. Here, insurers can make some gains. But in general, price reductions are still possible. That is also true for liability.”

Short term no, longer term yes...

Hans Jürgen Allerdissen:
“If we look at this year, the answer must clearly be no. There is no hardening. In motor and motor fleet, things are changing, we can feel that. But if I look at the huge amounts of fresh capital coming into the industry, there is little movement in the short term. In the medium and long term, however, I expect higher rates. The main driver will be Solvency II.”

FRANCE

Limited capacity in financial lines...

Gilbert Brat, Director of Group Insurance at La Poste and AMRAE Vice-President:
“On financial risks—especially civil liability for financial institutions, business continuity and frauds—there are even less players
operating in the market...Capacities are relatively weak com-
pared to the transfer needs of the market. This is not an emerg-
ing risk, but one where consequences are on the rise...We have
a small banking arm when compared with the bigger players in
the market...We do not have a captive, so we need to work with
lower levels of retention. But there are few insurers that are will-
ing to take those risks with relatively low deductibles. We have
to look for solutions in the London market. There is capacity
there, although the prices are not the same as in France.”

Limited thinking from insurers...
Gilbert Brat, La Poste:
“One insurance company refused to give us a quotation for a
general liability policy because the group has a banking arm.
French insurers sometimes have a way of thinking about their
businesses that is very difficult for us to understand.”

Stable but more selective...
Nicolas Mason, Group Risk & Insurance Manager at
A technological firm Oberthur:
“There are no microeconomic reasons for the market to harden,
nor any specific claims or natural losses that could justify it...
I do not think the market will get softer either. It looks like the
status quo will remain. What is happening though is that insur-
ers are working much more with a pick and choose attitude,
with increasingly technical underwriting. They are very competi-
tive with some accounts, and less positive on accounts that have
a disruptive amount of claims or are perceived as lacking risk
management best practices.”

Macro conditions not
right for hardening...
Jean Rondard, Head of Corporate
Risk Management at Gras Savoye:
“The factors that can make the market change direction are a
combination of shocks compounded by an economic environ-
ment that is not helping the balance sheet of insurance firms...
There are no signs that this combination is happening already.”

Big shocks needed to
shift this market...
Brigitte Bouquot, a member of AMRAE’s board and
Director of Insurance and Risk Management at Thales:
“The market remains mostly soft. But if there is a catastrophe,
with cyber risks for example, the market could harden...I do not
see any changes to the insurance market coming soon.”

PORTUGAL

No big change though
higher deductibles...
Demetrio Tahoces, Director of Insurable
Risk at EDP, the energy group:
“I do not see the market changing tack from the trend that
has been observed in recent years. We have not met tougher
conditions either, although deductibles may have got some-
what higher. What we have seen, though, is that insurers have
become more selective about the risks that they take.”

Little pressure for hard market
but less capacity for poor risks...
José Luis Amorim, Director of
Risk Management at the Sonae group:
“Insurance and reinsurance companies have been reporting
good results, so I do not see where the pressure for a hard market
can come from...In fact, I see the opposite. There is an excess
of capital available in the market, as insurers have been fleeing
from bad risks and surplus funds are available worldwide for
good risks.”

SPAIN

Possibly even softer
Daniel San Milán, President of Igrea:
“Studies have shown that there is ever more capital coming into
the reinsurance market, as it is delivering better returns than
fixed income and other assets. In general, I think we are moving
towards an even softer market.”

José Luis Delgado de Robles, the Risk Manager at ACS:
“Insurance companies are working very hard right now to col-
llect premiums. I’ve seen things in the market that were not seen
two or three years ago. So it sounds unlikely that any company
could believe that it is a good idea to raise rates in areas like
property and civil liability.”

BELGIUM

Solvency II trigger?
Gaëtan Lefèvre, President of Belrim
and Risk Manager for CMI:
“[With Solvency II coming soon] we expected the market to
harden each year but we have yet to see it, so it is difficult to
foresee. It can also vary from sector to sector.”

Carl Leeman of Katoen Natie:
“We have been saying for years that Solvency II is a bad thing
for the industry. The only ones to benefit will be the consultants
and accountants and lawyers; everyone else is a loser, includ-
ing the clients. Now insurers have one technical argument to
increase their rates. Without Solvency II there would be no tech-
nical grounds to increase rates other than their own financial
results.”

NETHERLANDS

Plenty of capacity
Otto Bekouw, Head of Insurance and
Risk Management at Royal Philips:
“There is plenty of capacity and there are still many new en-
trants joining the marketplace, which drives more players to
compete for market share.”
CHAPTER SEVEN—GLOBAL PROGRAMMES

GLOBAL CHALLENGES
GLOBAL SOLUTIONS
GLOBAL PROGRAMMES ARE RIGHT AT THE TOP OF THE AGENDA FOR EUROPE’S leading corporations and increasingly also for medium-sized companies. The leading insurers and brokers have of course spotted this opportunity for new business and are working hard to improve their offerings. But this year’s survey confirms that Europe’s risk managers would like to see them work harder and faster to catch up with their fast-evolving cross-border needs. The following selection of quotes from this year’s roundtables sums up what the risk and insurance managers want and need from the insurers and brokers and they ought to read them carefully. What is really striking is that while the hot topic of compliance is of course important, actually what bothers the risk managers more is a fragmented approach. Process appears to be more important than price or compliance in this key area.

ADRIAN LADBURY reports

A more joined-up approach needed, now…
Peter den Dekker, Netherlands-based Insurance & Risk Manager at VimpelCom, former chair of Narim and past president of Ferma:
“The players in the market should work together—cooperation between local and global insurers is not always optimised, especially in emerging countries where the practice of assessing a claim is not as developed as we would like.”

Improved communication between broker and insurer…
Gilbert Brat, Vice-President of AMRAE and Director of Group Insurance at Groupe La Poste:
“Claims services can be improved with a more proactive approach from our insurance partners…Especially in international programmes there is often a problem of articulation between the local policies managed by the local broker and the master policy that was arranged by the master broker. This could be improved with frequent, regular reporting.”

Just agree on compliance…
Rüdiger Auras, Managing Director at DVS:
“I would like to make a wish. It would be extremely helpful if insurers and brokers could agree, when designing international programmes, what they see as compliant and what not. For a customer, it is not at all satisfactory to get five different answers from five insurers.”

Otto Bekouw, Head of Insurance & Risk Management at Royal Philips:

“The interpretations of insurers and brokers are not aligned, so managing global programmes is a real challenge. The market should agree to work on the same set of rules and principles—there needs to be more cooperation between all players in the industry.”

Compliance is not a competitive advantage…
Peter Den Dekker, VimpelCom:
“This is an unacceptable practice. They should start to realise that compliance of global programmes is not a competitive advantage.”

And create that global database…
Peter Den Dekker, VimpelCom:
“Only then can we take important steps and move forward.”

Stop charging us twice…
Hans-Jürgen Allerdissen, Chairman, DVS, Head of DeutscheBahn’s captivebroker & Chief Risk Officer:
“When you agree on an international programme, you agree on the service level in the individual locations. And we are set to remain in the driver’s seat, and not to be shoved aside by a broker who happens to be present. And the second part of the question: I would like insurers and brokers to come to grips with the fact that a lot of work is done twice, and they charge us twice.”

Give us smoother workflow…
Werner Döringer, Vice Chairman at DVS and Head of the insurance department of Germany’s engineering federation VDMA eV, the Verband
Deutscher Maschinen- und Anlagenbau:
“[VDMA] is one of the largest industrial lobby organisations in Europe. Our members are keen that there is a smooth workflow between lead insurer, broker and the insurers in the individual countries.”

Give us the news...
Sophie Mavieux, member of AMRAE’s board and Head of Risks and Insurance at Gemalto:
“The most important service for an international programme today is the regulatory watch, the ability to observe the market across the world and to report new trends and experiences from different industries and countries... But it needs to be done in a pragmatic way. For example, by highlighting the countries where local policies are required depending upon the real exposure of the insured in the country.”

Make sure it actually works...
Nicolas Mason, Group & Insurance Manager at Oberthur, the French technology group:
“The services that we value the most, other than pricing and wording, are related to the seamlessness of the coverages...We need brokers and insurers that not only sell global programmes, but who also ensure that the global programme will actually work when needed. We need all the legal and tax issues to have been already analysed, planned for and potentially taken care of before the claims happen.”

Keep it simple and manage locally...
Jean Rondard, Head of Corporate Risk Management at broker Gras Savoye:
“The key for the international programme is simplicity... Our clients want to have seamless access to similar kinds of coverage and programme management in all the countries where they operate.”

Improve reporting standards...
Gilbert Brat, Vice-President of Amrae and Director of Group Insurance at Groupe La Poste:
“The only difficulty we find with the services provided by our insurance partners is reporting... It is necessary to consolidate the statistics coming from a variety of countries, which are often organised with different standards. It is necessary to consolidate all that data and I insist our brokers come up with precise reports on losses. Our losses in our postal activities are not very high in value but they are frequent, and it is important to have good information about them to develop prevention policies.”

Keep those global networks...
Eric Bloem, Global Insurance Manager, Global Tax & Financial Markets, Insurance at Heineken International:
“It is frightening to see that there are only a few big networks left among insurers. There are now just a handful of insurers with a major network and the concern is that they will squeeze out the others and create a lack of competition in the long term... I realise that it is difficult to manage a network and even more difficult if one extends beyond a company’s usual comfort zone and explores emerging markets. But that is where the growth is.

“Insurers cracking that nut will become dominant and truly global... Many multinationals are in Africa and Asia—in particular we and other multinationals are growing quickly in these regions where the need for insurance servicing is high—but insurers have not recognised this.

“As a result we have had to learn to work with local insurers, but we would prefer local insurers to become better represented in the emerging markets... If insurers wait until sufficient clients have arrived in a certain country the business will have gone to the local insurers and then they will have to fight to win it back.”

The most important service for an international programme today is the regulatory watch, the ability to observe the market across the world and to report new trends and experiences from different industries countries...
Local markets immature...
Jacqueline Plessius, Global Insurance Manager at TNT Express:
“Local insurance markets in emerging countries are still in their infancy—cover is not as sophisticated and is limited in value.”

Adapt policies to local needs...
Demetrio Tahoces, EDP:
“EDP is present in Europe, the US and Brazil. We have no problems implementing our international programmes in Europe. There are some difficulties in the US, but they are much more severe in Brazil... What the market could do to help us in such situations is to adapt policies to local requirements, and to offer a more thorough coverage for risks that eventually cannot be covered in some jurisdictions.”

Mid-sized companies need global solutions too...
Werner Döringer, VDMA:
“The really hot topic for many medium-sized companies with €200m or less turnover is their international expansion, to Latin America, Asia or North America. They need to deal with challenges like the need to insure their operations there. These companies must convince insurers that they need international programme solutions.”
Hans Jürgen Allerdissen, President of the DVS and Insurance Manager at Deutsche Bahn
José Luís Amorim, Director of Risk Management at Portuguese retail, telecommunications and insurance group Sonae
Rüdiger Auras, Managing Director at DVS
Charlotte Barneakow, Sweden-based Head of Insurance and Risk Management at Ericsson
Andreas Beck, Insurance Manager for the Austrian-based Voestalpine global steel group
Otto Bekouw, Head of Insurance and Risk Management at Netherlands-based Royal Philips
Eric Bloem, Global Insurance Manager, Global Tax & Financial Markets, Insurance at Heineken International
Brigitte Bouquot, AMRAE board member and France-based Director of Insurance and Risk Management at Thales, the defence and aerospace group
Gilbert Brat, Head of Insurance at France’s postal service La Poste
Sonia Cambier, Risk Manager with Belgian chemicals and plastics group Sovly
Ángel Cea, Director at Grupo ENCE, the Spanish group engaged in the production of cellulose pulp and solid wood products
Carlo Cosimi, Vice President of Insurance at SAIPEM, the Italy-based oil and gas contracting company
Dr Marie-Gemma Dequae, Scientific Advisor at Ferma
Ivan Delgado de Robles, Risk Manager at Spanish construction and concessions group ACS
Sabine Desantoine, Insurable Risk Manager for south west Europe at ING in Belgium
Peter den Dekker, Netherlands-based Insurance & Risk Manager at VimpelCom, former chair of Narim and past president of Ferma
Werner Döringer, Vice Chairman at DVS and head of the insurance department of Germany’s engineering federation, Verband Deutscher Maschinen (VDMA eV)
Lennart Edström, Vice President of Group Risk Management at Electrolux, the Swedish multinational household and professional appliances manufacturer
Fredrik Finnman, President of Swerma, the Swedish risk management association, and Group Risk and Insurance Manager at ASSA ABLOY
Juan José Gil Sánchez, a member of Igrea’s board and the Risks Finance and Corporate Insurance Director at Telefónica, the Spanish telecommunications group
Julia Graham, Chief Risk Officer at DLA Piper UK and Vice President of Ferma
Klaus Greimel, Risk Manager of German energy company E.on and former President of the DVS
Nicola Harvey, Group Risk Director at auction house Christie’s
Helen Hayden, Head of Insurable Risk at UK supermarket giant Tesco
Jörg F Henne, Risk Manager at German electronics group EPCOS

Elaine Heyworth, Safety and Assurance Director at Heathrow Express
Paul Hopkin, Technical Director at UK risk management association Airmic
John Hurrell, Airmic Chief Executive
Lars-Olaf Köhler, Risk Manager for Austrian Railways, OBB
Richard Krammer, Risk Manager for Strabag, the Austria-based construction group that operates across central and eastern Europe
Carl Leeman, Chief Risk Officer at Katoen Natie, an international logistics service provider based in Belgium
Gaëtan Lefèvre, President of Belrim and Group Risk and Insurance Manager at Belgian engineering group CMI
Frédéric Lucas, Secretary General of AMRAE
Jorge Luzzi, Risk Manager for Pirelli Worldwide and President of Ferma
Maria Emilia Marsaglia, Insurance & Guarantee Manager at telecoms group 3 Italia SpA in Italy
Gary Marshall, Group Risk Manager, Polestar UK Print
Nicolas Mason, Group Risk & Insurance Manager at French technological group Oberthur
Cristina Martínez, a member of the board at Igrea and the Director of Risk Management at Campofrío Food Group
Sophie Mavieux, member of AMRAE’s board and Head of Risks and Insurance at French digital security firm Gemalto
Chris McGloin, Chairman of UK risk management association Airmic and Risk Manager at Invensys
Edwin Meyer, Insurance Manager for Steel Group ArcelorMittal
Pedro Nazaré, Head of Risk Management at Refer, the Portuguese rail group
Jacqueline Plessius, Netherlands-based Senior Insurance Manager, Group Treasury & Insurance at TNT Express
Heinz Risi, Head of Group Insurance and Risk Management at Schindler Group, the Swiss manufacturer and supplier of elevators, escalators and moving walkways
Jean-Christophe Rodin, Head of Global Insurance at France-based CNIM
Jean Rondard, Head of Corporate Risk Management at Gras Savoye
Paolo Rubini, Risk Manager for Italian telecommunications group Telcom Italia
Daniel San Milán, President of Igrea
Annemarie Schouw, Chair of Netherlands risk management association Narim and Risk Manager at a global metals company
Demetrio Tahoces, Director of Insurable Risks at Portuguese energy group EDP
Creighton Twigg, Risk Manager for Clarient International, the Swiss-based international specialty chemicals group
Miguel Angel Zarandona, Vice-President of Agers, the Spanish risk management association
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