Insurers finding ways to maintain French service post-Brexit

Bouquot encourages risk managers to earn respect

AMRAE 2017
Rodrigo Amaral

LOYD’S AND OTHER London-based corporate insurers are confident that Brexit will not alter the market’s ability to provide cover for French and European companies after Brexit.

In March, the UK is due to begin a two-year negotiation process to leave the EU. The process is expected to see London-based insurers lose passporting rights, which enable them to sell policies directly into Europe without the need for local branches. It is hoped that a trade deal between the UK and EU can be reached that will include financial services.

NO PROBLEMS

Speaking to CRE at the AMRAE conference in Deauville, several insurers were confident that Brexit will not affect their ability to service French clients.

“Brexit is not an issue for us and how we service French clients,” said Thierry van Santen, chief executive of Allianz Global Corporate & Specialty in France. “We have strong entities in the UK and in Europe, so we do not have the same problem as some London-based companies,” he said.

According to Mr Van Santen, Brexit could even benefit France, bolstering the financial services sector in Paris and potentially bringing additional insurance business and “competency” to the country. A number of brokers are already planning to open European offices in Paris, he added. XL Catlin is also confident that Brexit will not prevent any problems for its operations in Europe. “We have two good Societas Europaea licensed entities in London. In case we have to, we would just relocate one of them to the European Union,” said Bruno Laval, country manager for France at XL Catlin. Previously, AIG said it may move its European headquarters back to Paris from London. A number of London market players, such as Beazley and Hiscox, have said they too are looking at setting up entities in the EU.

Lloyd’s also has plans to head off the worst effects of Brexit. It is in the process of establishing an EU legal entity to front direct EU business of Lloyd’s syndicates and underwriters.

UPSIDE RISK

“We see Brexit as an opportunity. It could be a real opportunity for Lloyd’s to improve its footprint in Europe and to be better recognised as a partner in Europe,” said Mr De La Rochefoucauld.

“By creating a European entity, Lloyd’s will reinforce the attention of Lloyd’s managers on the continent and [the] French market, and [will] be more visible to brokers and insurers,” he said.

Lloyd’s underwrote more than €5.5bn of gross premium in France during 2016, which included a 10% increase in direct insurance premiums. Growth has been particularly good in specialty lines like cyber, political risk and event cancellation, according to Mr De La Rochefoucauld. Lloyd’s is not only confident in its ability to maintain its European offering, it sees Brexit as an opportunity to expand business in France.

Ferma and Ifirma step up campaign to defend captives to OECD

CAPTIVES
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THE EUROPEAN and international risk management community has invited Pascal Saint-Amans, director of the centre for tax policy and administration at the OECD, to a meeting at the RIMS conference in April to further explain why captive insurance companies are not corporate tax-dodging vehicles and should therefore not get dragged into the Base Erosion and Profit Shifting (BEPS) initiative.

PENNY WISE

BEPS refers to tax avoidance strategies that exploit gaps and mismatches in rules to artificially shift profits to low or no-tax locations. The OECD obtained a mandate to tackle BEPS at the G20 Leaders Summit in November 2013. It was instructed to produce a BEPS report, which was published in November 2015. It was instructed to produce a BEPS report, which was published in

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Continental Business Interruption (CBI) insurance has evolved during the past couple of years and insurers are extending coverage to new kinds of risks that can affect companies’ supply chains without causing physical damage, risk managers were told during the 25th Rencontres AMRAE in Daeuil, France.

However, the costs and scope of coverages remain an issue for buyers as more comprehensive CBI policies are sold on a tailor-made basis, while extensions to property policies continue to present limitations, experts said.

Square peg, round hole

There are also concerns among some buyers that they are being pushed standalone policies instead of insurers broadening existing cover.

“We want free extensions to our property policies. Insurers want to sell us standalone CBI coverages. Now we have to reach an agreement about it,” said Mr. Blaise, a member of AMRAE and former risk manager at chemical group Areva.

He made the observation during a panel on CBI held on the second day of the AMRAE conference. Participants said the good news is that CBI coverages are more comprehensive. Even extensions to property contracts have progressed, they explained.

Elisabeth Duboc, a senior adviser at Marsh SAS, noted that insurers today are more open to adding CBI protection into property policies via extensions. Coverages for interruption caused by indirect suppliers can now be arranged, she said. It is necessary, however, to be “very vigilant” with limits, she warned, as they sometimes do not provide the amount of cover needed to indemnify financial losses.

If buyers are willing and able to purchase tailor-made business interruption policies, coverages can be much broader and limits much higher, Ms Duboc continued. Capacities reach hundreds of millions of euros, Ms Duboc pointed out, and coverage can include risks such as strikes and the bankruptcy of suppliers. “Those are risks that are not covered at all by property policies,” she said.

Audience members expressed concerns about the cost-benefit of standalone policies. Ms Duboc said such solutions are becoming more affordable, and insurers are starting to target mid-sized companies too. But she also pointed out that the market is still some time away from being able to offer off-the-shelf CBI policies.

In a previous debate on supply chain risks, Philippe Ober, a broker at SIACI Saint-Honoré, stressed that underwriting standalone CBI policies remains a very hard task, both from the point of view of buyers and carriers. He noted that very few contracts have been closed thus far.

Experts stressed the importance of buyers paying great attention to wording when it comes to CBI Interpretation by carriers, or ultimately the courts, tends to play a big role in the settlement of claims, they said.

Pattern shift

Events that cause business interruption without physical damage can be difficult to predict in advance, the experts added.

The most commonly known example was the ash cloud generated by the eruption of the Eyjafjallajökull volcano in Iceland, back in 2010. It created havoc for European air traffic, affecting the business of airlines, tourism firms and companies that depend on the transportation of supplies by air.

Other cases have caused woes for buyers and insurers alike. For example, in 2008 the Chinese government ordered companies around Beijing to stop their activities for two weeks to reduce pollution during the Olympic Games.

Captives: Ferma aims to increase understanding in Brussels of captives role

Continued from page one

February 2013

The report listed several “pressure areas” and included captives as a potential “vehicle for growth.”

More than 100 countries and jurisdictions are collaborating to implement the BEPS measures put forward by the OECD. Mr Saint-Amans is overseeing the initiative.

He summed up the effort neatly, as he said: “BEPS is about rewriting the international tax rules to realign the location of the profits with the location of the real activities. Currently, tax planning results in locating profits in tax havens where nothing is happening.”

Taxing agenda

The EU also has its own anti-tax avoidance package underway, which forms part of the European Commission’s (EC) agenda for fairer, simpler and more effective corporate taxation.

The package, which includes an anti-tax avoidance Directive passed in July, contains concrete measures to prevent aggressive tax planning, boost tax transparency and create a level playing field for all businesses in the EU.

The European and international risk and insurance management community has been working hard to convince the OECD and EC that captives are genuine risk management transfer tools.

The US Captive Insurance Companies Association and the European Captive Insurance and Reinsurance Owners’ Association responded to initial suggestions from the OECD that captives are potentially tools for abuse.

The two groups pointed out that:
- 6,000 captives worldwide operate in the same way as traditional insurance companies
- Captives are an integral part of enterprise-wide risk management
- Captives are the only tool available for multinationals to manage otherwise uninsured exposures
- Captives give direct access to reinsurance to help solve risk transfer problems
- Captives allow their parents/owners to

Progress on CBI but more work needed

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Progress on CBI but more work needed
Cyber cover improving but more support needed from reinsurance market: AXA

CYBER

Rodrigo Amaral
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AXA CORPORATE SOLUTIONS

the belief is that cyber risk covers are improving, with related contingent-business interruption insurance now available. Mr Caillat stressed that better support from the reinsurance market is vital to further develop solutions.

Speaking during the Rencontres d’lAMRAE conference in Deauville, France, Mathieu Caillat, CEO of AXA Corporate Solutions in France, said the reinsurance market has upsided in some ways when it comes to cyber risks. But there is still some way to go to fully support the development of the primary market to be added.

TIMID APPROACH

“Reinsurance has been very timid with cyber risks, which is understandable,” Mr Caillat said. “Risk models are not at the same level that we find in other segments, and there is the issue of the accumulation of risks.” He added, however, that things have noticeably improved during the past year or so.

“We see that reinsurers are ready to follow insurers that have deployed the means to get into the cyber market in the proper way, and have invested to develop internal and external tools to understand the risk,” said Mr Caillat. “In 2017 we are better covered by reinsurance than in 2016, but it has demanded a very intense lobbying activity to achieve that.”

Mr Caillat estimated that European cyber risk premiums could reach €1bn during the 2020s, but development will depend on the support provided by the reinsurance market.

“Cyber is a key risk for us and demand will carry on growing strongly,” he said. “Coverage will evolve to cover risks that are not covered by traditional policies.”

Mr Caillat stressed that cyber is a key focus for AXA Corporate Solutions and he said his company is working to expand the range of risks covered. The group already offers cyber-related contingent-business interruption, which has long been demanded by French risk managers, he explained.

Another innovation is the possible introduction of parametric solutions to trigger cyber risk policies. This is an area that companies like AXA Corporate Solutions are looking at. “It is really a matter of finding the right indexes for that,” said Mr Caillat.

International programmes are a further area of focus for AXA Corporate Solutions, which has registered strong rates of growth in this area in recent years. The number of local policies issued by AXA Corporate Solutions as part of international programmes reached 16,300 in 2016, an 11% spike compared to the previous year.

The company now has 1,905 programmes on its books, 12% more than in 2015. Premiums from international programmes reached €550m, up from €498m in 2015, losses stood at €70m, arising from 43,200 claims.

GLOBAL REACH

“We have also increasingly provided services around the world for other carriers that do not have the same kind of international network that we do,” Mr Caillat said.

On prices and conditions, Mr Caillat said the market remains soft overall but some lines have shown signs of bucking this general trend.

He mentioned as an example automotive insurance in France, where the market’s technical results have been under pressure.

“Renewals (in 2017) have shown that for some countries and some segments, the market is not so soft anymore,” said Mr Caillat.

France is not one of the countries where the tide has turned, though.

Political risk to escalate in 2017 as ‘peak globalisation’ ends: Marsh

POLITICAL RISK

Sarah Jolly
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T he growing political protectionist trend that began in 2016 with the UK’s decision to leave the EU and US election of Donald Trump, ends “peak globalisation” and creates new challenges for multinational businesses this year and beyond, said Marsh on publishing its Political Risk Map 2017.

The issues driving such political changes – including immigration, terrorism threats and the knock-on effect of the global financial crisis will “amply political risks in 2017”, Marsh said.

PROTECTIONIST DAWN

Countries are expected to become more inward-looking and protectionist, which will in turn increase economic risk for multinational businesses, Marsh added.

He cited the “twin shocks” of the Brexit vote and the election of President Trump “defied conventional wisdom, as the status quo option or candidate failed to prevail”. It added that “anti-establishment, nation-first parties globally paid close attention to these events” and the effects would be felt into 2017 and beyond.

In Europe, multinational businesses face uncertainty as the UK negotiates its way out of the EU, according to Marsh’s Political Risk Map 2017.

“Challenges include striking a balance between driving up premiums to reflect new risks and maintaining sufficient pragmatic policies to satisfy the concerns of the establishment and businesses,” Marsh said.

It added that Europe faces further destabilising if anti-establishment forces in other countries – including the Netherlands, France, Germany and Italy – take hold.

In the US, foreign policy is a “key concern”, said Marsh. Political and economic risks hinge on whether the Trump administration adopts more protectionist policies or “aggressively shakes up the international system”. The latter approach will increase friction between existing US trading partners and with its geopolitical rivals, said Marsh.

Marsh’s Political Risk Map 2017 finds that countries with the highest political risks are grouped within regions. Emerging markets in North Africa and the Middle East carry the highest levels of political risk. These areas are destabilised by conflicts, civil war and economic instability that particularly impact the stability of Syria, Sudan, the Central African Republic and Yemen, noted the broker.

Marsh added that it expects to see “continued growth in rivalries between world powers in 2017, such as those witnessed in recent tensions between China, Japan, and South Korea in the South and East China Sea, and in Russia’s growing assertiveness in peripheral countries and in Syria.”

POLITICAL SCENE

Major economies in Asia, including Hong Kong, China and South Korea, also face key elections and meetings this year, which promise to “help set the political scene in these countries, the region and globally for years to come”, Marsh said.

Iran will hold presidential elections in May. President Hassan Rouhani – considered to be a relatively moderate leader – will stand for a second term with a promise to keep the 2015 nuclear deal intact.
VISION IN ACTION

SCOR LAUNCHES ITS NEW STRATEGIC PLAN

Thanks to its accelerated development in Life and P&C reinsurance, SCOR now belongs to the top tier of global reinsurers. The Group’s premium income will reach around EUR 13.7 billion in 2016, an increase of 34% since 2013. Shareholders’ equity reached EUR 6.3 billion at 30 June 2016, up 33% over the strategic plan, after the distribution of EUR 781 million in dividends. SCOR’s development has focused on the twofold objectives of profitability and solvency. All the targets of the “Optimal Dynamics” plan, which has come to an end, have been achieved. With the upgrade of its rating in 2015, SCOR is now rated AA–(1). Plan after plan, the SCOR group demonstrates its ability to find solutions to all the challenges posed by a difficult and shifting economic and financial environment. SCOR absorbs loss event shocks thanks to its active, state-of-the-art risk management policy. Today, SCOR launches its new three-year strategic plan, “Vision In Action,” which is fully aligned with “Optimal Dynamics.”

Over the next three years, SCOR will pursue its dynamic combination of growth, profitability and solvency with ambition and determination, serving its clients and benefitting its shareholders.

2016–2019 TARGETS

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<tr>
<th>HIGH RETURN ON EQUITY</th>
<th>OPTIMAL SOLVENCY RATIO</th>
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<td>ROE ≥ 800 basis points above the five-year risk-free rate over the cycle(2)</td>
<td>Between 185% and 220% of the SCR(3)</td>
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(1) Standard & Poor’s and Fitch Ratings. (2) Based on a 5-year rolling average of 5-year risk-free rates. (3) Solvency Capital Requirement.
**REGULATION**

Rodrigo Amaral

**CORRUPTION**

Ben Norris

**NEWS**

Deutsche Bank receives record fine for money laundering scandal: nationals urge boost anti-corruption measures as regulatory actions unfold

Moscow to transfer more than $8bn from Russia, through Deutsche Bank in the UK, to overseas bank accounts, including in Cyprus, Estonia and Latvia. The moves converted euros into US dollars and facilitated covert transfers of those funds out of Russia. This is highly suggestive of financial crime, said the FCA. A further £5.8bn in suspicious ‘one-sided trades’ also occurred.

The trades were routed through the Deutsche Bank Trust Company of the Americas unit. Investigations led to a record £16.3m fine on the FCA, which included a 35% early settlement discount. Without this, the fine would have tolled £2.52bn.

To avoid the same, Deutsche Bank was fined £425m (£340m) by the DFS and has been forced to hire an independent monitor as part of a consent order. The FCA said its fine was for “serious” AML control failings and urged other firms to step up efforts in this area to avoid similar corruptions and related penalties.

Mark Steward, director of enforcement and market oversight at the FCA, said: “Financial crime is a threat to the UK financial system. Deutsche Bank was obliged to establish and maintain an effective AML control framework. By failing to do so, Deutsche Bank put itself at risk of being used to facilitate financial crime and exposed the UK to the risk of financial crime.

The FCA’s action reflects the seriousness of Deutsche Bank’s failings. We have repeatedly told firms how to comply with our AML requirements and the failings of Deutsche Bank clear the need for firms to step up efforts to prevent money laundering.

It is vital that we create a world where the rule of law is respected and financial crime is not tolerated, otherwise law-abiding individuals and businesses will face unfair competition in the market.

The US authorities agreed that the bank’s failings were serious and warranted large AML fines. Deutsche Bank’s Corporate Banking and Securities division (CB&S) in the UK had carried out inadequate customer due diligence, failed to ensure that its front office took responsibility for the CB&S division, and had failed to monitor country risk rating methodologies and had deficient AML policies and procedures.

Mr Palmiero added: “Cases like this serve to demonstrate just how difficult it is for large, multinational banks to detect, investigate and stop the money laundering and tax evasion schemes that they are involved in.

As a result of these failings, Deutsche Bank failed to meet its risk management obligations, and was fined £425m by the DFS and has been forced to hire an independent monitor as part of a consent order. The FCA said its fine was for “serious” AML control failings and urged other firms to step up efforts in this area to avoid similar corruptions and related penalties.

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It is vital that we create a world where the rule of law is respected and financial crime is not tolerated, otherwise law-abiding individuals and businesses will face unfair competition in the market.
Brigitte Bouquot, president of AMRAE, says that the French risk management association is on track with its big plan to push risk management up the corporate agenda.

The challenges presented by cyber risk offer an opportunity to show wider management the value that risk and insurance management can bring, she explained.

AMRAE on track as cyber tops agenda for 2017: Bouquot
Ms Bouquot, director of insurance and risk management at aerospace group Thales, was elected during AMRAE’s general assembly in Paris on 18 May 2015.

She took the mandate for three years and can be re-elected for a further two-year term in 2018.

Ms Bouquot, who in December, represented risk manager at mining and metallurgy group ERAMET, who had led the association since 2011.

Continuity is important for Ms Bouquot, who previously worked at IBM France and Dassault Electronique, and she pledged to build on the work carried out by Ms Camanet.

Strengthening the risk function and improving its standing is the number one priority, she said.

“We will keep risk managers at the heart of our activities,” she said. “We want risk managers to be better known, which is not necessarily the case today... some people still see us as insurance buyers and do not fully understand all the facets the risk function can bring,” added Ms Bouquot when she took charge of AMRAE.

TWO-PILLAR PLAN

Almost two years down the line, the AMRAE president of the Commercial Risk Europe that the plan is progressing well.

“The strategy is based on two pillars. First, the focus is on risk management as a job that needs to be respected as a highly developed expertise, as part of corporate governance and influence. The job, the function needs to be something that is more understandable and recognised as a profession within the wider business community,” said Ms Bouquot.

There is a natural tendency within this industry for insurance to be relegated to the bottom drawer when the focus turns to enterprise risk management. This should not be the case, according to the AMRAE president. She believes insurance needs to remain in the top-drawer.

AMRAE’s attention main pillar aims to close the “relative gap” between risk and insurance, and explain the real positives its members can bring so their role is not just regarded as a box that needs to be ticked, explained Ms Bouquot.

She said it is important that the risk management community uses the power of AMRAE to push for positive change within the sector, particularly in challenging areas such as cyber.

“The insurance market needs to set an example to show what we are asking for. This needs to be at the heart of risk management and corporate governance,” said Ms Bouquot.

AMRAE’s regional manager needs to remain the expert in this market and use the knowledge and skills of risk transfer techniques to really add value for their employer. This is not something that is seen as a glamorous topic and when in discussion with the CEO or CFO, it can frighten them and has the reputation of being part of the old, fading world,” Ms Bouquot said.

VALUE OF INSURANCE

The risk management community needs to step up efforts to work harder and more effectively with the insurance industry, so it can blow away these old perceptions and show the real value risk transfer brings, not least in the field of cyber, added Ms Bouquot.

“I am concerned that industry in general is actually not sustainable without insurance; it is embedded within business. My dream is that we can all work together to deliver such a results,” she said. “In 2015, the International Monetary Fund and OECD have set the standard: insurance is part of the global economy as a vital service to society, and need to work with the insurance market in partnership, just as we do in the aerospace market,” she explained.

AMRAE is in the perfect position to lead that initiative and spread the word throughout the French business community, said Ms Bouquot.

Many of the association’s senior members are risk managers at France’s biggest and most international companies – such as Thales, Airbus, Veolia and Cap Gemini. This is a powerful tool, said Ms Bouquot.

“This is the beauty of AMRAE. This is where risk managers with the largest companies in France can meet and exchange views, and experience push for positive change,” she said.

FOCUS ON CYBER

To help provide a focus and ensure that this knowledge and experience is put to good use, AMRAE created a scientific group led by Anne-Marie Fournier, risk manager at international luxury goods group Kering.

Ms Fournier explained the reason for this scientific group when it was created back in 2015.

A more collaborative approach is needed if insurers are to deliver relevant solutions to emerging corporate risks such as financial loss without physical damage, for example: Simply coming up with products wrapped in marketing campaigns is not good enough, said Ms Fournier.

“The insurance market needs to give proper attention to what we are asking for. This needs to be at the heart of risk management and reporting, and the individual risk manager needs to remain the expert in this market and use the knowledge and skills of risk transfer techniques to really add value for their employer. This is not something that is seen as a glamorous topic and when in discussion with the CEO or CFO, it can frighten them and has the reputation of being part of the old, failed world...”

BRIGITTE BOUQUOT, AMRAE

This initiative is led by François Beaune, president of AMRAE’s cyber commission and CEO of Bureau Veritas, and Philippe Cotelle, head of insurance risk management at Airbus Defence and Space, and vice-president of the association’s commission.

Mr Cotelle gave a keynote presentation at the Ferma conference in Malta last October, in which he described Airbus’s cyber risk strategy – named SPICE.

On behalf of Ferma, Mr Cotelle provided insights on the role of risk management when it comes to cyber, and put forward key recommendations for future EU research on cyber security.

LEADING THE CHARGE

Ms Bouquot is clearly proof of the fact that the French risk management community is leading this charge in this critical area for all European risk managers.

“I strongly believe that because of our industry, French business leaders have been able to communicate effectively and identify the key challenges for all business and for the insurance industry. This is an ongoing process. A key element has been the effort to establish a common wording to identify what is actually covered and not covered in this critical area for all European risk managers.”

The OECD report explains in depth why a risk management approach is essential to promote the economic and social benefits of the digital economy.

This followed the publication in October 2015 by the OECD to member countries that stressed digital security risk should be treated as an economic rather than a technical matter.

AMRAE appears on the tight track when it comes to cyber.

The OECD clearly agrees with its approach to this critical area and truly values the role of risk management.

For Ms Bouquot, the work of AMRAE also highlights the important role that insurance plays.

If the risk management and insurance communities can work together, AMRAE is attempting, they can ensure that the risk is managed and transferred properly, with or without regulation.

“Cyber is often described in terms of data processing and hacking, but it is much more than that. It is about the resilience of a country, society and business. Cyber risk is a complex project and our vision is to be the people that provide the risk platform for cyber governance and then push the insurance market to cover gaps, not just react to what is on offer,” said Ms Bouquot.

“To make this work properly, you ideally need someone in the business who is dedicated and in charge of cyber security as a whole. Every company needs someone in charge of cyber security as part of corporate governance. This may be the case in some companies but certainly not all. This needs to be done in the right order. It starts with risk management, to identify the cyber security needs, areas for discussion and scenarios. We should not have to wait for regulation... risk management and the insurance market need to proceed whatever the regulation. We need to be ahead of the rules,” concluded Ms Bouquot.

Anne-Marie Fournier

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2017

Continued from page 7
SCOR boxing clever as it continues drive into corporate market

INTERVIEW
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The view of many is that the big reinsurers – such as Swiss Re, Munich Re and SCOR – have recently made a push into the large corporate insurance sector because they face limited opportunities for growth in their core reinsurance market, which remains stubbornly soft and is awash with capital and capacity.

They may not have the on-the-ground local operating networks – and thus, comparable servicing capability – that the big international corporate insurers can boast. But these reinsurers do have lots of capital and the ability to take sizeable lines. They also have enviable human capital and expertise, more controlled risk appetite and are backed by excellent credit ratings and security.

To present this ‘arrival’ of the reinsurers in the large corporate insurance space as a new phenomenon is, however, inaccurate, according to Victor Peignet, CEO of SCOR Global P&C, the Paris-based global reinsurance group.

Mr Peignet reminded Commercial Risk Europe that SCOR has actually been an active player in the large corporate insurance market for almost 50 years.

The extension from facultative reinsurance, through the creation of SCOR Business Solutions and similar dedicated units by Munich Re and Swiss Re, dates back more than 15 years. Current interest in the direct market only represents the next step in the shift from the traditional ‘support’ role played by the big reinsurers as facultative carriers of large industrial risks, to a broader offering carried out on a primary (co-) insurance basis, or via the reinsurance of captives, argued Mr Peignet.

Where the strategies of the large three global reinsurers do diverge is the integration of insurance within a reinsurance offering or the pursuit of insurance separate to reinsurance at the risk of creating conflicts of interests with core business reinsurance clients. SCOR very much positions itself in the former camp.

Evolution not revolution

At its most basic level, the interest from reinsurers does not mean the arrival of large blocks of new capital and capacity in the corporate insurance sector, but rather a repackaging of existing capacity, with additional specialty lines and alternative solution capabilities, to suit the needs of modern-day corporate risk management.

“SCOR intends to continue its expansion into the corporate insurance market, despite current competitive trading conditions,” said Mr Peignet. “For large corporate risk accounts, as opposed to mid-sized and retail accounts, the market leaders have been the same for many years and there has been a well understood and accepted ‘cohabitation’ between large international insurers and global reinsurers. This cohabitation has been possible because the space is large enough and the risk appetites can be, and have often been, complementary across the many sectors; it has worked to the benefit of the large corporates,” he added.

The dedicated SCOR Business Solutions unit is therefore not such a new idea. Mr Peignet arrived at SCOR in 1984 and the group already had a dedicated corporate insurance unit, which had been operational since the late 1970s.

“This business has evolved. It started as purely facultative reinsurance, then became facultative reinsurance and reinsurance for captives, and then moved onto offering primary paper from the late 1990s. We still offer facultative reinsurance to support insurance companies and create programmes for large corporate customers via their captives. The market has simply moved one step further,” said Mr Peignet.

So the more accurate question for Mr Peignet was not why SCOR has decided to enter the primary corporate insurance market in the first place but rather: why has it recently confirmed that it likes the business and wants more of it?

“There are two reasons for this,” he explained. “The first is that we have been doing it successfully for many years, we have

SCOR intends to continue its expansion into the corporate insurance market, despite current competitive trading conditions. COMMERCIAL RISK EUROPE met Victor Peignet, CEO of SCOR Global P&C, to find out how and why

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invested in it and managed to build a real franchise in the large corporate space and we naturally want more of a business that is part of the SCOR brand, and [which] has been an important contributor to the performances of the PAC engine of the group. The second is that we see opportunities in it coming from both developments in the risk management of large corporates to the increasing number of events of certain risks and the emergence of new risks,” said Mr Peignet.

On one hand, risks are increasingly systemic because of the high degree of connectivity worldwide. Furthermore, the fact that the same technology standards are used globally in all industries results in shared dependencies on certain providers, which also increases risk.

On the other hand, intangible assets are largely unaddressed by current market products. Every company has these risks but they have now become large threats. Historically, there has been no solution for the protection of such assets and companies accepted them as an enterprise risk with basically no coverage.

Today, however, many companies recognize that their value depends primarily on intangible assets and they are increasingly eager to find transfer solutions.

The fact that SCOR and its leading rivals are global players by their very nature is an advantage in the global economy.

EXPANDING INTO A SOFT MARKET?

One major and obvious question is: why would anyone want to expand further into the international corporate insurance market when the conditions remain so competitive? Why not wait for the market to harden or look elsewhere for growth opportunities?

Of course, Mr Peignet accepts that market conditions are not easy. But he believes the growth and emergence of new risks creates opportunities that should not be missed.

“All risk is what we are here for as insurers and reinsurers. We should welcome the opportunity to help customers protect themselves. Of course, we have no control over the tuning, which is less than ideal. It is much easier for companies to invest in innovation and take new risks when margins are ample. We have no choice but to function in areas such as supply chain, contingent business interruption and cyber, to which we have to, and want to, be responsive. But we also have to be careful and keep strong. We need to maintain a leading and entrepreneurial presence in the market and offer continuity, but we also need control," said Mr Peignet.

PUSH INTO SPECIALTY

Another way of achieving profitable growth in such a soft market is to use resources to offer a broader geographical service and a wide, if not full, range of services, products and solutions to large corporate customers.

Mr Peignet explained that historically, SCOR focused on property, casualty, energy and construction risks in the large corporate space. In more recent years, this has been extended to include more specialty lines. This means that SCOR Business Solutions is moving, with large corporates, towards the ‘whole account’ approach that SCOR Global P&I has successfully developed with insurers for their reinsurance needs.

The construction business is a key area for SCOR and provides a good example of how this approach can work. The bulk of this business is construction risks, but there are also obvious related specialty risks such as professional indemnity, environmental impairment liability, political, warranty, terrorism and cyber.

“These risks may not all have the same visibility and weight in terms of risk level, premiums and margins, but they are very significant components to meet the needs of corporates. There are also other risks, which sit at the edge of enterprise risk and tend to be placed through captives,” explained Mr Peignet.

This is where SCOR’s specialty lines, such as agriculture and inherent defect insurance; plus its wholly-owned Lloyd’s operation, The Channel Syndicate 2015; play an important role.

“These are highly specialised lines of business and we want the specialty lines of SCOR and Channel to pool their resources and collaborate to contribute to the broadest possible approach of large corporate clients. So SCOR Business Solutions works with our specialty lines and Channel to fill gaps for the large corporate customers and co-underwrite the risks. We have done that in a number of specialty lines and we will continue to move in that direction. In the same vein, in 2014 we launched alternative and captive solutions business units to focus on providing structured risk transfer and alternative risk financing solutions to insurer and corporate clients,” explained Mr Peignet.

THE BIG PLAN

So with these varied resources to hand, what is the big plan for SCOR in the large corporate space?

“We believe we (and a few others) have the means to deploy a whole account approach and by doing this, to displace the competition by moving from being purely quantitative on price to being more qualitative, based on the wider range of services, products and solutions,” said Mr Peignet.

“We want to build further on the values of business continuity, consistency and partnership that have been at the core of our strategies and underwriting policies in our selected segments, and large corporate (re)insurance is one of them,” he added.

CONSISTENCY AND CONTINUITY ESSENTIAL

So why would a corporate customer choose to work with SCOR rather than the competition?

According to Mr Peignet, firstly SCOR has a proven track record as a consistent and continuous partner for customers over a long period of time and through good and bad times.

“We have been here longer than almost anyone else. We have never been an ‘in and out’ player. We have been there for our customers over the years, even through difficult times, when they were hit by large and complex losses and following those losses. This is a trust-based business and we have provided continuity and consistency, which are two essential values in business relationships. If a large loss occurs tomorrow, we will be there to assist, support, negotiate, settle and pay the claims. Customers are aware of that and many have experienced it,” he explained.

“It is only when a large claim, or a series thereof, hits the market, that insurers will face that binary reality. We are at that typical moment in a cycle where all stakeholders think they can afford to ignore this reality, which will inevitably catch up with them at some point,” he said.

“The second point is that the implementation of a truly global whole account approach to relationships with corporate and insurer clients is a challenge that only a few players can successfully deal with; we are determined to be one of them and [we] are busy getting ourselves fully geared to move in that direction and achieve this goal,” concluded Mr Peignet.

Having seen Mr Peignet and SCOR chairman and CEO Denis Kesler lead an impressive, lasting turnaround in the Paris-based group’s fortunes, this observer for one would not bet against their ability to achieve this goal. Europe’s risk managers can expect to see more of SCOR in the coming years.

“We have always been driven by underwriting and we can count on extremely stable teams of leaders and underwriters who have been doing this for a long time. The management is very solid…”

VICTOR PEGIENET, SCOR
WILL THE JURY FIND YOUR FRIDGE GUILTY?

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