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Les Rencontres D'AMRAE 2017
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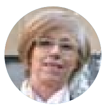


Bouquot encourages risk managers to earn respect

◇ AMRAE 2017

Rodrigo Amaral
ramaral@commercialriskonline.com

@ComRiskOnline

AMRAE PRESIDENT BRIGITTE BOUQUOT HAS URGED RISK managers to take up leading positions as organisations deal with the challenges brought about by the digital revolution and other new technologies.

In her opening speech at the 25th staging of Les Rencontres de l'AMRAE in Deauville this week, Ms Bouquot was less than effusive about the cyber solutions currently available, although she acknowledged the work that carriers and brokers have put in to develop what is on offer.

"In a world where connectivity among organisations is growing exponentially, risk management is global and risk managers are central," Ms Bouquot said. "Risk management is not something we can impose: it is something we have

AMRAE: p3

Insurers finding ways to maintain French service post-Brexit

◇ BREXIT

Stuart Collins
news@commercialriskonline.com

@ComRiskOnline

LLOYD'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 present any problems for its operations in Europe. "We have two good Societas Europaea licensed insurers 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.

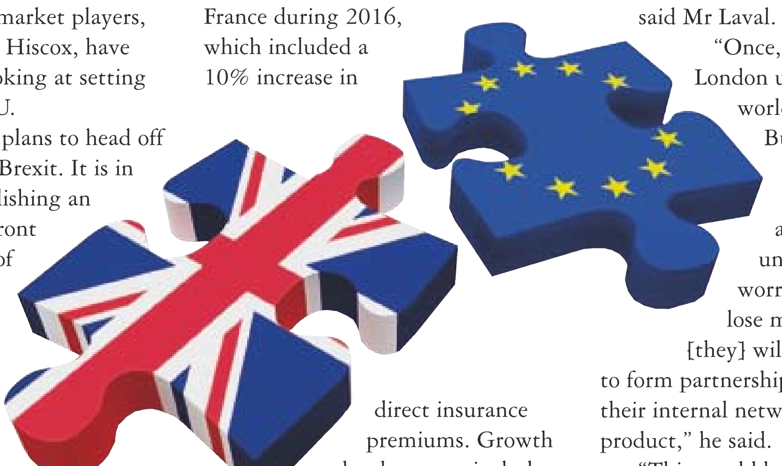
"It's a tight deadline but we will do it. Clients will expect us to continue services. We remain committed to the market and therefore a solution will be in place to provide continuity of business," said Mr Guy-Antoine De La Rochefoucauld, Lloyd's of London French representative. Lloyd's is not only confident in its ability to maintain its European offering; it sees Brexit as an opportunity to expand business in France.

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 managing agents on the continent and [the] French market, and [will] be more visible to brokers and insureds," he said.

Lloyd's underwrote more than €550m 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 cancelation, according to Mr De La Rochefoucauld.



"Let's be absolutely clear: Lloyd's is committed to bringing more capacity and service to the French market," he told CRE at the AMRAE conference in Deauville.

XL Catlin is also considering ways to leverage its London-based expertise and underwriting to bring more speciality products to local markets in Europe, explained Mr Laval.

For example, it wants to bring political risk and crisis management products, adapted to the French market and language, to France.

"Some exotic London market insurance products may not be available in France. They could become harder to access in London, depending on the outcome of Brexit. But we can use our underwriters and expertise to adapt specialty products for French clients," said Mr Laval.

"Once, if you were a London underwriter the world came to you. But this channel may become more complex and London underwriters may worry that they [will] lose market share…so [they] will be more willing to form partnerships, or to leverage their internal network to localise the product," he said.

"This would be good for brokers and clients. They could get the same quality and service, but adapted to their own language and environment. It could also be good for London as it would increase business to clients," he added.

Ferma and Ifrima step up campaign to defend captives to OECD

◇ CAPTIVES

Adrian Ladbury
aladbury@commercialriskonline.com

@ComRiskOnline

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

CAPTIVES: p3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Progress on CBI but more work needed

◇ BI

Rodrigo Amaral
news@commercialriskonline.com

@ComRiskOnline

CONTINGENT 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 Deauville, 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 Michel Blanc, 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 Obert, 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 wordings 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.

AMRAE: 'You cannot impose risk management'

Continued from page one

to earn."

She said risk managers must secure respect through leadership and by contributing to strategic decisions.

Cyber risk and transfer has been a big theme at AMRAE's annual conference. The difficulty in delivering satisfactory cyber insurance solutions – and the sceptical attitude of many organisations towards cover – were heavily discussed.

Ms Bouquot said, however, that the market is working to solve these issues.

OFF THE CHART

"We are also looking at uncertainty when it comes to transferring [cyber] risks to insurance because the scenarios are off the charts. Damage is invisible to the naked eye; it is difficult to put a date on it and it is difficult to put a number on it, because these intangible assets are not on a business's balance sheet and it is difficult to find out who is accountable for them," she said. "But they have a big impact on a company's stock market value, reputation and management accountability."

Ms Bouquot also said the digital revolution and advances such as nanotechnologies and biotechnologies create opportunities as well as risks. The biggest risk faced by companies is not being able to take advantage of the upside, she said.

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 abuse".

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 insure risks for which cover is not available in the traditional market.

In September, Ferma published a position paper on captives that it submitted to the OECD.

Ferma urged its 22 member associations across Europe to use the position paper to approach their national tax authorities, which will be responsible for implementation of the BEPS measures, to explain captives' real risk management value.

CAPTIVES CONSULTATION

The federation said it would also reach out to the EC and European parliament to increase their understanding of the role captives play in the European economy.

Ferma also committed to raising the matter at the European Insurance and Occupational Pensions Authority stakeholder group, through its representative Marie-Gemma Dequae.

In an interview with *Commercial Risk Europe* at the AMRAE conference in Deauville yesterday, Ferma's president Jo Willaert said the federation held its first meeting with Mr Saint-Amans in October, to present its report and position.

Mr Saint-Amans has been invited to the annual meeting of the International Federation of Risk and Insurance Management Associations (Ifrima) at the RIMS conference in Philadelphia, to hold further talks about the validity of captives, added Mr Willaert.

"We fully agree with the BEPS goals but there needs to be clearer rules that are appropriate to captives. The wrongful use of captives should be banned and we are happy to work with the OECD on this matter. We had the first meeting with Mr Saint-Amans in October and have now invited him to the Ifrima meeting at RIMS," explained Mr Willaert.

"We are explaining this as users of captives not owners. The message is that we need captives, because they are a strong tool to cover ungovernable risks. It is a valid risk management and transfer tool that we need to help manage corporate risk," added Mr Willaert.

THE TEAM

EDITORIAL

DIRECTOR
Adrian Ladbury
aladbury@commercialriskonline.com

DEPUTY EDITOR
Ben Norris
bnorris@commercialriskonline.com

LEGAL EDITOR
Liz Booth
lbooth@commercialriskonline.com

REPORTERS
Rodrigo Amaral
ramaral@commercialriskonline.com

Garry Booth
gbooth@commercialriskonline.com

Stuart Collins
scollins@commercialriskonline.com

Tony Dowding
tdowding@commercialriskonline.com

Sarah Jolly
sjolly@commercialriskonline.com

Nicholas Pratt
npratt@commercialriskonline.com

DESIGN & PRODUCTION

ART DIRECTOR
Alan Booth
abooth@commercialriskonline.com

PRODUCTION EDITOR
Chris Morrish
cmorrish@commercialriskonline.com

COMMERCIAL

DIRECTOR
Stewart Brown
sbrown@commercialriskonline.com
Tel: +44 203 858 0190

DIRECTOR
Hugo Foster
hfoster@commercialriskonline.com
Tel: +44 203 858 0191

GROUP OPERATIONS MANAGER
Annabel White
awhite@commercialriskonline.com
Tel: +44 203 858 0193

EMAIL ADDRESSES

Editorial
news@commercialriskonline.com

Sales
sales@commercialriskonline.com

Events
events@commercialriskonline.com

Subscriptions
subs@commercialriskonline.com

General Enquiries
enquiries@commercialriskonline.com

SWITCHBOARD

Tel: +44 203 858 0192

ADDRESS
Rubicon Media Ltd, Unit 5, Parsonage Farm Business Centre, Ticehurst, East Sussex, TN5 7AH, UK

PRINTING
DB Print France

EXECUTIVE DIRECTORS
Stewart Brown, Hugo Foster, Adrian Ladbury

Cyber cover improving but more support needed from reinsurance market: AXA

◇ CYBER

Rodrigo Amaral
news@commercialriskonline.com

@ComRiskOnline

AXA CORPORATE SOLUTIONS believes cyber risk covers are improving, with related contingent-business interruption insurance now available, but 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 upped its game when it comes to cyber risks. But there is still some way to go to fully support the development of the primary market, he 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. "Coverages 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 10,300 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 €1bn in 2016, while losses stood at €708m, 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, 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 soft anymore," said Mr Caillat.

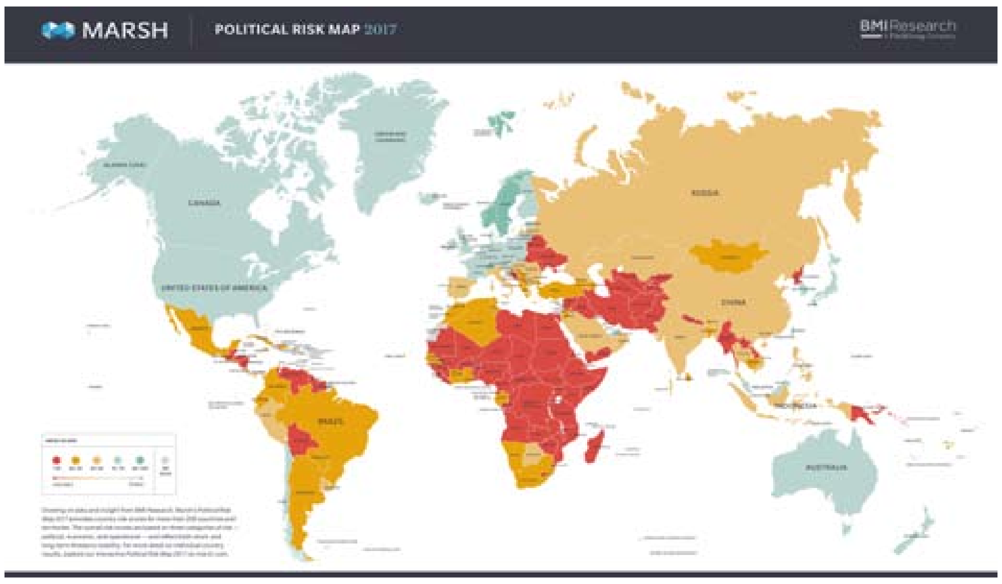
France is not one of the countries where the tide has turned, though.

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

◇ POLITICAL RISK

Sarah Jolly
news@commercialriskonline.com

@ComRiskOnline



THE 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 could stifle economic trade 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 "amplify 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.

It said 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 delivering on promises to the electorate and enacting sufficiently pragmatic policies to satisfy the concerns of the establishment and businesses," Marsh said.

It added that Europe faces further destabilisation 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 pragmatic 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.

Sapin II to usher in whistleblowing culture

◇ REGULATION

Rodrigo Amaral
news@commercialriskonline.com

@ComRiskOnline

THE NEWLY APPROVED SAPIN II anti-corruption law in France will soon introduce mandatory whistleblowing channels for thousands of French firms.

The rules, which come into force this June, will change practices in many French firms where, for cultural and legal reasons, experts say whistleblowing has failed to take hold.

Whistleblowing systems are widely seen as an effective tool to unearth fraud and corrupt practices within companies.

According to the latest *Global Fraud & Risk Report* by risk consultancy Kroll, channels through which employees, suppliers and other stakeholders can flag corrupt practices were the most successful tool in detecting fraud last year. They were used to unearth irregularities in 44% of the companies surveyed, compared to 39% as a result of internal audit.

However, whistleblowing has largely failed to take off in France.

"For many years, French companies and French society have been very reluctant towards the issue of whistleblowing," said Philippe de Montigny, president of consultancy Ethics Intelligence. "The fact that it is imposed now by law constitutes, per se, a sort of revolution."

NEW OBLIGATIONS

The Sapin II law has created new compliance obligations for companies that operate in France, including subsidiaries of foreign groups. It establishes mechanisms to protect whistleblowers from retaliation by their employers.

It also states that companies with 50 workers or more must set up confidential whistleblowing systems for their employees. Organisations with more than 500 staff and €100m in revenue must have fully fledged whistleblowing compliance systems in place.

"The obligation to have confidential whistleblowing systems is not restricted to larger companies. A much higher number of companies must comply with it, including many SMEs," said Franck Poindessault, a partner at the Boken law office in Paris.

"Additionally, whistleblowing systems will not be limited to the denunciation of corruption practices. They must also encompass issues related to the environment and many others. But the full details still depend on the publication of a decree to regulate the law," he added.

The mere introduction of whistleblowing systems will require a profound change of mindset at many French companies.

"Trade unions used to complain that whistleblowers received no protection whatsoever. From now on, they will be satisfied to know that a company cannot sanction a worker for having denounced a perceived irregularity," said Paul-Albert Iweins, a partner at Taylor Wessing in Paris.

Under Sapin II, the whistleblower must have at their disposal a secure, confidential channel to make the alleged questionable practices known to top management, explained Transparency International.

If there is no such channel available, or if adequate measures are not adopted, the whistleblower is entitled to go straight to the authorities. If, after three months, the authorities do not act, whistleblowers can go public with the information without fear of reprisals from their company, Transparency International added.

Any whistleblower that can demonstrate they are under serious and imminent danger can go straight to the authorities.

Sapin II also stipulates financial punishments for managers who try to put obstacles in the way of whistleblowers. It falls short, however, of enabling authorities to grant financial rewards to those who help them to recover fraudulent money, as the Security and Exchanges Commission in the US commonly does.

French firms may now be more at risk from whistleblower accusations.

TARGET

"Companies may feel that they will be the target of abusive denunciations that can threaten the stability of the business, now that whistleblowers are protected," Mr Iweins said.

To reduce the risk of false claims, however, Sapin II also implements fines for those who make unsubstantiated accusations in bad faith.

Deutsche Bank receives record fine for money laundering scandal

◇ Multinationals urged to boost anti-corruption measures as regulatory noose tightens

◇ CORRUPTION

Ben Norris
bnorris@commercialriskonline.com

@ComRiskOnline

DEUTSCHE BANK HAS BEEN FINED £503m by UK and US authorities for a "serious" failure to put adequate control systems in place to prevent money laundering. The total includes the biggest ever fine handed out by the UK's Financial Conduct Authority (FCA), or its predecessor, for anti-money laundering (AML) practices. .

When handing out their medicine, both the UK and US authorities cited Deutsche Bank's failure to properly manage and monitor AML risk, while criticising corporate governance standards. Multinationals were warned to take heed of the size of the fines and ensure they have processes in place to mitigate corruption risk.

The cooperation between the FCA and the New York State Department of Financial Services (DFS) in their investigations shows that multinationals face increasing anti-corruption regulatory action. Not least in France where firms, including subsidiaries of foreign groups, must meet tougher and costlier compliance requirements as the new Sapin II law kicks in this June. It places similar levels of anti-corruption measures on French firms as those in the US and UK, including new whistleblowing procedures [see story above].

The US authority said the saga highlights the importance of its new risk-based anti-terrorism and AML regulation, which came into effect on 1 January 2017.

Deutsche Bank was fined after investigations found that around $10bn had been transferred from its Russia business to offshore accounts in so-called 'mirror trades' between 2012 and 2014.

The mirror trades were used by customers of Deutsche Bank and Deutsche Bank Moscow to transfer more than $6bn from Russia, through Deutsche Bank in the UK, to overseas bank accounts, including in Cyprus, Estonia and Latvia.

The mirror trades converted roubles into US dollars and facilitated covert transfer of those funds out of Russia. This is highly suggestive of financial crime, said the FCA. A further $3.8bn in suspicious 'one-sided trades' also occurred.

The trades were routinely cleared through the Deutsche Bank Trust Company of the Americas unit.

Investigations led to a record £163m AML fine by the FCA, which included a 30% early settlement discount. Without this, the fine would have totalled £229m.

At the same time, 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 corruption and related penalties.

Mark Steward, director of enforcement and market oversight at the FCA, said: "Financial crime is a risk 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 size of the fine 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 are simply unacceptable. Other firms should take notice of today's fine and look again at their own AML procedures to ensure they do not face similar action," he added.

The FCA found significant deficiencies throughout Deutsche Bank's AML control framework.

The FCA specifically found that 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, used flawed customer and country risk rating methodologies and had deficient AML policies and procedures.

It also said Deutsche Bank had inadequate AML IT infrastructure, lacked automated AML systems for detecting suspicious trades and failed to provide adequate oversight of trades booked in the UK by traders in non-UK jurisdictions.

This effectively means Deutsche Bank had failed to manage its risk management process.

"As a result of these failings, Deutsche Bank failed to obtain sufficient information about its customers to inform the risk assessment process and to provide a basis for transaction monitoring," said the FCA.

MISSED CHANCES

The DFS's investigations found that the bank "missed numerous opportunities" to detect, investigate and stop the money laundering scheme due to "extensive compliance failures".

It too warned large, multinationals firms of the need to boost AML practices.

"In today's interconnected financial network, global financial institutions must be ever vigilant in the war against money laundering and other activities that can contribute to cybercrime and international terrorism," said DFS financial services superintendent Maria Vullo.

"This Russian mirror-trading scheme occurred while the bank was on clear notice of serious and widespread compliance issues dating back a decade," she added.

The DFS's investigations found that Deutsche Bank had conducted its banking business in an unsafe and unsound manner, failing to maintain an effective and compliant AML programme. It also revealed that the bank's Know Your Customer processes were weak, functioning merely as a checklist. The bank failed to accurately rate its country and client risks for money laundering and lacked a global policy benchmarking its risk appetite, the DFS added. Furthermore, it concluded that the bank's anti-financial crime, AML and compliance units were ineffective and understaffed.

As part of its settlement in the US, Deutsche Bank must, within 60 days, engage an independent monitor approved by the DFS, to conduct a comprehensive review of its existing Bank Secrecy Act/AML compliance programmes, policies and procedures that pertain to or affect activities conducted by, or through, its Deutsche Bank Trust Company Americas subsidiary and New York branch.

Commenting on the developments, John Palmiero, a vice-president at risk software experts MetricStream, said the fines highlight the growing importance of governance, risk and compliance for large, multinational firms.

"By increasing fines, regulators want to demonstrate that passive deterrence is not acceptable – which should be prompting organisations to consider more proactive measures in order to improve governance, risk and compliance," he said.

Mr Palmiero added: "Cases like this serve to demonstrate just how difficult it is for large, multinational organisations to fully track transactions and accountability across borders. This example is specifically about financial trading transactions across UK, European and Russian borders; but governance, risk and compliance done properly provides oversight, not only of a company's own cross-border obligations, but also those of its suppliers where arguably there is even greater risk.

"By implementing relevant frameworks that help to monitor for misconduct, organisations can maintain integrity and spot criminal activity – whether money laundering, fraud or general misconduct – no matter the location."

Both the FCA and the DFS praised Deutsche Bank's cooperation with their investigations.

Brigitte Bouquot

AMRAE on track as cyber tops agenda for 2017: Bouquot

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

◇ INTERVIEW

Adrian Ladbury
aladbury@commercialriskonline.com

@ComRiskOnline

AMRAE IS "ON TRACK" WITH ITS BIG PLAN TO raise the profile of the French risk management profession and highlight the value of insurance within the wider business community, according to association president Brigitte Bouquot.

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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 replaced Gilbert Canaméras, 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 Électronique, and she pledged to build on the work carried out by Mr Canaméras.

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 association…We will work for the profession to be more widely acknowledged in France's economic world.

"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 that 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 told *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 second 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 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," 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 result in cyber, for example. This is a critical area – for national security and for the economy – and we 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 this 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 and push for positive change," she said.

Anne-Marie Fournier

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.

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>
> **BRIGITTE BOUQUOT, AMRAE**

"We would like the insurance industry to help us cover these risks in a way that is different from what they have done for cyber liability or cybercrimes, where they started not by looking at our needs but by trying to simply sell new products," Ms Fournier said.

"Insurers tried to convince us that we were exposed to certain risks. That is not the right thing to do. It is up to companies to analyse our exposures and then seek solutions in the insurance market," she added.

Ms Bouquot said the group led by Ms Fournier has proved to be a very effective and efficient means of sharing knowledge and intelligence. "This has been a formidable way to identify gaps, what is at stake and what strategy is needed to deliver," commented Ms Bouquot.

This is not an exclusively French effort. AMRAE has shared its work with Ferma at the European level. The French association supports Ferma's effort to develop a more cogent and consistent Europe-wide approach to cyber risk management and governance.

This initiative is led by François Beaume, president of AMRAE's cyber commission and CRO of BureauVeritas; 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.

In December, he delivered a presentation at an official event organised by the Slovak presidency of the Council of the EU on cyber issues.

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 proud of the fact that the French risk management community is leading the 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. These are the building blocks," she said.

"Cyber is everywhere…We started this work and held a half-year review meeting last June, and this was very interesting and positive. We also provided some conclusions to the OECD because it wants a consistent cyber message too," continued Ms Bouquot.

Cooperation with the Organisation for Economic Co-operation and Development (OECD) is potentially significant. It is good news that the European risk management community is involved in its bid to tackle cyber risk from the start.

Last June, the OECD's Working Party on Security and Privacy in the Digital Economy published its latest report. This was part of an ongoing push to drive greater awareness of the need for improved cyber risk management and to create a more consistent, cross-sector and international approach to the management of this risk.

This latest report – *Managing Digital Security and Privacy Risk for Economic and Social Prosperity* – discusses how the economic and social dimensions of digital security and privacy risk has changed.

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

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

AMRAE appears on the right 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 constructively together, as 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 as a whole and business. This is a complex project and our vision is to be the people that provide the risk pattern for cyber governance and then push the insurance market for better coverage on that basis and not simply 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.

SCOR boxing clever as it continues drive into corporate market

◇ INTERVIEW

Adrian Ladbury
aladbury@commercialriskonline.com

@ComRiskOnline

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*

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 space, 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.

"This is not so new for SCOR, as we have been in the large corporate business for nearly 50 years, along with a group of leading (re)insurers that has not changed much over all these years, except for a few acquisitions and a few newcomers as international or global players. Basically, this business has been dominated by a group of large international or global insurers and three global reinsurers for many years," 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

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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 P&C engine of the group. The second is that we see opportunities in it coming from both developments in the risk management of large corporates and the combination of an exacerbation 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 recognise that their value depends primarily on critical 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.

"After 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 timing, 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 an environment where interest rates are very low, where our industry is highly competitive and where there is too much capital," he explained.

Mr Peignet said this means SCOR has to approach growing or new risks with a long-term view.

"We are beginning to identify some directions towards solutions that would allow us to offer risk transfer or risk financing solutions, but we are not there yet," he said.

"We are still making a decent return. This is down to longevity, the accumulation of knowledge, data and expertise. 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 and it is supported by a single, integrated information system, which enables it to pilot operations on a worldwide and real-time basis," continued Mr Peignet.

To make this work requires care and discipline, as well as an innovative and entrepreneurial approach.

"It is a very competitive market, so you have to be careful and manage underwriting closely. Customers demand solutions 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&C 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 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 contribute to the whole account 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 will continue to expand in this 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.

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>
> **VICTOR PEIGNET, SCOR**

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?

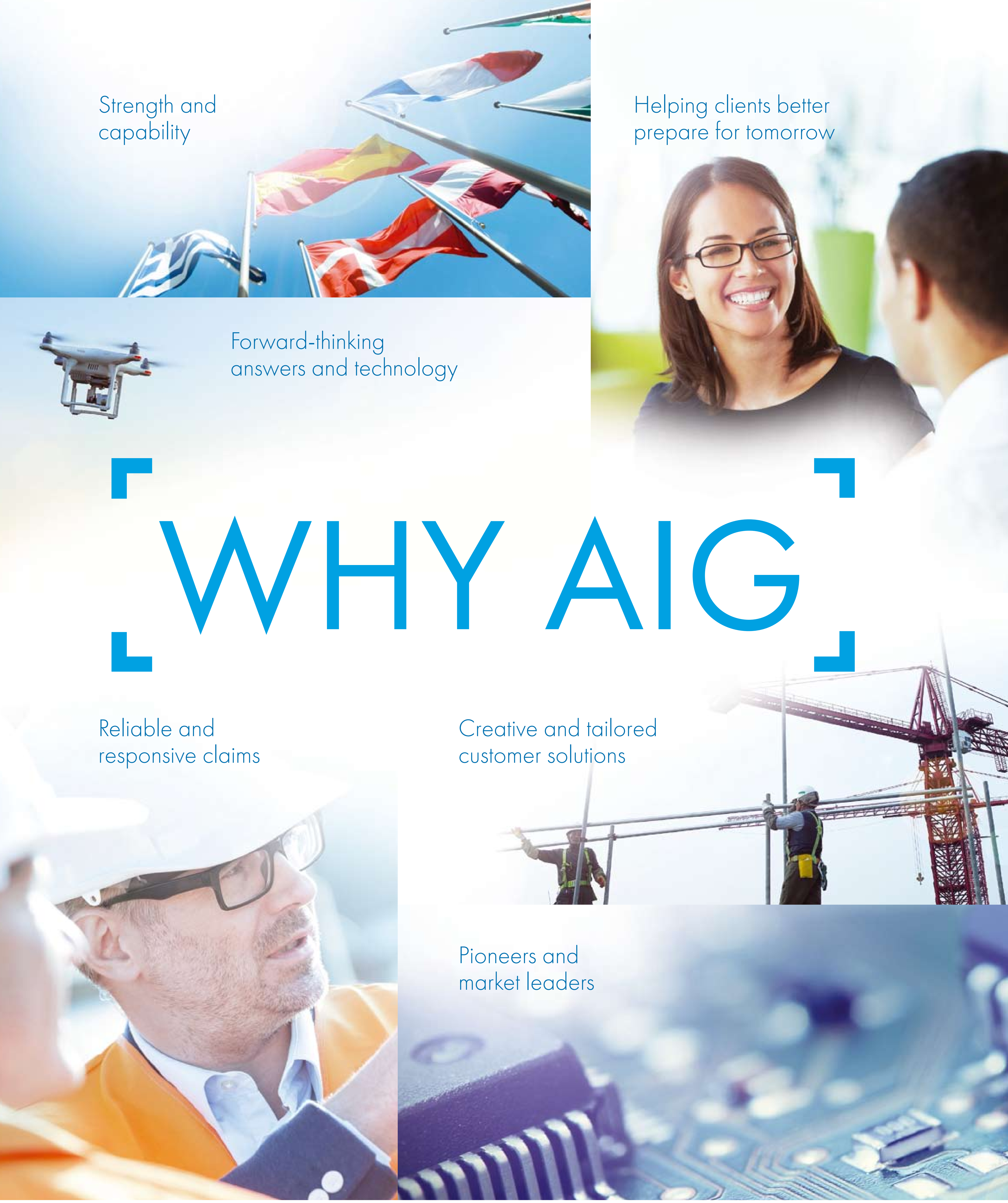
According to Mr Peignet, firstly SCOR has a proven track record as a consistent and continuous partner for customers over a long period of time and through good and bad times.

"We have been here longer than almost anyone else. We have never been an 'in and out' player. We have been there for 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 insureds 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 Dennis Kessler 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.



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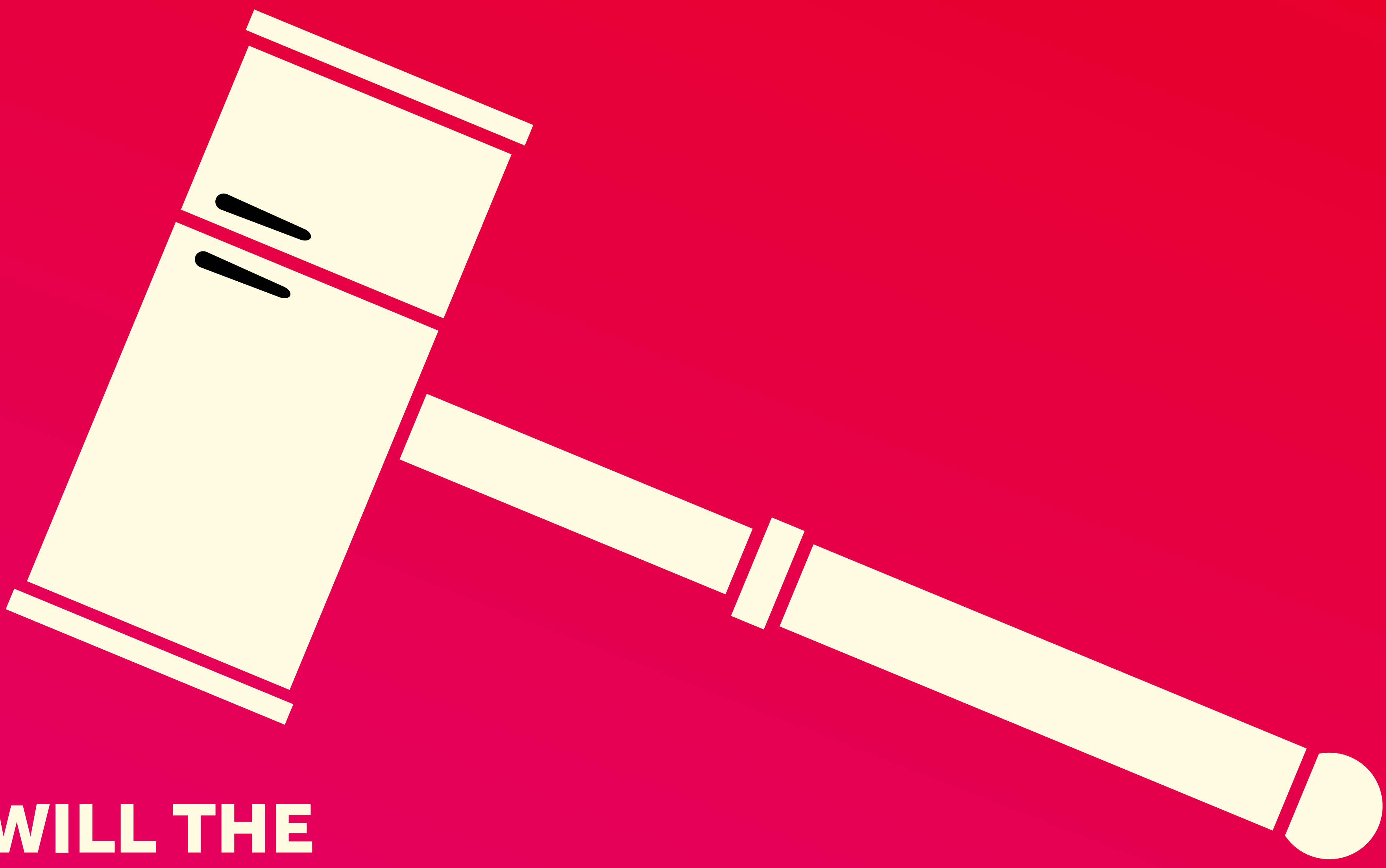

WILL THE JURY FIND YOUR FRIDGE GUILTY?

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