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AIRMIC CONFERENCE 2021 – DAILY NEWS

5 October 2021

Airmic member survey points to better renewals in 2022

Concerns rising over level of uninsurable risk

◇ MARKET

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UK risk and insurance managers still perceive the commercial insurance market as hard and prices are expected to continue to rise in some cases during coming renewals. But Airmic's pulse survey of members, published as the association meets for its annual conference in Brighton, reveals that a decent proportion expect conditions to improve with lower premium increases and less coverage limitations imposed.

During yesterday's press conference however, Airmic CEO Julia Graham said that, despite the generally improved outlook, there are rising concerns about the level of risk that is actually insurable.

"One of the significant things is if you lay the top risks from our member survey out in front of you, you'll find if you overlay that with the insurance programme that you buy, each time we have done the survey there are fewer of those risks insured," she said.

"So, there is an increasing mismatch between the risks that keep people awake at night and their ability to buy insurance with the cover they want and at a price they would like. This a really important conclusion that our member survey report comes to," added Graham.

Julia Graham speaking at the Airmic Conference 2021 in Brighton

"There is an increasing mismatch between the risks that keep people awake at night and their ability to buy insurance with the cover they want and at a price they would like"

More positively, however, Graham said the insurance market has listened to calls from the UK risk and insurance management association, as well its peers across Europe, and made a genuine effort to rebuild confidence and improve communication after a difficult couple of years that have tested relationships.

Corporate insurance buyers have struggled to find adequate capacity at affordable prices, particularly in high-profile areas such as cyber and D&O, during recent renewals in the UK and across Europe. Disputes over business interruption coverage for

RATES: p3

Almost a fifth of risk managers and brokers say relationships under strain

◇ RELATIONSHIPS

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Just under a fifth of brokers and risks managers feel their relationships have deteriorated or are unsatisfactory in the hard market, according to separate surveys by *Commercial Risk Europe* and Airmic.

A new survey of Airmic's members finds that 16% are unsatisfied with their brokers, up from 2% in the first quarter. Some 63% are somewhat satisfied and 21% very satisfied.

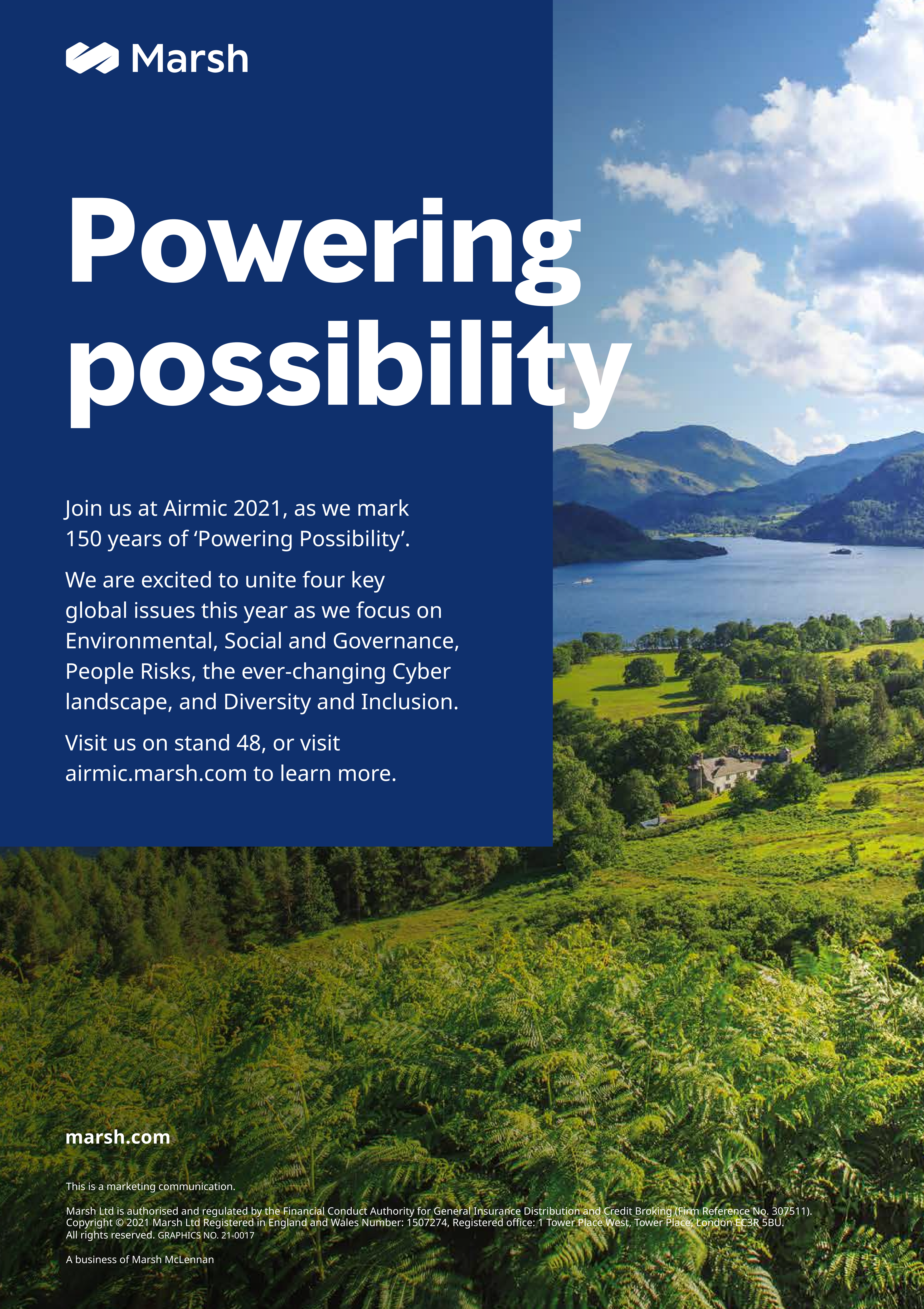
Meanwhile, 18% of brokers polled by CRE feel their relationships with clients became strained in the past year as insurance rates rose and capacity became more difficult to find.

Some 53% of brokers surveyed for our Future of Risk Distribution 2021 survey, sponsored by Sompo International, feel their relationship with insureds has remained constant during this difficult period, with a further 29% reporting that the relationship has actually improved.

The Airmic survey finds members are more satisfied with brokers than insurers, however, with only 5% very satisfied with carriers.

The Risk Distribution survey also reveals that 54% of brokers surveyed are optimistic about broking distribution channels in the future. Only 11% are pessimistic, while 35% don't believe anything will change.

SERVICE: p3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A business of Marsh McLennan

CONTINUED FROM THE FRONT PAGE

CYBER: Sharp focus on cyber with some rate increases up to 400%

Continued from page 1

Covid-19-related losses have not helped. But Airmic members are hoping for a less testing time in coming renewals.

Cyber is in sharp focus currently, with claims rising fast and insurers pulling capacity as they wake up to the potential impact of systemic risk. But while premium increases of 400% have been reported by some Airmic members, the good news is that claims are being paid without undue fuss, based on Airmic's survey.

Captives are being used to help soften the blow in this increasingly critical line of business, as insurers and reinsurers reconsider their position. But there does not appear to be a sense of panic among the Airmic membership, based on this survey.

Graham said the survey indicates that there are signs of green shoots of recovery after a difficult few years that shocked many risk and insurance managers who had not experienced a hard market before.

"Will Spring bring continued growth in the green shoots we are seeing? We not only see premium and cover green shoots, but a genuine effort from the market in building or rebuilding relationship bridges with our members. This overall scenario gives us some optimism for a better 2022," she commented.

Graham also urged insurers to step up their investment in technology and risk analysis to keep up with Airmic members' evolving needs.

"The market needs to energise its efforts to keep up with the opportunities available through technology and be conscious of more sophisticated use of analysis of data, and new risk financing models and mechanisms creeping up on out-of-date solutions with some internally-focused practices. Our members work with organisations that are harnessing technology, and the market needs to avoid falling behind them," she said.

Cyber is in sharp focus currently, with claims rising fast and insurers pulling capacity

Airmic's survey found that the insurance market is still perceived as "hard" by an overwhelming majority of respondents (91.7%), with the remainder neutral. This is based on the fact that capacity is still at least matched by demand, while prices are seen as "robust" and in some cases still rising. Some 50% of survey respondents felt the market was still deteriorating.

> "While challenges remain for large commercial buyers seeking programme capacity, the outlook into 2022 looks – albeit cautiously – somewhat more positive"

The association said, however, there are signs of improvement emerging in market conditions. "A number of members report an easing back of premium rate increases and cover limitations. While challenges remain for large commercial buyers seeking programme capacity, the outlook into 2022 looks – albeit cautiously – somewhat more positive," said Airmic.

Respondents were split on their view of the market direction next year. Some 38% expect a deterioration, 29% expect an improvement and 33% expect it to remain consistent.

Airmic reported that a majority of respondents (69%) said their organisation had at least one insurance captive in operation. Some 17% of respondents said their organisation is contemplating setting up captive if they did not already have one in place.

RELATIONSHIPS: Brokers need insurers that are willing to provide capacity

Continued from page 1

Brendan Plessis, EVP, strategic distribution and development at Sompo International, is unsurprised by the findings, particularly when it comes to the longer-term future of brokers.

"I am not surprised that brokers feel more optimistic about the future of distribution," he said. "We have been experiencing tough market conditions – in terms of pricing, appetite and business challenges – for several years. At times like this, brokers really come into their own and do what they are best at: finding the right cover at the right price for their clients."

But Plessis did have a warning for the insurance industry. "To deliver quality service to the insureds, brokers need insurers that are willing to step up and provide capacity and creative solutions in tough times, especially in the harder-to-place risk classes like property and professional indemnity. This has been core to the relationships we have been building."

And the broker believes a change in perspective is needed from buyers too. "Viewing insurance as a one-off capacity purchase is probably not very helpful, and remembering those insurers who are there through bad times as well as when pricing softens is vital," he said.

Brendan Plessis

Looking at the changing nature of relationships between brokers and clients, Plessis believes the pandemic has given people a good reason to improve communication skills.

"When cover is harder to find, this drives everyone to look again at how they work together. Lockdown has given us all tools and processes that have helped collaboration, but we also know that much of what makes the insurance market great is the interaction between the people who work in it – bringing creativity and solutions. Even if that is only by virtual meetings, talking more can only be a good thing," he said.

Despite small signs that some of the hard market pressure is easing, Plessis thinks the next renewals will continue to be tough.

However, he stressed there is increasingly a "clear division" between brokers that are putting the time into "proper preparation for these harder renewals and others who just leave it all a bit late".

Savvy insurers are communicating earlier so that the information and quality data can be shared in a timelier fashion, he added.

Plessis suggested that risk managers need to be doing the same. "Risk managers need to make sure they are opening discussions with insurers about renewals as soon as possible, since many lines of business are still proving to be challenging. Working together to prepare as detailed and accurate risk information as possible, and working in close partnership with their brokers and underwriters, will deliver the best result for everyone," he said.

Airmic calls for risk industry pledge on climate change

◇ CLIMATE

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Airmic's CEO Julia Graham has called on risk managers, brokers and insurers to pledge to work together to tackle climate change risk.

The move came as a new Airmic survey found that more than 40% of members believe climate change will have a material impact on their organisations within one or two years. The survey also shows that regulatory compliance with ESG risks is the leading concern for members this year.

Speaking on the opening day of Airmic's conference, Ms Graham said risk managers cannot deal with some of these climate issues on their own, and urged the risk transfer industry to join forces and work towards solutions.

"I don't want to pour cold water on this conference but risk is our game. So let's all pledge to commit to working together to make a difference. I think we can," said Graham.

"None of our member organisations are big enough on their own and the risk and insurance industry collectively needs to work together. We have an amazing opportunity as insurers, brokers and clients to work together to make a difference. And there really is an opportunity to do that. So my pledge to the industry is heartfelt and something that we will pick up and develop next year," she added.

Graham said Airmic has been invited by the CBI to attend COP26 next month to look, listen, network and learn. This will help the risk and insurance community respond to climate issues, she added.

Airmic's member survey shows that 40% of risk professionals feel their organisation is ready for Task Force on Climate-related Financial Disclosures (TCFD), which will begin applying to some UK firms this year and to all companies by 2025. Some 33% of survey respondents say they are working towards TCFD and 18% say they don't apply to their organisation.

However, seperate research by Marsh suggests that only 30% of FTSE 100 companies currently disclose climate change risk in line with TCFD. This is based on data from 2020 and 2021.

Of the 100 largest listed UK companies, Marsh says it found vast differences between sectors. The utility sector led the way, with 100% of firms reporting climate change risk in line with the TCFD recommendations. It is followed by mining companies with 75% compliance and half of companies in the food and beverages sector.

At the other end of the scale, Marsh says not a single company in the support services sector recorded evidence of meeting TCFD's recommendations.

Meanwhile, four sectors – media, travel and leisure, aerospace and industrial, and electronics and technology – reported 17% of firms in line with TCFD practices. Some 29% of financial companies disclosed climate change risks in line with TCFD.

Marsh says the TCFD's framework has "gained significant traction" recently and the forthcoming COP26 UN climate change summit could pass agreement on its recommendations.

David Stark, consulting director and practice leader of enterprise risk services at Marsh, said climate reporting is rising in prominence, but the survey shows that a minority of FTSE 100 firms are currently reporting TCFD separately.

"I think increasingly there will be the need for a standalone TCFD report for many organisations," he said during Airmic's press conference.

New players moderate UK D&O rate increases but ESG adding risk

◇ MARKET

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An influx of new entrants to the UK D&O liability market will help moderate rate increases for buyers in the second half of 2021 and into 2022, but things look set to remain tough.

Increased competition from more than a dozen new entrants to the UK D&O market has "acted as a check on legacy insurers' pricing," Beth Thurston, head of UK management liability at Marsh, told *Commercial Risk Europe*. And with rate increases still strong, further players may yet enter the D&O space, she added.

"New entrants are providing additional capacity as the broader appetite for new business still remains below historic levels," Thurston said.

Marsh tracked an increase of 127% in UK D&O rates during 2020, peaking at a high of 154% in the fourth quarter. Rate increases have since slowed to 136% in Q1 2021 and 92% in Q2, dipping below 100% for the first time since the fourth quarter of 2019. Thurston said this deceleration trend is expected to last out the year and carry over into 2022.

Though with risk profiles under close scrutiny at renewal, buyers need to work harder to differentiate themselves to benefit. Thurston said some buyers received "very favourable renewal terms" in the first half of this year, particularly where the risk of Covid-19 exposure had

ESG is a growing area of risk for corporates

dissipated. On the flipside, buyers that renewed before Covid-19 last year saw significant rate increases in the first half of 2021, particularly if they had been negatively impacted by the pandemic, Thurston said.

The D&O market has largely escaped the volume of pandemic claims that many underwriters had feared. But there is still the potential for further Covid-19-related losses amid uncertainty over how long the pandemic will take its toll on operations and, crucially for D&O liability, its impact on solvency.

"A primary risk issue that D&O insurers are watching closely is the lingering impact of Covid-19 and companies' emergence from that environment. Underwriters are particularly focused on companies' solvency and financial health as any government support provided during the pandemic is withdrawn," Thurston said.

The threat of claims in the D&O space remains high and insurers are still taking a conservative approach to D&O underwriting. At the same time, insureds are aware of the increased exposure facing directors and officers, and will start to seek greater limits, Thurston predicts.

"Insureds are generally taking a tentative view on whether now is the time to review limits," she said. Thurston added that there is a degree of "concern and acceptance" at board level that individuals face increased levels of liability risk. "With volatility diffusing for the remainder of this year and increased capacity, we can expect to see more demand from buyers for greater limits as we move into 2022," she said.

One growing area of risk, and where buyers can differentiate themselves to insurers, is ESG issues. "ESG is likely to increasingly have an impact on insurers' appetite for a particular risk," Thurston said. D&O underwriters are increasingly looking at potential exposures to climate change risks and sustainability, while also casting the ESG net to governance as well as diversity and inclusion, she explained.

ESG issues have been on investors' radars for some time and will remain a focus "for the foreseeable future", with concerns around ESG also gaining traction with governments and regulators, said Thurston. The uptick in shareholder activism and litigation based on issues around ESG is likely to continue, she said. Even small stakeholders can "cause disruption, spur litigation and force change in the boardroom", the broker continued.

She added that the changing risk landscape facing directors and officers "is fertile ground for litigation", and advised companies to review their D&O risks and ensure their D&O coverage matches up.

UK construction firms face coverage problems over safety issues

◇ CONSTRUCTION

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The UK's construction industry is likely to face challenges in securing insurance coverage in the wake of the Grenfell Tower disaster and the imminent arrival of the UK Building Safety Bill.

A recent survey from the International Underwriters Association (IUA) revealed that just 4% of respondents would be willing to offer unrestricted protection for projects to remove defective cladding from high-rise buildings.

The majority of IUA members would be prepared to offer limited cover but remain unconvinced that the construction industry has addressed the failings revealed by the Grenfell tragedy. Three quarters of survey respondents said questions remain about accountability, supply chain management and a 'lowest-cost culture'.

"Underwriters are keen to provide insurance coverage to the construction sector, but are clearly looking to select those clients that can demonstrate a professional and robust approach to risk management," commented Chris Jones, the IUA's director of market and legal services.

Furthermore, the market for professional indemnity insurance remains "circumspect" when it comes to the construction sector, according to the IUA.

One reason is the UK Building Safety Bill. The legislation has been introduced to promote quality over profit in construction projects, and for high rise building projects in particular. And while this ambition has been welcomed by insurers and underwriters, there is also a concern that the bill could extend historic liabilities.

"There is an expectation that the Building Safety Bill will help resolve issues of accountability for safety measures and introduce new rules that encourage an investment in quality construction," said Jones. "Yet the legislation may also retroactively extend historic liabilities, further hindering insurers' appetite for this class of business."

The draft bill was introduced in July. It was welcomed at the time by the IUA's construction and professional lines working group chair Michael Atwell as "good news for the construction sector and its professional liability insurers".

However, the endorsement was conditional, with concerns about historical liability.

The bill plans to extend the period companies can be on the hook for building defects from six to 15 years. The draft bill also proposed extending retrospective punishment and giving claimants the chance to seek redress for properties completed up to 15 years from when the bill becomes law. It is expected to pass through parliament in less than nine months.

Atwell said that while the bill is "an important first step in improving the long term outlook for

The Grenfell Tower disaster sparked a review of UK building safety regulations

the construction sector", the short-term conditions for insurers "remain extremely challenging".

"It is vital that a new regulatory framework is established to drive a culture change that prioritises quality construction and safety over cost-cutting," he added. "The IUA remains committed to working collaboratively with the government and industry stakeholders to ensure better risk management, which will in turn enable insurers to offer a competitive range of construction professional indemnity products."

STEP CHANGE

This view is largely shared by risk managers. According to Wes Cadby, chair of the Institute of Risk Management's (IRM) infrastructure group, the bill will ensure quality of build over poor construction techniques. "For too long some contractors have cheaply built structures to

> **"Underwriters are keen to** provide insurance coverage to the construction sector, but are clearly looking to select those clients that can demonstrate a professional and robust approach to risk management"

maximise profits – this step change in approach will ensure that poor quality construction is ironed out," he said.

But Cadby is also wary of a potential jump in insurance costs for those in the construction sector.

"From the start of the bill, premiums will increase and liabilities will be catered for. This will likely increase the build costs for contractors, and ultimately the end customer. The concern for me is the last 15 years of build and liabilities [in the bill], and insurances are likely not sufficient enough to cover any retrospective challenge," said Cadby.

Cadby believes insurance premiums are bound to increase. "The premiums involved in protecting quality of build for 15 years will be potentially massive, and being able to predict the likely number of claims over a 15-year period will be difficult for insurers. This may mean that only the big insurers are in a position to offer policies, and they may require significant costs," he said.

Another concern is that as well as extending historical liability, there may be entirely new liabilities created by the bill. "There may be a requirement for contractors to undertake inspection of previous builds, to ensure quality of the infrastructure, that may identify additional works being undertaken," said Cadby.

"In addition, a lot more power is given to residents and owners of the infrastructure, who may excessively challenge quality of build, which means additional time and money is spent by contractors refuting or correcting the challenges," he added.

When it comes to new areas of liability and professional indemnity, there may be lessons to learn from the Irish construction sector. Changes to Building Control regulations were introduced here in 2014, following the discovery of serious breaches in fire safety at a Dublin apartment complex called Priory Hall.

Unlike the tragic case of Grenfell Tower, the 187-apartment complex was evacuated in 2011 following a High Court order. While thankfully no lives were lost, residents were left homeless and the state was left with a €15m bill.

Changes to the regulations required a formal inspection plan for newly built developments, complete with onsite inspections by assigned certifiers. The Building Control Amendment Regulations also expanded the scope of accountability to designers and architects as well as builders and developers.

The injection of more rigour into the Irish certification and inspection process is undoubtedly welcomed in a risk management sense. It has also helped to bring more quality into Ireland's construction sector

But the increased paperwork, liability and insurance costs have also increased the cost of construction, which in many cases has been passed onto home buyers.

A similar story looks set to unfold in the UK, but if this ultimately drives improved risk management and safety, it is hard to argue against the changes. However, risk and insurance managers at construction firms may face a bumpy road in the years ahead.

Airmic emerging emboldened from pandemic, says Skinner

◇ ASSOCIATIONS

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Tracey Skinner believes the experience of operating through Covid-19 has helped Airmic shake off some of its shackles

Aimic has emerged from the pandemic emboldened and less conservative, according to the association's past chair Tracey Skinner who helped steer the organisation through the crisis.

Skinner, who is also group insurance director for telecoms company BT Group, took over as Airmic chair in July 2020, just as the UK was emerging from its first Covid-19 lockdown. The risk and insurance management association had just decided to cancel its annual conference, instead holding a virtual event in September.

Despite uncertainty surrounding the pandemic, the association took the decision to return to its physical annual get-together this year, albeit delayed by three months.

And Skinner told CRE ahead of this year's conference in Brighton that she believes the experience of operating through Covid-19 has helped Airmic shake off some of its shackles.

"I believe that as a result of this experience, Airmic has become a little bolder in the way in which we manage risk. Historically, Airmic has been quite conservative in the way in which it does this," she said.

The decision to push ahead with the conference had to be made early to allow time to plan, explained Skinner. This was during a period when there was still a lot of uncertainty, as well as strong demand from partners and members for a conference, she added.

Skinner added that the crisis has also forced Airmic to work in new ways that can help it reach more risk professionals around the UK.

"Airmic has emerged from the pandemic in a way that has shown us how we can operate in a 'blended' way, with use of remote and face-to-face activity. I feel this has attracted a wider audience to online events and allowed us to provide services to members who are all over the country and elsewhere, whereas in the past there was a concentration of attendees from London and the southeast. Airmic will continue to use this blend of delivery methods," said Skinner.

QUESTIONS ASKED

The risk management profession has faced a mixed pandemic, having been part of the solution and a target for criticism, she argued. "A lot of questions were asked of the profession in the immediate aftermath of the pandemic as to why this had happened. I think there was some criticism of the profession as a result. However, the business continuity systems have proved to be very robust in most organisations and this has supported the profession and the work carried out in the risk teams since, which has improved the reputation of the risk profession," she said.

"The biggest learning I took away from this is to remain as agile as possible and regularly review all options available and not leave anything off the table," Skinner said of her experience as Airmic chair during the past year.

She is optimistic about the future of the risk profession. "I think there is a desire for all parts of the business to work a lot closer together in future. There is a need to work to ensure that the processes are better understood. There is a need to separate the management of enduring risks from point risks in order that they can receive a different focus," the former Airmic chair said.

The pandemic is also helping drive risk management further into UK businesses, explained Skinner. "I think there were many organisations, maybe smaller ones, who did not have an end-to-end risk management system in place and now recognise the benefits of having one. For them it has gone from a nice-to-have to an essential part of managing their business," she said.

"At a time when companies were fighting for their survival after paying their premiums for years, many felt completely abandoned by the insurance industry"

INSURANCE MARKET

The insurance industry, however, has fared less well during the pandemic. Companies hit by Covid-19 lockdowns sought to recover business interruption losses from insurers but faced a lack of clarity over contract wordings, which resulted in disputes and litigation. A test case brought by the UK FCA regulator clarified major areas of contention in January, largely to the benefit of policyholders.

Skinner feels that the insurance industry has emerged from the pandemic with "a little bit of a dent to its image".

"I fully understand why the industry had a problem responding to business interruption claims for Covid but the way in which it handled the issue, especially with the smaller customers, was not good," she said.

"At a time when companies were fighting for their survival after paying their premiums for years, many felt completely abandoned by the industry. I think the industry could have worked harder to explain the situation," she added.

Skinner is also critical of how insurers have managed the hardening market, although she accepts price rises were necessary for some lines of business.

"I do appreciate that the market had underpriced risk in a certain number of areas over the last decade and some correction was required. I support a fair rating but not some of the opportunistic pricing that has been seen," she said.

"The market needs to remember that this forces buyers to look at alternatives, like the use of captives, and once a risk has left the external market it is very unlikely to return," she concluded.

Risk managers and London market have big opportunity to lead climate change response

ESG

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Climate change is set to be the next big emerging risk focus for the London insurance market, which has a huge opportunity to step and up and deliver risk transfer solutions, Sean McGovern, CEO of UK and Lloyd's at AXA XL, told CRE. Despite obvious difficulties in meeting this promise, he believes current signs suggest the London market is ready and able to do deliver.

Risk managers, meanwhile, are extremely well placed within organisations to be at the centre of climate change and wider ESG discussions, McGovern added. They can provide huge value by simply leaning on insurance partners' expertise alone, he said.

McGovern was making the comments following publication of AXA's *Future Risk Report 2021*, which revealed that climate change is the biggest concern for UK risk experts and the general public, echoing global findings. On a global scale, the top three risks were climate change, cyber and then pandemics.

In the UK, climate change was followed by cyber and pandemics among risk experts. For the UK's general public, pandemics ranked second and then terrorism.

"To see climate change back on top of the risk ranking after pandemic concerns being number one last year is a strong indication of how heavy this issue is weighing on the minds of business and the general population," said McGovern.

MASSIVE CHALLENGE

He believes climate change is a massive challenge and opportunity for the insurance sector, and particularly plays to the strengths of the London market.

In fact, he feels climate change and the transition to net zero offers perhaps the biggest opportunities for the London market to embrace new areas of risk and product design during the next decade. He compared the situation to cyber risk, which recently asked similar questions.

"In a sense, on climate change it is a little bit like the cyber market was ten or so years ago. It was a new, emerging risk that the insurance industry ultimately had to figure out how it was going to provide solutions for, and I think climate is the next big one," said McGovern.

He explained there is a "huge" amount of activity in the London market in the buildup to COP26 next month. And although he conceded that coming up with solutions to help reduce the impact of climate change will not be easy, he feels progress can be made if insurers harness the energy and enthusiasm in the market currently.

Sean McGovern believes climate change is a massive challenge and opportunity for the insurance sector

"This is where the London market can come into its own because these are complex, large risk issues that need to be addressed. These are the risks that the subscription market in London is designed for. Everybody can effectively take a small piece of a very significant risk problem, be a bit experimental and take a little bit of risk where we can't point to historical data in the way we often would like. London can be at the bleeding edge of the risk environment. I genuinely believe the London market is set up to be successful in this space," he said.

He also stressed that climate change solutions require collaboration between government, insurers and business. Like others, he believes risk managers are "ideally placed to be at the centre of all this and put the pieces of the jigsaw puzzle together" for their organisation.

"We are clearly in a corporate world now where there are growing expectations on business by all stakeholders – whether that's investors, regulators, employees or NGO's – to take purposeful action. When it comes to these ESG risk issues, and particularly climate, risk managers are in a position to really facilitate that communication within their business about risks and those opportunities, and help drive the corporate ESG agenda," he added.

Part of this strength comes from the expertise that risk managers can access fairly easily from risk transfer partners.

> "London can be at the bleeding edge of the risk environment. I genuinely believe the London market is set up to be successful in this space"

"They can leverage their often very strong relationships with the insurance industry to bring the best of the insurance industry into their organisations and facilitate that communication between brokers, carriers and their own c-suite. Risk managers are extremely well placed to drive partnership between the insurance market and their own organisations. Remember, nobody can solve this on their own," said McGovern.

"Risk managers can get quite far along by using that insurance resource. From our point of view, we have a very well-resourced and effective risk engineering consulting practice focused on helping clients solve any problem that is on their mind," he added.

FRAGILE WORLD

The insurer said the top three risk in AXA's risk report reflect a growing recognition that we live in a fragile world, with people more sensitive to this idea since the pandemic. This demands a truly international response, which is endangered by the current political climate, he added.

"All of these three issues – climate, cyber and pandemics – are truly international problems and that is what make them some of the most challenging to resolve. And we know we are in a challenging international political environment. So, questions around the ability of governments to work collaboratively on these issues is going to be critical. Therefore, we need governments coming together not drifting apart to face these three challenges head on," he said.

Future Risk Report 2021

AXA's *Future Risk Report 2021* surveyed 3,500 risk experts and 19,000 members of the public across the world.

UK experts' top ten future risk ranking per percentage of respondents:

1. Climate change: 64%
2. Cybersecurity risks: 62%
3. Pandemics and infectious diseases: 50%
4. Geopolitical instability: 37%
5. Natural resources and biodiversity: 34%
6. Social discontent and local conflicts: 29%
7. New security threats and terrorism: 26%
8. Financial stability risks: 19%
9. Macroeconomic risks
10. Risks related to AI and big data: 18%

UK general population top ten future risk ranking per percentage of respondents:

1. Climate change: 59%
2. Pandemics and infectious diseases: 57%
3. New security threats and terrorism: 39%
4. Cybersecurity risks: 39%
5. Pollution: 38%
6. Natural resources and biodiversity: 30%
7. Chronic illness: 26%
8. Geopolitical instability 23%
9. Social discontent and local conflicts: 24%
10. Financial stability risks: 21%

Balancing opportunity and threats in a Covid world

◇ INTERVIEW

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As chair of the Institute of Risk Management (IRM), Stephen Sidebottom is well placed to reflect on how UK and European risk managers are continuing to battle against Covid-19. Having taken over as IRM chair this summer, he paints a positive picture of the role risk managers have played since the pandemic struck and gives advice on areas that need focus as we tentatively enter the recovery stage.

Ben Norris (BN): As Europe slowly emerges from Covid-19 lockdowns what are the key risk/areas that risk managers should now be focussing on to help their organisations through this period?

Stephen Sidebottom (SS): The pandemic has brought into sharp focus both the upsides and downsides of risk management across an enterprise – from staffing, technology and supply chain to fulfilment. There's a lot of debate across Europe about returning to office-based work and opening up hospitality, construction and other sectors in a safe way. There's also significant debate about travel – both the risks to travellers and the wider issue about the risk of spreading new variants.

This means that most risk managers continue to have a very full plate. I think many organisations will experience significantly higher levels of people risk in the next few years, whether that's shortages of skilled workers, the so called 'great resignation' as people opt out of their current jobs, burnout or exhaustion, mental wellbeing challenges, and the ongoing health crisis of Covid-related illnesses and other conditions that have not been treated because of pressure on European health systems.

Of course, none of the existing risks businesses were managing went away in 2020 and 2021. These risks still need just as much attention, if not more. The increase in cybercrime, for example, has been notable, perhaps in part fuelled by remote working.

It's also important not to allow the magnitude of the current crisis to obscure the other major, and interconnected, risks we all face. We still need risk managers to keep focus on horizon risks such as climate change and the impact of economic and geopolitical volatility.

Given all these challenges, I'd recommend focus above all on ensuring you have a good risk culture in your organisation enabled by highly skilled professional risk managers. This might prove to be the most worthwhile investment you can make.

BN: Is financial risk – economy, demand, inflation etc – a big area of focus for risk managers? What can they do to help in this area and is it something they are generally involved in?

SS: Most boards are heavily focused on the external context for their businesses and thinking about what this might mean for their planning. Most business plans start with an extrapolation from current financial results but given the disruption of the past 18 months, it's necessary to think again about what the baseline for business performance will look like and how external uncertainty – such as geopolitical risk, inflation expectations, post-Covid recovery and the impact of Brexit – changes both risks and opportunities.

Risk managers can help reframe this debate so that the focus is not only on the risks associated with delivering a business forecast and hitting financial targets, but also on how the market is changing in the long-term.

These changing business boundaries are exactly where strategic risk managers can make a real difference by helping to understand and respond to the rapidly changing and uncertain external economic environment in a way that facilitates opportunity as well as mitigating downside.

BN: Is supply chain risk a big problem currently? And what advice can you give to help risk managers tackle this issue?

SS: Warren Buffett famously said "only when the tide goes out do you discover who's been swimming naked". Risks in businesses' supply chains have been ruthlessly exposed by recent events. The challenges of supply chain resilience are having a global impact, but in the UK we are especially vulnerable.


Stephen Sidebottom

Britain's economy is one of the most globalised in the world and businesses rely heavily on offshored low-cost supply chains. It's then also been hit by the double whammy of Covid and Brexit.

This is leading to supply chain failures. Stock levels are reported as being the lowest they have been since the 1980s, supermarkets and restaurants are unable to guarantee supplies of fresh foods, and we're already hearing warnings about Christmas shortages. The underlying risks were always there in our supply chains – what we are seeing now is a lack of resilience when they are put under pressure.

The shortage of HGV drivers, for example, is not a new issue, but it is massively exacerbated by the loss of EU workers and disruption at the border caused by both Covid-19 and new government red tape. Add that to the effect of years of wage stagnation and underinvestment in skills – both also features of the wider UK economy – and it's hardly surprising that even the strongest logistics network starts to fail.

Businesses are heavily focused on managing these risks and I suspect supply chain risk is high on many risk registers and an integrated part of the overall risk strategy.

In addition, I think risk managers should focus on two other things to tackle the issue.

Firstly, understand what weaknesses may exist in your people model. How are people working in your supply chain treated? How well are they paid? How much training do they get? What are their working conditions like? What's your attrition level in critical roles and how effectively can you hire people with the skills you need? These questions underpin both productivity and staff availability.

BN: Are risk managers being leaned on during this Covid-19 period and being listened to more than ever on strategic and/or operational risk? How do you think risk managers have fared during the pandemic? Are they stepping up to the plate, and what can they do to ensure they are being listened to and can deliver when in the spotlight?

SS: During the last few months, I've heard about extraordinary efforts made by risk managers and risk management teams to anticipate and respond to the impact of the pandemic. This includes practical operational risk management measures, anticipating and getting ahead of possible Covid-related risks, using data to provide early insights, and providing real-time risk assessments as the pandemic has unfolded.

There can't be a board anywhere that doesn't now take strategic and enterprise-wide risk management seriously, but businesses across Europe have different levels of risk maturity and some are better placed to manage these unfolding opportunities and threats. The challenge to risk managers is to step into this strategic space for the long term and – to the extent they haven't already – to embrace a holistic, system-wide view of business risks.

The IRM surveyed nearly 1,000 members of its global risk community on this question. We wanted to know how risk management functions were responding to the crisis, whether their plans were working, and how the profession would grow and adapt in response.

We found that 32% of businesses had not considered pandemic risk – or anything similar – before it happened. Of those who had considered pandemic risk, 80% had management plans and mitigation strategies in place. I am convinced that organisations that had prepared and had war-gamed, or done action learning, will have coped best with the crisis and will have been able to react more quickly and more effectively.

For risk managers, the job is increasingly about getting an organisation's risk culture or, if you prefer, risk DNA, to a place where it improves an organisation's capability to respond to unforeseen events and global uncertainty. This requires a sharp focus on strategic risk management, sustainability and resilience. None of these are new topics, but all now have a much deeper resonance.

Rising to this challenge goes well beyond traditional risk management approaches, with a focus on risk registers and core processes. Great risk management is increasingly also about understanding horizon threats and identifying ways to build sustainable growth – whether that's new markets, global opportunities, upgrading infrastructure or investing in new technology and automation.

Finalists announced

EUROPEAN RISK MANAGEMENT AWARDS 2021

EXCELLENCE IN RISK MANAGEMENT

Risk Manager of the Year
Charlotte Candy, *Associated Director, AECOM*
Maxim Kondratenko, *Chief Risk Officer, VTB*
Alex Sidorenko, *Chief Risk Officer, EuroChem*

Rising Star of the Year
Béla Cluse, *Insurance Manager, Knauf*
Dennis McNeill, *Solutions Lead, Fusion Risk Management*
Radvile Ragozyte, *Specialist of Law & Risk Management Division, Lithuanian Transport Safety Administration*

Innovative Insurance Programme
Gokce Citak, *Insurance General Manager, Socar*
Dmitry Saveliev, *Head of Insurance, EuroChem*
Marina Tsokur, *Regional Insurance Manager, Cargill*

Systemic Risk Initiative of the Year
Gordon Darling, *Director ERM, WBCSD*
Gintaré Rastené, *Head of Law and Risk Management, Lithuanian Transport Safety Administration*
Dmitry Zhabin, *Head of ERM, VTB*

Collaboration of the Year
Ezinwanyi Kezieme, *Aecom*
Pavel Zhesterov & Yulia Pindyurina, *Deputy General Director for Risk Management and Anti-Corruption Fighting, Director of Internal Audit and Risk Management Department, Salair*

Risk Resilience Initiative of the Year
Ahmet Kirgic, *Business Continuity Master Lead, Turkcell*
Cristina Martinez, *Group Chief Risk Officer, Sacyr*
Giuseppe Sinatra, *Head of Infrastructure, Sustainability & General Service, Universita Luigi Bocconi*

Outstanding Contribution to Risk Management
Roberto Bosco, *Corporate Risk Manager, Mediaset*
Alex Sidorenko, *Chief Risk Officer, EuroChem*
Reiner Siebert, *Managing Director, GVNW/Lufthansa*

INDUSTRY EXCELLENCE

Insurer Innovation of the Year
Parsyl and Lloyd's – *The GHRF and Syndicate 1796*
Swiss Re Corporate Solutions – *Virtual Captive*
Zurich Insurance Group – *Zurich Resilience Solutions*

Broker Innovation of the Year
Howden Insurance Brokers, *Replexus, Mitiga, Danish Red Cross – Danish Red Cross volcano cat bond for disaster relief*
MDS Group – *Digital Transformation Program*
Marsh – *Claims Solutions, Marsh Advisory*

Systemic Risk Solution of the Year
FM Global – *Building a Climate Resilience Strategy*
Pool Re – *Pool Re*
Zurich Insurance Group – *Zurich COVID-19 Hospitalization Supplemental product*

Global Programme Innovation of the Year
AIG – *Implementation of a Global Integrated Risk Management Programme*
Swiss Re Corporate Solutions – *International Programs PULSE & Network*
Zurich Insurance Group – *Zurich Global Program Support (GPS) Tool*

Technology Innovation of the Year
Keoghs – Kuarterback – *artificial intelligence automated claims solution*
Origami Risk – *Origami Risk's Risk Management Information System*
Wenalyze – *Wenalyze*

Claims Innovation of the Year
Charles Taylor – *Charles Taylor Assistance*
Davies – *Virtual Adjusting Technology*
LMA and Advent Insurance Management – *Gemini Expert Management & Settlement System*
Zurich Insurance Group – *Claims Build Back Better Initiative*

TRAINING AND EDUCATION EXCELLENCE

Training and Education Programme of the Year
BELRIM Academy
Risk Hub, Senscia
Willis Towers Watson Training Academy Team

The European Risk Management Awards have recognised individual and team achievements in the field of risk management and its associated service providers since the first ceremony took place in 2016.

The aim of the Awards is to promote the vital work of the risk management community to a larger audience, celebrating the success of the individual while acknowledging that individual merit depends ultimately on a collective contribution.

Judging has taken place and we are delighted to announce the finalists for this year's Awards programme! Good luck to them all.

Join us at the Awards ceremony on 14 December – more information announced soon!

Look online for more information.
www.europeanriskmanagementawards.com

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