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Insurers losing touch with market realities, warns AMRAE

New rules on captives in France could come into force as early as next year

Captive rule changes in France on the cards for next year

◇ MARKET

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Decision-makers at insurance companies are becoming estranged from the market realities facing customers, according to French risk management association AMRAE, which will be pleased to hear new rules to make it easier to set up captives in France appear closer to fruition and could be in play from next year.

The criticism from AMRAE comes at a moment when the hard insurance market has become an unavoidable fact of life for French companies, with a lack of appetite from underwriters for vital risks such as cyber.

The grim reality faced by French buyers is exposed by AMRAE's latest *State of the Market* report, an annual study on trends in the country's commercial insurance market.

It paints a nasty picture for buyers and reveals that capacity is down, prices are up, covers are more restricted and deductibles are on the rise in the vast majority of insurance lines across France.

A survey of 65 insurance buyers found that 95% suffered rate increases in their P&C covers during the latest renewals. Exclusions have escalated and wordings are becoming more generic, which indicates that underwriters are taking less heed or risk management at individual company level.

The situation is particularly worrying in segments such as cyber, where buyers are struggling to find the limits they need when their exposures are growing at breakneck pace.

RATES: p3

Watershed moment for supply chain risk as disruption set to worsen

◇ RECOVERY

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Mounting global supply chain disruption is likely to be the catalyst for a radical overhaul of supply chain risk management and could lead to increased regulation, experts have told *Commercial Risk Europe*.

Recent months have seen unprecedented supply chain disruption, impacting almost all sectors and hindering the economic recovery after the end of Covid-19 lockdowns. The pandemic and a wave of power shortages in Asia have hit production, while the post-lockdown boom has caused a surge in demand for raw materials and goods, contributing to long delays in shipping. Adding to the pressure, severe shortages of labour are affecting many industries, not least the UK transport sector where a shortage of lorry drivers as a result of Brexit has led to panic-buying of food and petrol.

Disruption is expected to continue for the foreseeable future and potentially worsen, experts agree.

"It is not over yet, not even close to it," warned Hayley Robinson, group chief underwriting officer at Zurich Insurance. "Certain products will run out in the coming months and seasonal items might arrive too late. Production and logistics will need a while to get back to normal. Or perhaps we even need to find out first what normal is in 2022," she said.

Atul Vashistha, chairman and chief executive of Supply Wisdom, which

DISRUPTION: p4

INSIDE–

MARKET: Some buyers hit with 70% to 80% rate increases

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"At a moment when companies try to address the risk, and have understood that cyber insurance is important, the market has had a tendency to evaporate," said Léopold Larios de Piña, a vice-president at AMRAE and head of group risk management at Mazars, speaking at the report's launch in Paris.

Among the small group of underwriters that show any appetite for cyber risk today, conditions are getting tougher and tougher for buyers, and deductibles are on the rise, the survey found.

P&C insurance rate raises endured by the survey's participants have often reached double digits, and many have paid prices 70% to 80% higher than before, the research found. Mr Larios stressed that, for companies purchasing high volumes of insurance, this is far from an insignificant financial cost.

"That represents millions of euros for companies," he said. "It is a heavy burden to manage."

"Quoting Marshall Lattre de Tassigny, we need to act so that we do not suffer," Mr Larios writes in the introduction to the report. "We act to strengthen the resilience of companies to make up for the feebleness of insurers, whose decision-making powers seem to be becoming estranged from the realities of the market since the creation of international underwriting hubs," he adds.

ALTERNATIVE RISK TRANSFER

The report also notes that, due to the difficulties faced by French companies to guarantee coverage levels, many risk managers are looking at alternative risk transfer tools, and especially at captives.

"Unfortunately, we are in a situation where… insureds are being forced to self-insure a growing share of their risks," Mr Larios states.

A survey released by AMRAE earlier this year showed that some 50 French companies were considering setting up reinsurance captives.

To make it easier to do this job in France, AMRAE and other entities have set up a working group with their government to update legislation in order to turn the country into an attractive captive jurisdiction.

New legislation has been proposed and is under negotiation in the French Parliament.

In a roundtable organised by risk consultancy Optimind in late September, Lionel Corre, the sub-director of insurance at the French treasury, expressed hopes that the new rules will be included in the forthcoming Budget Bill, which needs to be approved by parliament "in the following weeks". If that is indeed the case, the new rules could be in place next year.

Valerie Faure-Muntian, member of parliament who is head of the insurance group at France's National Assembly, said several issues have emerged from the discussions that are being addressed by the proposals. She also noted that many different kinds of organisations, including SME's, have shown an eagerness to learn more about captives and other risk financing tools.

"It is clear that it is necessary to strengthen our companies' capital reserves. This is a flaw of French companies, as we have seen during the pandemic crisis," pointed out Ms Faure-Muntian.

"Mid-sized companies have shown much interest in captives, even though they were not necessarily the initial focus of the group," she added.


Léopold Larios de Piña

"We act to strengthen the resilience of companies to make up for the feebleness of insurers, whose decision-making powers seem to be becoming estranged from the realities of the market"

DIFFICULT MARKET

In the meantime, however, French buyers need to deal as best they can with a difficult insurance landscape and will be interested in some of the other key findings from AMRAE's *State of the Market* report:

P&C – AMRAE expects capacities to further shrink by 20% to 30% due to the impact of nat cats, supply chain issues, political violence and the Covid-19 pandemic. Terms and conditions stabilised during the July renewals, thanks to heightened competition in the French market. But buyers could still see rate increases of 10% to 50% in future renewals, and in some cases as high as 80%. Deductibles should also keep on rising.

Cyber – A "very hard market", in AMRAE's words. Capacity has disappeared and the association identifies plenty of uncertainty surrounding this cover for the foreseeable future. Most insurers are only keen on offering €9.5m to €10m primary layers, while followers will usually fork out no more than €5m. The quality of cover has deteriorated, while deductibles have sometimes doubled in value. Rates have also seen increases, sometimes upwards of 100%.

Construction – Capacities have dropped between 20% and 30% for French companies, while prices have increased by up to 30%, and deductibles by up to 20%.

Motor – The rare silver lining in a pretty dire overall market. The availability of coverage has not changed this year, while prices and deductibles have seen increases limited to 10%. It may be a turning point for a segment that started to correct before the general hard market.

Transportation – A segment where pressure on prices and capacities has been limited, with rates going up by about 10%. But AMRAE has found that terms and conditions have been tightened, with a number of new exclusions added to wordings.

Civil liability – No changes are expected for 12 or 24 months, which suggests a difficult renewal season in January for French companies. While prices have gone up by 10% to 30% in the latest renewals, AMRAE reports that the financing of liability risks via captives has gone up by about 25% of late. A sharp rise in deductibles, reaching up to 50%, helps to explain this move.

D&O – The French association believes that, thanks to the arrival of new capacity, the segment may stabilise in 2022 and even turn around in 2023. In recent months, however, both prices and deductibles have gone up between 10% and 50%.

Political risks – Another segment where prices are going up, by between 10% and 20%, with a proliferation of cover restrictions.


Lionel Corre

SUPPLY CHAIN: Increased disruption set to be a long-term trend

Continued from page 1

provides supply chain risk management and real-time monitoring services, also believes increased levels of disruption are here to stay. Covid-19 has not gone away and vaccination rates in parts of the world are still low, he explained. With the busy holiday season in Europe and the US fast approaching, disruptions to manufacturing in Asia and shipping delays are yet to fully filter through, while the labour shortage in Europe will take time to resolve, he warned.

Supply chain disruption is beginning to have a real economic impact. Increased labour and transportation costs are likely to act as a drag on economic growth and feed through to inflation. The automotive sector has lost some $210bn in revenue due to a shortage of micro-chips, according to AlixPartners. The cost of importing shipping containers from Asia to Europe and the US has skyrocketed, up by as much as 800% for UK companies, according to Logistics UK.

The current situation may get worse before it gets better, according to Maria Grace, global head of property at Allianz Global Corporate and Specialty (AGCS). "The range and diversity of supply chain risks is constantly growing and recent experience shows how far-reaching events like a pandemic, climate change, financial crises, trade tensions and political instability can be," she said.

A number of factors have created a "perfect storm" for supply chain disruption, according to James Crask, senior vice-president and head of resilience at Marsh. Surges in demand have coincided with constraints in supply. But these pressures are compounded by a general lack of understanding of end-to-end supply chains, which are complex and interconnected, said Mr Crask.

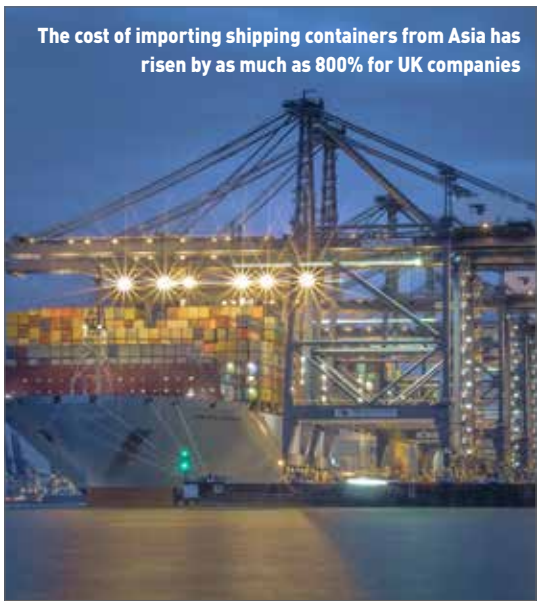
"We have lived through an unprecedented period of stability, and supply chains and systems have evolved in that context, and are now under pressure. We are now, however, entering a period of instability and there are questions around whether some of these systems and models – such as just-in-time supply chains – will survive this experience," said Mr Crask.

Supply chains have become "critical" and designed to be lean, added Ms Robinson. "Over the past years, supply chains have been optimised to reduce costs. Stock levels, lead times and transport and warehouse capacities have all been cut to reduce price… The reactions to Covid-19 pulled the trigger for the perfect storm, {and} the well-balanced system got derailed," she said.

"Production halted and surged, raw materials and components production and movement of cargo reduced or stopped. Product demand halted, dropped and/or changed. Flex workers were without work and sent home. Containers ended up at the wrong ports and were not shipped back as the steam lines reduced capacity," explained Ms Robinson. "After the first Covid-19 waves, the economy picked up more than it dropped, with an out-of-balance system, into where we are now."

VULNERABILITIES

Current disruption is not a short-term blip, according to Greg Schlegel, founder of The Supply Chain Risk Consortium and co-creator of the Institute for Risk Management's (IRM) Supply Chain Risk Management Certificate. The way in which companies have expanded their operations and supply chains globally has created



The cost of importing shipping containers from Asia has risen by as much as 800% for UK companies

vulnerabilities, he said. The more 'touchpoints' or 'nodes' in the supply chain network, the higher the probability that one of those will experience a risk event, he added.

According to Mr Schlegel, businesses are operating in a VUCA (volatility, uncertainty, complexity and ambiguity) landscape. The pandemic has produced artificial demand and supply shocks around the globe, and it will take time to rebalance the equilibrium, he said. "All sectors will be experiencing what we call the 'bullwhip effect' through 2021 and into 2022," he added.

Recent disruption should prove to be a watershed moment for supply chain resilience and risk management, according to Mr Vashistha. "I hope that this will be the catalyst {to invest in supply chain risk management} and we do see early signs of this. If today's disruption is not the catalyst, then there is something fundamentally wrong with society," he said.

In particular, global disruption has revealed the "compounding effect of risk across multiple domains", from power outages in China at one end of the supply chain and labour shortages and Brexit at the other, Mr Vashistha said. In the past, companies concentrated their supply chain risk management on the financial health of top-tier suppliers, but have failed to invest in the data and systems required to understand their supply chains from end to end, he added.

"Many companies have spent zero effort understanding their suppliers' suppliers. If you do not understand your supply chain, there will not be visibility into your early warning systems. It is about investment and companies not paying enough attention to their suppliers," he said.

Recent disruption, such as the ricocheting impact of higher energy prices down the supply chain, has demonstrated that the complexity and interconnectivity of supply chains is often poorly understood, explained Mr Crask. Higher gas prices have closed factories and manufacturing plants in China and Europe. In the UK, for example, the closure of two key fertiliser plants threatened supplies of CO_2 gas, which is critical for the food production industry. "We are still not that good at understanding supply chains end to end," said Mr Crask.

LONG-TERM ISSUE

Volatility in supply chains is a long-term consideration for companies, according to Mr Crask and Mr Vashistha.

The move to a low-carbon economy and digitalisation will create huge pressure on the supplies of certain raw materials and components. This can already seen in the shortage of semiconductors and the predicted shortages of lithium and cobalt used in electric vehicles and battery technology. The transition to net zero at a time of population growth and climate change is also expected to put energy supply under significant pressure, increasing the risk of blackouts.

"Long term, companies will need to take a look at how their supply chains are structured, but that will not help with the disruption companies face today and in coming months, for example from the shortage of labour and the consequences of higher energy prices. In the short-term, companies need a more targeted approach, using analysis and scenario planning to help understand vulnerabilities and to build a plan. This is just an interim step, before they make a longer-term supply chain strategy," said Mr Crask.

Companies need to dramatically broaden their "risk aperture" to include a wider range of risks in the supply chain, according to Mr Vashistha. This should include considering the potential impact of social and political risks.

Risk assessments need to be more comprehensive and risk monitoring should be carried out on a continuous basis, he argued. "Companies also have to start thinking in terms of resilience, not just response. The pace of change is so rapid you can't have resilience discussions after the fact," he said.

Risk managers can offer skills and tools to help "shine a light" on supply chain risk, according to Mr Crask. "Risk managers can utilise the tools of risk management – such as risk analysis and scenarios – and use their skills to facilitate discussions with various stakeholders. They might not have all the answers but risk managers could hold the keys to potential solutions," he said.

In the near term, companies can use some tried-and-tested risk management techniques to help manage the coming months of disruption. However, recent events are likely to be a "catalyst" for a more in-depth conversation on making supply chains more robust, said Mr Crask.

He predicted a sustained focus on supply chains by governments and businesses is now likely. "This is an opportunity for companies to see if they have a good understanding of their supply chains, and where they may have vulnerabilities, choke points, single points of failure or a concentration on a single location, supplier or shipping route," said Mr Crask. "Companies need to carry out robust analysis of where their vulnerabilities are and start to think about what they can do about it," he said.

The IRM's Mr Schlegel advised risk managers to "get educated". He also urged risk managers to begin dialogue about risk within the supply chain. He advocated the use of supply chain mapping, typically taking a small product line and mapping out its supply chain network with all nodes from customers back through suppliers. "This exercise tends to become a 'Wow! I never knew that about our product line' teaching moment for all disciplines," he said.

Pandemic boosts risk management's standing, finds Ferma survey

More work needed on resilience and crisis management

◇ COVID-19

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The Covid-19 pandemic has raised the profile of European risk and insurance management, according to a new Ferma survey. But while the majority of respondents feel their organisations are well equipped to manage resilience, the results suggest more work is needed to make this issue a true strategic priority and improve crisis management.

The survey by the European risk management federation and McKinsey reveals that 90% of risk professionals polled feel the pandemic has made risk and insurance more important to their organisations. Some 16% said it has increased the importance to a great extent, 39% to a considerable extent and 36% to some extent. The remaining 10% don't think Covid-19 has boosted their profession's standing.

The results also show that the coronavirus pandemic accelerated the push for corporate resilience, but in varying degrees across sectors and resilience pillars.

More than 60% of the participants acknowledged resilience as a top priority or very relevant in strategic decision-making. And 57% feel their organisations are well equipped to manage resilience. Only 10% rated their company's capabilities to manage resilience as poor.

Most participants identified the executive team and the risk function as chiefly responsible for resilience and related coordination within their organisations. This suggests that risk functions are taking a greater role in managing resilience more holistically, especially in coordinating with other functions, said Ferma.

More than half of those surveyed believe their organisations currently have effective capabilities to manage financial resilience, but there appears to be room for improvement around predicting events, conducting scenario analyses and stress-testing to assess potential outcomes, said Ferma. One quarter of respondents said they have no foresight capabilities currently.

Meanwhile, only one third of respondents said they have effective crisis-management capabilities in place. And looking forward, almost three quarters of the risk managers surveyed see a clear need to improve risk culture and more strongly integrate resilience in their organisations' strategy.

Launching the survey and accompanying report, Ferma president Dirk Wegener said: "Before the pandemic, we knew that risk management and risk and insurance managers had an important role in keeping shocks from destabilising their companies. The pandemic proved that. Until this report, however, we had little data on that contribution."

He said the pandemic has highlighted the importance of good risk and crisis management and its contribution to resilience. "But we must not be complacent," he added.

"We continue to face other, potentially disruptive shocks, for example from climate change and cyber risks. Resilience is essential for the success of European business, and as this survey shows, in this, risk and insurance managers can be leaders," said Mr Wegener.

He added that while the survey results show that the majority of European risk professionals believe their organisations are well equipped to manage resilience, "more can be done".

"In particular, these results give the impression that there is work to be done on improving organisational risk culture, as well as making resilience more of a strategic priority," said Mr Wegener.

"Risk and insurance managers are already involved in this process in a meaningful way. The findings give us a great incentive to maintain momentum. We must continue to underline our worth to our organisations. They also show us where we can take the initiative by developing in areas such as foresight capabilities and sustainability," he added.

Covid-19 set to extend tough EPL market

Companies with US risks face huge challenge

◇ EPL

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The employment practices liability (EPL) insurance market is one of the most challenging for buyers with US risks, who are suffering capacity shortages and rising prices, and things are set to remain tough amid fears of litigation arising from the pandemic, warn brokers and underwriters. They add that although things are particularly acute in the US, some of the same risks and market difficulties are now spreading to Europe.

Companies wanting to purchase large EPL programmes, especially if they have exposure in the US, are struggling to obtain the capacities they need today. When they do, they are likely to pay dearly.

The latest survey by Willis Towers Watson (WTW) on the US EPL market found that buyers faced increases of between 20% and 40% during their latest renewals, if they arranged their programmes with domestic US carriers. By going to Bermuda, rate increases ranged between 15% and 30%, but carriers were demanding retentions of at least $1m.

A J Gallagher, meanwhile, spotted increases of 75% and more for some accounts with US exposure earlier this year.

Steve Bear, executive director of financial and professional risks at the broker, told *Commercial Risk Europe* that the EPL space remains tough for buyers despite the arrival of new capacity in the D&O market in recent months.

There is a lack of capacity, particularly for standalone cover not taken out as part of management liability packages, he pointed out.

"In a recent survey we carried out among over 30 insurers, we found a clear common approach to EPL. Most insurers are only willing to write EPL as monoline to support the placement of financial lines insurance, or a relationship in the property and casualty space," said Mr Bear.

"A number of the new D&O insurers that have entered the market do not have the scale or willingness to deploy capital into EPL and are, for now at least, concentrating on what they know best. More established underwriters, meanwhile, have suffered from a combination of poor loss histories and share common concerns over the future of the product," he added.

Companies that used to go to London to place their EPL risks are likely to find a much reduced offering after a number of carriers withdrew from the market. Capacity is now mostly to be found in the US and Bermuda, brokers say.

INCREASED EXPOSURE

There are many reasons why underwriters are wary of EPL cover. Movements like #MeToo and Black Lives Matter have increased the risk of workplace discrimination. Social activism in areas such as pay equity and LGBT+ rights have also increased exposure to litigation that can impact EPL covers.


Steve Bear

> **"The sectors affected** most by Covid-19, such as retail, hospitality and leisure, and others that have been subject to mass redundancies, are not in many insurers' risk appetite"

Furthermore, Covid-19 and its new working practices have fuelled fears over litigation. Social inflation, which drives the values of indemnifications granted, is also a big issue.

According to WTW, more than 2,000 Covid-19-related employment-related complaints were filed in the US by April. Most common cases dealt with accommodation claims, retaliation, discrimination and harassment. The broker expects the number of complaints to go up as workers go back to their offices.

Underwriters attribute their lack of willingness to embrace EPL risks to uncertainty caused by Covid-19 and a resulting rise in notifications, Mr Bear said. "Our survey indicated that the sectors affected most by Covid-19, such as retail, hospitality and leisure, and others that have been subject to mass redundancies, are not in many insurers' risk appetite, with a higher turnover of staff leading to a greater propensity for a claim occurring. This is a trend that is expected to continue as furlough and other government support measures for businesses continue to end. Anything heavily exposed to North America is also a concern for many insurers."

The result is that companies that want to purchase specific EPL covers may struggle to find the capacity they need.

"Of those left that still consider EPL, underwriters are often strict in only offering capacity where other lines are purchased and are very selective, and they are often more inclined to consider standalone EPL if bought in conjunction with D&O cover," Mr Bear continued. "The perceived lack of control is a worry for underwriters. Until the full economic effects of Covid-19 are behind us and we enter a buoyant jobs market, the likelihood is the EPL insurance market will remain challenging."

EUROPE

The US is the main focus of concern but analysts say that similar trends are being seen across the Atlantic ocean and are now impacting the European market too. Companies in sectors such as hospitality and financial services are among those thought to be most exposed.

But demand for EPL remains muted in Europe, according to Jorge Chao, head of financial institutions in the region at Liberty Specialty Markets. This helps to explain why underwriters are offering little EPL capacity to European buyers.

"There is not a significant book of business of EPL insurance for financial institutions in Europe. It is a very anti-selective market and we do not like that," he said. "We want to have a cross-section, well-balanced portfolio. That cannot be done today with EPL for financial institutions in Europe.

"The companies that buy EPL covers are those that have significant US exposure or, more specifically, to certain US states such as California, Oregon and a couple of others," Mr Chao continued.

"We will not actively target EPL for financial institutions until we are convinced it is a sustainable line of business on its own merits, and one that is large enough. But I do not see that happening in the near future," he added.

Olivier Delaage, financial institutions manager at Marsh in France, said the appetite for EPL cover is low in the French market, for one. Large financial institutions tend to purchase their covers closer to where the risks are located, he added.

"There are no large EPL programmes in France. If a European bank has a big US exposure, it will usually purchase an EPL cover in the US," he said. "For French risks, there is not usually much EPL protection. And when they exist, large capacities are not required – they will not go over €15m-€25m. For that, I do not need to find many insurers to participate in the programme. But it is still a challenging placement," he added.

According to France's risk management association AMRAE, EPL rates have been relatively stable for French buyers in 2021. It thinks increases will hover around 5% in future renewals, as long as no major losses hit the local marketplace.

Nonetheless, some buyers have faced rate increases of up to 30%, and underwriters have demanded 20% higher deductibles to provide cover, AMRAE's latest state of the market report notes.

AMRAE also says there are few insurers taking lead positions in EPL programmes, and very limited coverage available for US exposures.

Finalists announced for European Risk Management Awards 2021

◇ AWARDS

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Carl Leeman, chief risk officer at Katoen Natie, won Outstanding Contribution to Risk Management at last year's ceremony

Ferma and *Commercial Risk* have announced the finalists for this year's European Risk Management Awards, with the winners to be named at a ceremony on 14 December.

Finalists have been chosen for all 14 Excellence in Risk Management, Industry Excellence and Training and Education Excellence categories.

Finalists for the prestigious Risk Manager of the Year Award are Charlotte Candy, associated director at AECOM; Maxim Kondratenko, chief risk officer at VTB; and Alex Sidorenko, chief risk officer at EuroChem.

Rising Star of the Year finalists are: Béla Cluse, insurance manager at Knauf; Dennis McNeill, solutions lead at Fusion Risk Management; and Radvile Ragozyte, specialist of the law and risk management division at the Lithuanian Transport Safety Administration.

Vying for the Outstanding Contribution to Risk Management award are: Roberto Bosco, corporate risk manager at Mediaset; Alex Sidorenko, chief risk officer at EuroChem; and Reiner Siebert, managing director of the German risk management association GVNW.

In the industry excellence awards, Parsyl and Lloyd's are finalists in the Insurer Innovation of the Year category for The GHRF and Syndicate 1796. They are joined by Swiss Re Corporate Solutions for its virtual captive initiative and Zurich Resilience Solutions.

Howden Insurance Brokers, Replexus, Mitiga and the Danish Red Cross are finalists in the Broker Innovation of the Year category, for the Danish Red Cross volcano cat bond disaster relief programme. So too are MDS Group for its digital transformation programme, and Marsh Advisory for its claims solutions.

NEW CATEGORIES

The 2021 awards programme has been refined, with the introduction of new categories to reflect the dynamic business environment in which we now operate. As ever, the goal of the awards is to further increase awareness of risk management throughout the European business community, by boosting its standing and promoting its value. Allianz Global Corporate & Specialty (AGCS) is again the headline partner this year, with AXA XL, BELFOR and Zurich also sponsoring the event. We thank them, as ever, for their support.

Ferma and *Commercial Risk* received an outstanding volume of high-quality entries for this year's awards from national risk management associations, individuals, insurers, brokers and firms that provide a valuable service to the risk management industry.

We would like to thank all who submitted an entry and congratulate our finalists on reaching this stage. Ferma and *Commercial Risk* also thank our esteemed panel of judges for devoting their time to this initiative.

The winners will be announced at a ceremony on 14 December, with one of the categories to be chosen by an audience vote. More information on the ceremony will be available in due course.

● *A full list of the finalists is in the box opposite.*

European Risk Management Awards 2021 finalists

EXCELLENCE IN RISK MANAGEMENT FINALISTS

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 and 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 and 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 and 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 FINALISTS

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 programme
- 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 hospitalisation supplemental product

Global Programme Innovation of the Year
- AIG – Implementation of a global integrated risk management programme
- Swiss Re Corporate Solutions – International programmes PULSE and Network
- Zurich Insurance Group – Zurich Global Program Support (GPS) tool

Technology Innovation of the Year
- Keoghs – Kuarterback artificial intelligence automated claims solution
- Origami Risk – 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 and settlement system
- Zurich Insurance Group – Claims 'build back better' initiative

TRAINING AND EDUCATION EXCELLENCE FINALISTS

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

With great power comes great responsibility

AXA XL's *Future Risk Report 2021* published at the end of September confirms what we all knew – climate change, cybersecurity and pandemic risks are currently the biggest concerns for global risk experts and the general public.

Climate change risks rose back to the top of AXA XL's annual global ranking after temporarily being knocked off top spot by pandemics in 2020.

AXA XL CEO Thomas Buberl used the opportunity to push again for a more joined-up approach to such systemic risks, which the insurance sector, corporations and governments are clearly not able to handle alone.

"For each of these risks, our survey reveals that respondents have limited confidence in the ability of public authorities to bring solutions alone. This is a concern because public action will be key in developing collective resilience. It is also a sign that today, more than ever, we need new partnerships to address risks that sometimes go beyond traditional protection mechanisms," he said.

State-backed insurance solutions and tax breaks to promote better loss prevention and risk management for future health crises and cyber are badly needed. Climate change requires a higher level approach that involves a carrot and a stick, as well as, unfortunately, the lure of profit.

Mr Buberl is actually in a position to really make a difference as he is current chair of the UN-convened Net-Zero Insurance Alliance (NZIA), which brings together eight of the world's leading insurers and reinsurers, all of which are European, to play their part in accelerating the transition to net-zero emission economies.

AXA, Allianz, Generali, Aviva, Munich Re, SCOR, Swiss Re and Zurich have all committed to individually transition their underwriting portfolios to net-zero greenhouse gas emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.

The commitment to use the power of underwriting to try and tackle climate change supplements the work of the Net-Zero Asset Owner Alliance, where all eight founding members are already individually setting science-based 2025 decarbonisation targets for their investment portfolios, in line with a net-zero transition pathway.

So, there is a lot of power in the hands of the (re)insurance industry to do good and help protect the world from climate change. But as Voltaire said: "With great power comes great responsibility."

Mr Buberl explained pretty well how this power can be used for the common good in a recent interview with Bloomberg.

"On the investment side, we are one of many investors, and if you want to find funds for a coal factory today, you will," Mr Buberl said in the interview. But if a company can't get insurance to protect against the risk, then it won't be able to secure investors, he added.

There will be people out there in the risk and insurance market who point out that tackling climate change may be good for the planet and their industry's reputation, but question whether it actually helps the bottom line in the short term.

Well, take a look at what's happening in the banking sector currently and the evidence suggests that being green can actually deliver profits.

Recent anlaysis carried out by Bloomberg Green found that while many banks have been condemned for contributing to the climate crisis by helping fossil-fuel producers raise cash in debt markets, the banking industry as a whole is actually making more money from underwriting ESG-related bond sales.

The analysis reveals that banks have earned about $3.6bn in fees in 2021 from arranging sales of bonds advertised as instruments of green, social or sustainable development for companies, governments and other organisations. That is actually more than double the $1.6bn that banks have made so far this year from issuing debt for fossil-fuel companies.

Moreover, the flood of money into the green bond market seems to be unstoppable. About $750bn of ESG-related bonds have been issued this year, already way over the $468bn total raised in full-year 2020.

Banks don't usually bet on dodgy investments. More work and transparency is needed to ensure these green bonds are actually green of course, but the overall trend is obvious. The message for the insurance market would appear to be that pulling out of fossil fuels and going green is not just good for the image, but actually makes economic sense too.

If underwriters can also genuinely find ways of rewarding customers for their environmental and wider social and governance efforts, with more and cheaper capacity regardless of the stage of the cycle, then even better.

This effort led by the European insurers and reinsurers at NZIA needs to be supported energetically and with purpose. Other leading international insurers and reinsurers – notably those based in the US, Bermuda and Asia – need to properly join the party for the good of us all.

The power is in their hands – let's hope they use it well.

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As the European and global cyber insurance markets continues to harden, over the next few pages we take a look at the rise in ransomware driving much of the losses for business and insurers, practical steps organisations can take to mitigate the risk, and what is likely to happen to next to rate, capacity, terms and conditions

'Sharp' cyber market hardening as European firms report rise in malicious attacks

◇ CYBERATTACKS

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Malicious cyberattacks accounted for 80% of cyber claims from Marsh's continental European clients last year, up from 70% in 2019, with ransomware attacks standing at 32% of all losses, more than double the average during the previous five years.

In a new report – produced in collaboration with Microsoft, law firm CMS and cybersecurity firm Kivu – Marsh reveals that total cyber insurance claims in Europe rose by 8% last year.

Marsh's claims data shows that cyber claim notifications spiked 200% for professional services firms in Europe, with a 153% increase in media and technology, and 104% in manufacturing.

Financial institutions remain the most affected industry, followed by manufacturing, communication, media and technology, and then professional services. This is unchanged from 2019.

When focusing solely on malicious cyber events, however, European manufacturers suffered the highest frequency of attacks in 2020.

Marsh says one possible reason for this could be the high costs linked to business interruption, which makes the manufacturing industry very sensitive to ransomware attacks and therefore an attractive target.

Marsh adds that while the vast majority of its cyber clients are small and medium-sized companies (74%), very large firms more frequently make claims.

"This could be interpreted as larger companies being targeted through malicious cyber events to a higher degree; it could also be due to them notifying at a higher frequency and greater consistency due to stronger internal risk management processes or IT capabilities," says the broker.

COVID-19

Marsh's report also notes that cybercriminals reacted quickly to the pandemic in Europe and generated a "wave" of Covid-19-themed attacks built into malware.

Jean Bayon de La Tour, head of cyber for continental Europe at Marsh, says: "Malicious attacks and ransomware events are becoming increasingly pernicious, as cybercriminals seek to exploit weak organisational defences and human frailties. It is now not a question of 'if' an organisation is likely to be involved in a cyber incident, but 'when'."

"We are in the middle of a significant ransomware wave, which is making companies even more aware of how dependent they are on technology," Marsh states in its report.

"This dependency will only increase as technology continues to advance our society, especially in terms of efficiency and quality of life. Indeed, better risk management is essential," adds the broker.

"But there is good news to share in this dark environment. We see the effectiveness of some cybersecurity controls, in the reduction of both the frequency and severity of attacks," it continues.

RISING RATES

The report reveals that European cyber insurance rates increased 39% across continental Europe in Q1 2021, after the spike in malicious cyberattacks last year. This follows an increase of 37% among Marsh's European buyers in Q4 2020.

Marsh says the European cyber market is experiencing a "sharp" rise in premiums. "Since the pricing in Europe is historically low, insurers are pushing to align them more with global pricing," it explains.

Buyers in the European cyber market are also facing capacity reduction, tighter underwriting and insurers limiting exposure to ransomware-related claims.

"As a result, cyber insurance is being granted to companies with a high cybersecurity maturity. With these trends in mind, both the market and its clients will need to work together to temper the surge in ransomware claims," adds the broker.

HOW TO BECOME MORE RESILIENT

Preparation

- Cyber incident response planning and updating.
- Evaluation of ransomware preparedness.
- Cybersecurity framework and vulnerability assessments.
- Employee training and education.
- Cybersecurity best practices.
- Cryptocurrency ransom payment support.
- Analysis of financial impact.
- Vendor identification.

Recovery

- Event partnership and support, including claims support and advocacy.
- Cyber insurance to cover lost revenue, extra expenses, and associated ransomware costs.
- Proof of loss preparation and support.
- Update/re-evaluation of incident response plans.

Response

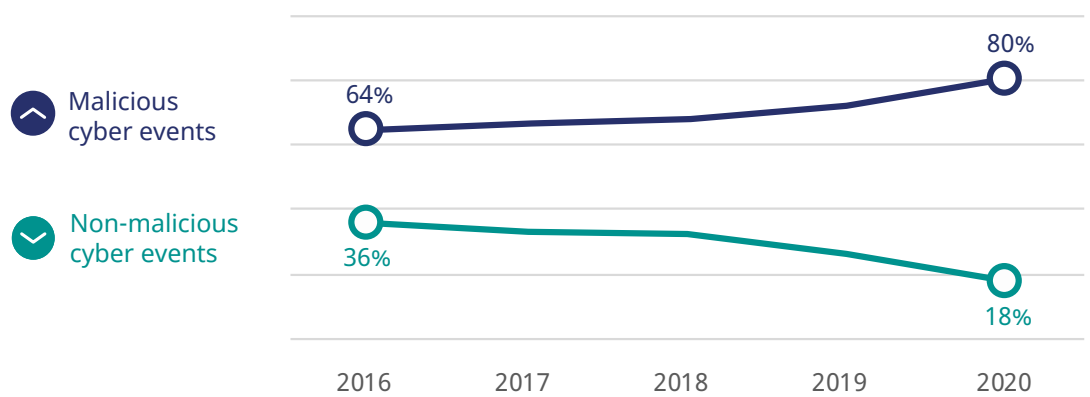
- Secure incident management services.
- Vendor identification, including: legal counsel, forensic experts, public relations support, and data restoration service providers.
- Breach notification services.
- Cryptocurrency ransom payment support.
- Claims support for insurance recovery.

Insurance coverage

- Lost revenue and extra expenses to continue operations.
- Restoration or recreation of corrupted or destroyed data and other intangible assets.
- Network or hardware restoration or repair.
- Regulatory fines and penalties.
- Privacy events.
- Reputational harm.

Source: Marsh – *The Changing Face of Cyber Claims 2021*

MALICIOUS VS NON-MALICIOUS CYBER EVENTS



Source: Marsh – *The Changing Face of Cyber Claims 2021*

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Stress and anxiety were employee health challenges before the pandemic arrived, but lockdowns and remote working arrangements added to those pressures, affecting family relationships, mental and physical health. This conference explores some of the new challenges employees face put forth by the global crisis, as they've become more fragile and vulnerable. And, if they are to remain healthy and productive, they will need as much support as possible from their employers.

NEW SPEAKERS ANNOUNCED

- Michele Hauesler, *Head of Market Management, Zurich Global Employee Benefits Solutions*
- Reto Heini, *Regional Distribution Manager Germany & Switzerland, Zurich Global Employee Benefits Solutions*
- Christian Ayerst, *CEO, Mental Health Support Solutions*
- Travis Bailey, *Senior Financial Planner, Advice First*
- Franck Baron, *President, PARIMA*
- Denis Cronson, *Chief Sales & Distribution Officer, Zurich LiveWell*
- Peter Devlin, *former Chairperson, IEBA*
- Giovanni di Meo, *Regional Director Asia Pacific, Allianz Global Benefits*
- Imogen Finnegan, *Senior Consultant, Bellevue Law*
- Cornelius Froscher, *Associate General Counsel, AIG*
- Colin Haines, *Chief Examiner, IEBA*
- Carl Hansen, *Education Officer, IEBA*
- Christian Hunt, *Founder, Human Risk*
- Alessandro Ingrao, *Risk Manager, Holmen*
- Federica Maria Rita Livelly, *Board Member, ANRA*
- Matt McLaughlin, *Global Head of Underwriting, Corporate Life & Pensions, Zurich*
- Jayesh Patel, *Regional Director UK & Ireland, Allianz Global Benefits*
- Gary Piper, *International Programs Service Architect, Zurich Global Employee Benefits Solutions*
- Andrea Pitt, *Barrister at Law, Quartz Barristers*
- Hannah Strawbridge, *Founder and CEO, Han Law*
- David Thomas, *Head of Sales, EMEA & APAC, Ventiv Technology*
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Practical IT steps and response plans can combat ransomware crisis

◇ CYBERSECURITY

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Organisations must "harden" their IT environments and develop rapid incident response capabilities to counter the rising threat posed by what is now a ransomware crisis, according to cybersecurity firm Crowdstrike. Its experts stress that ransomware attacks aren't inevitable if organisations put the right controls in place.

Ransomware attacks have continued to increase this year. The FBI recently reported a 62% increase in attacks in 2021, on top of a 20% increase in the number of incidents last year. Cybersecurity firm Checkpoint also recorded a similar surge in ransomware in the first six months of 2021, with increases in 'triple-extortion' and supply chain ransomware attacks. It predicts that the frequency of ransomware attacks will continue to grow despite an increased focus on law enforcement following recent high-profile incidents.

Ransom demands have also rocketed. The average ransomware payment has risen by 82% since 2020 to a record $570,000 in the first half of 2021, as cybercriminals employ increasingly aggressive tactics to coerce organisations into paying larger sums, according to cybersecurity company Palo Alto. The increase adds to the 171% rise in ransom demands to $312,000 last year. The highest ransom demand on a single victim seen by Palo Alto consultants rose to $50m in the first half of 2021, from $30m last year.

"The ransomware crisis continues to intensify as criminal enterprises boost investment in highly profitable ransomware operations," Palo Alto says in its recent ransomware threat report. "We expect the ransomware crisis will continue to gain momentum over the coming months, as cybercrime groups further hone tactics for coercing victims into paying and also develop new approaches for making attacks more disruptive," it adds.

NEW ANGLE OF ATTACK

The increase in the frequency and severity of ransomware attacks reflects changes to the business models of criminal gangs looking to cash in on vulnerabilities. During the past two years, the ransomware market has become more organised and better resourced. The development of 'ransomware-as-a-service' business models and ransomware brokers enables criminals to hire or purchase ransomware tools, and gain access to compromised networks, at relatively low cost.

According to Josh Dalman, principal consultant at CrowdStrike Services, the most active ransomware gangs are Pinchy Spider, also known as REvil, Carbon Spider (DarkSide) and Wizard Spider (Ryuk and TrickBot). These groups have been responsible for a number of high-profile ransomware attacks of late, including the Colonial Pipeline incident and Kaseya attack. These attacks – which are impacting businesses across all sectors, mostly in Europe and the US – are usually opportunistic and not

Kaseya was the victim of a high-profile ransomware attack in July this year

specifically targeted at individual companies, Mr Dalman said on a recent webinar.

Pinchy Spider tends to launch opportunistic ransomware attacks, typically targeting scheduled tasks, single-factor authentication and vulnerable VPNs, he explained. Carbon Spider favours phishing attacks and the deployment of trojan software, accompanied by high-pressure extorsion techniques, such as cold calling and threatening employees. Wizard Spider uses similar tactics but has "no conscience" and will encrypt anyone, including hospitals dealing with the Covid-19 pandemic, said Mr Dalman.

BASIC CYBERSECURITY

But because these groups use common tactics, attacks can often be mitigated by some basic cybersecurity. Two-factor authentication and aggressive patch management, as well as end-point detection and response tools, are must-haves, according to Mr Dalman. So too are spam filter monitoring, network segregation, access controls, patching and restrictions on email and remote access.

"Don't say ransomware is inevitable. There are things that can be done to prevent these adversaries… Essentially cybercrime is an organised business and at some point, if you prove to be too tough a target, they will do a cost/benefit ratio and move on," said Mr Dalman.

If an organisation gets a ransomware alert at 4.30pm on a Friday, they need not panic, according to Shelly Giesbrecht, incident response manager at CrowdStrike. "Everybody panics and the first reaction is you have to burn down the village to stop this from happening. We are here to tell you that that kind of doom and gloom is not necessarily the case. It's about preparation… Preparation is the first step and should be a huge part of your organisation's incident response," she said.

Well-practised incident response plans are therefore critical for ransomware mitigation, continued Ms Giesbrecht. However, too often, organisations do not have an incident response plan in place, and when they do, it just sits collecting dust on a shelf, or is too long to be practical, she said.

Companies should aim to develop rapid response tactics where incident responses are prepared and regularly tested. For example, roles and responsibilities and the chain of command required to respond to a ransomware attack should be set out in advance and tested with scenarios. Table-top exercises can be *ad hoc* and relatively unorganised, testing various aspects of response, such as specific teams, senior management or scenarios, explained Ms Giesbrecht.

"There is a lot of panic and chaos that goes on in incident response. Remember, it is teamwork that makes this work. We want to make sure that everyone is speaking to one another. Make sure roles and responsibilities are understood, which will reduce bottlenecks and errors in recovery," she said.

"Make sure there are clear channels of communication and that you understand the chain of command, and recognise that this will take time to recover from. The more we rush, the less likely you are to recover successfully," she added.

CONTROLS AND PROCESSES

Organisations should also improve their cybersecurity to increase visibility of potential intrusions and restrict movement of attacks within networks. There are controls and processes to identify attacks quickly, and contain an attack. Recovery can also be accelerated if an organisation has already identified its critical systems, how they might be impacted, and can therefore prioritise restoration.

"It's about striking the right balance between visibility, recovery and containment," advised Ms Giesbrecht.

Backups are huge part of incident response, she continued. "Threat actors go right for the backups and try to encrypt them or delete them, so you are not able to recover [data] from them. Having offline backups that they are not able to access is a huge piece of recovery. A step we recommend is to practise that recovery.

"Before you go into an incident, make sure your backups are valid and that you can recover [data] from them. If you do have full encryption, you may need to negotiate with the adversary to get the decryption tool. That may be your only option," she said.

"Don't say ransomware is inevitable. There are things that can be done to prevent these adversaries… Essentially, cybercrime is an organised business and at some point, if you prove to be too tough a target, they will do a cost/benefit ratio and move on"

Cyber rates to rise further and coverage restrictions increase on back of ransomware losses


Ransomware losses have surged in recent times

◇ RATES

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Cyber insurers are likely to continue reducing exposures and raising rates in response to ransomware losses, according to Fitch Ratings.

Ransomware losses have surged, said Fitch. The direct loss ratio for standalone cyber insurance spiked last year, despite almost 30% growth in direct written premiums, the ratings agency explained. The aggregate loss ratio for US standalone cyber insurers was 73% in 2020, up on the 47% in 2019 and 34% in 2018. The increase in losses was in large part due to claims from ransomware attacks, according to Gerry Glombicki, a director at Fitch Ratings.

> **"As losses have** increased, prices have increased in kind, and terms and conditions have become more restrictive"

Speaking on a Fitch webinar, Mr Glombicki predicted that the frequency and cost of ransomware incidents will further increase during the near term. "Cyber has become very relevant due to the number of incidents and the associated costs," he said.

In response to losses, cyber insurers have increased rates and taken steps to reduce exposures, according to Mr Glombicki.

Average price increase for cyber cover was 25.5% in the second quarter of 2021, adding to the 18% increase in the first quarter and 11.1% in the fourth quarter of 2020.


Gerry Glombicki

"As losses have increased, prices have increased in kind, and terms and conditions have become more restrictive," he said.

Some insurers have withdrawn or pulled back from cyber as a result of recent losses, or tightened terms and conditions, said Mr Glombicki. Insurers are also applying stricter underwriting criteria, for example requiring policyholders to have two-factor authentication in place, he added.

Reinsurance is another factor influencing cyber insurance, as many standalone cyber insurers reinsure as much as 60% of their cyber business, said Mr Glombicki. "As losses go up, the cost of reinsurance increases," he said.

TARGETS

Some industries are targeted more than others. Public services, healthcare, professional services and consumer services account for half of all ransomware attacks, but no industry is immune, according to Mr Glombicki.

Even cyber insurers themselves are being targeted by cybercriminals. A number of insurers – including Chubb, Axa and Tokio Maine – have been victims of ransomware attacks this year. As such, regulators and ratings agencies are increasing their focus on cyber risks and controls at insurers, according to Mr Glombicki.

Criminals are partly targeting insurers to access data on cyber insurance clients, explained Mr Glombicki. One cyber gang said it is "going after writers of cyber insurance" to identify companies that have cyber insurance and the size of limits purchased, then using this information to "elevate" extortion demands, he said.

Despite media attention, the cyber market is still relatively small, continued Mr Glombicki. The cyber insurance market accounts for less than 0.5% of the US P&C market, which writes about $725bn in annual premium.

Total US cyber premiums increased 22% in 2020 to $2.7bn, of which the standalone insurance market accounted for $1.6bn, while $1.1bn was packaged cover. The top five writers – Chubb, Axa XL, AIG, Travelers and Beazley – account for 50% of the combined market, while the top 20 have 87% market share.

HIGH-PROFILE INCIDENTS

Following several high-profile incidents this year, including the Colonial Pipeline and Kaseya attacks, ransomware now has the attention of governments and law enforcement, according to Mr Glombicki. As a result, discussions are ongoing about the role of cryptocurrencies and whether cyber insurance can be used to pay a ransom, he said.

A combination of regulatory response and hardened cyber defences by corporates could help address the rising threat of ransomware, said Mr Glombicki. However, there is no single solution to ransomware, which requires a multifaceted approach, he added.

Companies need to improve cyber hygiene and reduce their attack surfaces, while segmenting IT systems from operational technology, said Mr Glombicki. Fitch also recommends companies have three backup copies of data, including in two different formats and at least one different location. Incident response plans need to be in place and practised regularly, with defined roles and responsibilities, it added.

Fitch already assesses an organisation's cybersecurity as part of its credit ratings process. In April, Fitch partnered with SecurityScorecard to help investors understand a company's cyber risk posture, its vulnerabilities and cyber risk management. A weak score would lead to further discussions on cyber risk management and governance, Mr Glombicki said.

Injuries cost Europe's leading football clubs €472.6m with Covid-19 losses just short of €50m

Liverpool's season was marred by a serious knee injury to star defender Virgil van Dijk

◇ LIABILITY

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There were 494 reported Covid-19 cases across Europe's top five leagues last season, resulting in players missing 7,068 days at a cost of €48.2m, finds Howden's European Football Injury Index. It also reveals that injuries were up 13.8%, with the English Premier League (EPL) worst hit both financially and in terms of sheer numbers.

The broker's inaugural index shows that across the EPL, Bundesliga, Serie A, La Liga and Ligue 1, players missed an average 14.33 days each time they tested positive for Covid-19.

Serie A, Italy's top division, suffered the highest number of cases at 171. Some 37% of its players tested positive during the 2020/2021 season, costing Serie A clubs €19.6m.

Next came Ligue 1 in France with 97 cases, La Liga in Spain with 83, the Bundesliga in Germany with 73 and then England's EPL with 70.

The index also shows that injuries across Europe's big five leagues were up 13.8% in the 2020/2021 season to 3,988, from 3,504 the season before.

Total injuries cost clubs in the top five leagues €472.6m, with the average cost per league €94.5m.

Costs were impacted by Covid-19 but also by injuries to star players with high salaries – such as Virgil van Dijk at Liverpool and Neymar at Paris Saint Germain (PSG), plus Sergio Ramos and Eden Hazard at Real Madrid.

PSG (€34.2m), Real Madrid (€28m) and Liverpool (€17.9m) suffered the highest injury costs in Europe.

The EPL experienced the most injuries at 938 and the highest injury cost at €155.9m, followed by La Liga on €84.5m. It is worth noting that the EPL pays the highest wages overall, which clearly impacts overall costs.

There were 902 injuries in the Bundesliga, 781 in Serie A, 761 in La Liga and 606 in Ligue 1.

Injuries in the EPL have risen dramatically during the Covid-19 era, from 495 in the 2018/2019 season to 938 in 2020/2021. That's a rise of 89.5% over two years.

In comparison, Bundesliga injuries fell during the three seasons studied, from 1,173 in 2018/2019 to 781.

France's Ligue 1 benefited from the fewest injuries, but recorded the highest injury severity rate in Europe. Players from Ligue 1 were out for an average 23.29 days per injury. In the EPL, players missed just 14.87 days on average.

> **"The pandemic has not only** contributed to a 14% rise in injuries across the five major European leagues, costing clubs a total of $473.6m, but it has resulted in injury numbers peaking earlier in the season"

The club with the most injuries in Europe was FC Koln in Germany with 106, followed by Manchester United on 79 and Paris Saint-Germain on 78.

The Bundesliga had the highest average number of players missing each matchday at 40.39. That figure was 34.78 in Serie A.

The top five clubs in Germany suffered 272 injuries in all during the 2020/21 season at a combined cost of €35.1m. Bayern Munich were able to defend their title despite suffering the highest injury count and highest injury cost. Eintracht Frankfurt's impressive rise from ninth in 2019/20 to fifth in 2020/21 was helped by a low injury count of just 32.

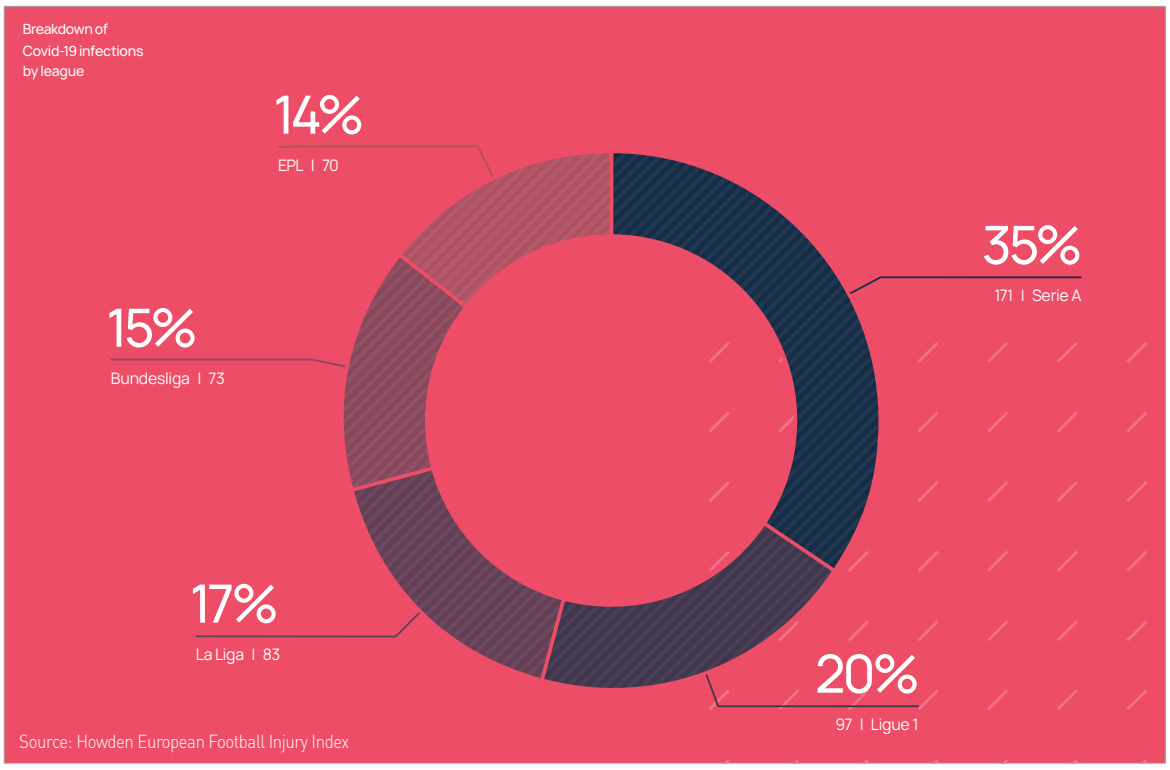
ON-FIELD IMPACT

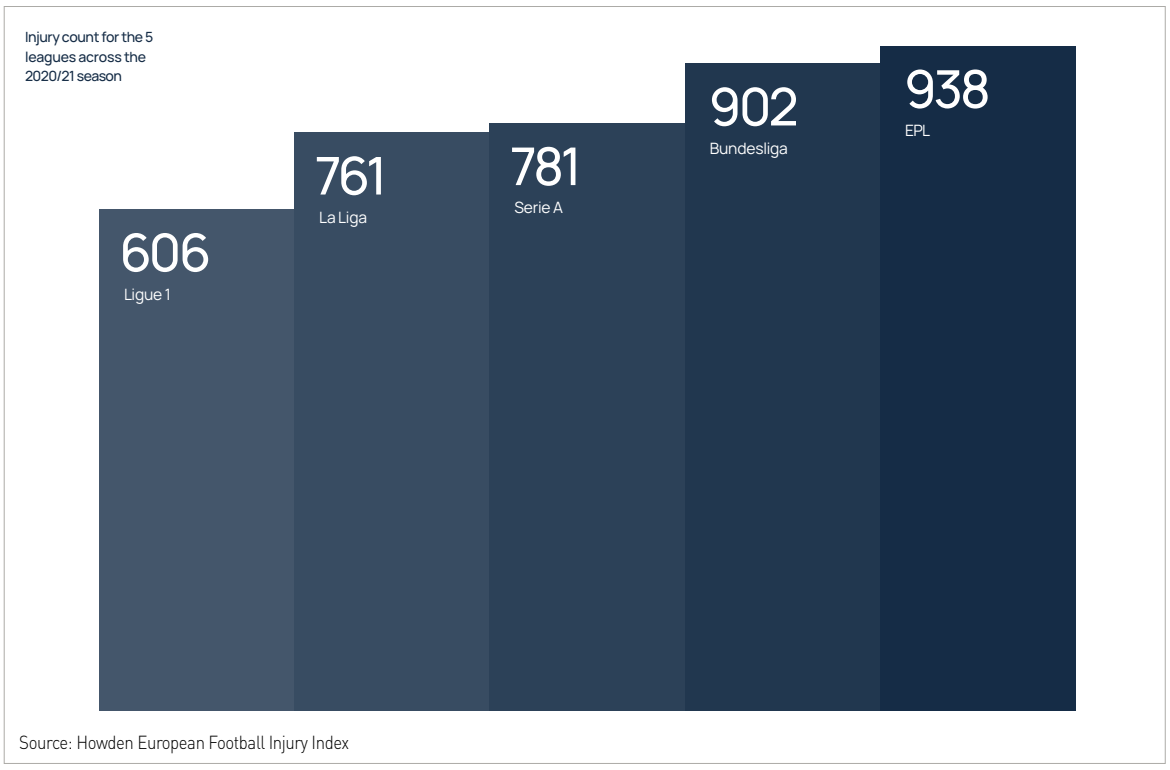
Real Madrid's nightmare injury season saw them miss out on the title to city rivals Atlético Madrid as they suffered 68 injuries at a cost of €28.03m. However, Howden says it takes more than injuries to explain Barcelona's poor campaign. They finished third but recorded only 32 injuries, lower than all their rivals in the top five.

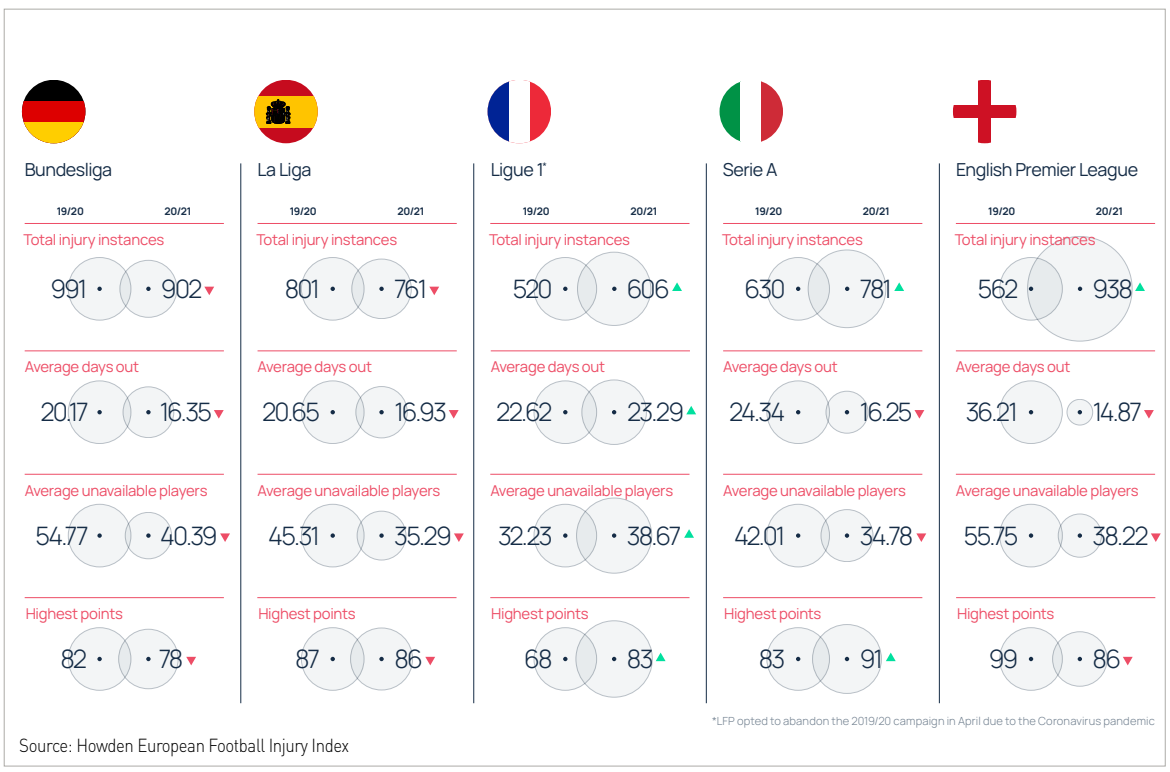
PSG lost their title to Lille on the last day and they may well point to their terrible injury record as one of the reasons. PSG suffered 78 injuries – more than the combined total of champions Lille, third-placed Monaco and fourth-placed Lyon.

Having won nine successive titles, Juventus slipped to fourth in the 2020/21 season thanks in part to an injury count of 61, the highest among the top five teams in Italy. Inter, by contrast, finished top after only 48 injuries, with Atalanta

15







in third place suffering only 29 injuries, by far the lowest among the top five rivals.

Manchester United recorded the highest injury total and Liverpool the highest injury cost in England, but it was Manchester City who took the title. Liverpool's title defence was infamously hampered by high-profile injuries to defenders, but their total injury count of 53 was only six more than Chelsea and Leicester City, who finished fourth and fifth respectively.

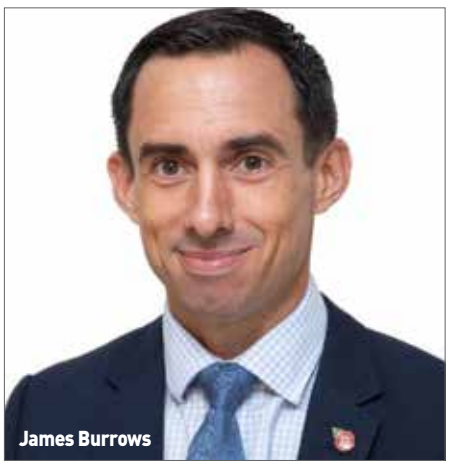
The index also shows that player position influenced injury type and frequency. Defenders suffered the highest number of injuries at 1,422, with midfielders recording the highest injury costs at €165.6m.

TYPES OF INJURY

There were variances between countries, but muscle injuries were top of the list in four out of the five major leagues. Ligue 1 was the only exception, where Covid-19 and hip/thigh injuries ranked higher.

The average cost per muscle injury ranged from €70,000 in Germany to €170,000 in England. The total cost for muscle injuries ranged from €7.47m in France's Ligue 1 to €25.75m in Spain's La Liga.

Hamstring injuries, listed separately in the index, cost EPL clubs even more at €28.05m.


James Burrows

Knee injuries kept players out for longest on average, at 28.68 days in the EPL and 28.65 in Ligue 1.

The index also shows that players in the 26 to 30 age bracket recorded the most injuries at 1,551 and the highest injury costs, totalling €205.7m in salary.

Howden says that injuries peaked earlier during the 2020/2021 season, in October and November, rather than in December and January as in previous years. It says it is possible that this trend can be attributed to a short pre-season and late start to the 2020/2021 season, with the exception of Ligue 1.

James Burrows, divisional director, sport and entertainment at Howden, commented: "This report has quantified for the first time the significant monetary impact that Covid-19 has had on the major football clubs in Europe last season. The pandemic has not only contributed to a 14% rise in injuries across the five major European leagues, costing clubs a total of $473.6m, but it has resulted in injury numbers peaking earlier in the season."

How to implement climate change risk management into the ERM system

◇ IRM

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The Institute of Risk Management (IRM) is launching a very timely practitioners guide on how to integrate climate change risk management into an organisation's enterprise risk management (ERM) framework. *Commercial Risk Europe*'s Adrian Ladbury asked Martin Massey, chair of the IRM Climate Change Special Interest Group (SIG), about the need for such a guide and what it hopes to achieve.

Commercial Risk Europe readers are exclusively invited to access the IRM's new climate change risk management guide by clicking here.

Adrian Ladbury (AL): Why have you carried out this project and why now? What was the overall goal?

Martin Massey (MM): The Climate Change SIG was established in November 2019 with the main aim of developing active thought leadership to share knowledge and best practices.

One of the SIG committee's first projects, given both the complexity and lack of risk management guidance on the subject, was to develop a practitioner's guide to help risk managers and boards integrate climate change risk management into an organisation's existing ERM framework.

Given that the effects of climate change are complex and uncertain, and that the ability to manage the risks including threats and opportunities is now perceived to be crucial to most organisations, the overall goal was to design a climate change framework covering key enablers that require attention to help the development and execution of a climate change risk management strategy in any organisation.

AL: What is the purpose of the practitioner's guide?

MM: Climate change and wider environmental, social and governance issues, known as ESG factors, are rapidly becoming the single most important business driver of the decade.

Although climate change has been an emerging risk for many organisations over recent years, there has been a growing expectation from key stakeholders, including regulators, that risk management frameworks need to address risks from climate change.

The SIG committee therefore felt that, given both the lack of formal risk management guidance together with the growing demand, both from risk professionals and a wider set of stakeholders, the timing of developing a practitioner's guide to provide best practice guidance would be very good.

The committee formed a working group to focus on identifying key enablers that would require the most attention to enable the development and execution of a climate change risk management strategy within an organisation. One of the objectives has therefore been to develop the use of consistent approaches and methodologies from


Martin Massey

"Climate change and wider ESG factors are rapidly becoming the single most important business driver of the decade"

identifying to managing climate risks and how to formalise a basis to integrate the risk within an existing ERM framework.

Each area of focus has been used as a key section within the guide. We started by identifying the key risks and opportunities being driven, or otherwise associated with, the climate change risk landscape. This covers physical, transition and liability risks, which can be found in section one of the guide with supporting framework, such as the development of a risk taxonomy and a risk radar.

One of the exciting developments through the design of the guide has been to support the design of a formal Climate Change Risk Management training course with support from the IRM. This has been developed in conjunction with Imperial College London and The Grantham Institute, Imperial College London's global centre of excellence for research and education on climate change.

The main aim of the course is to enable risk managers to learn more about climate change risks and why they are important for organisations. The course provided both theory and practical real-life examples, with case studies that allows attendees to participate and provide feedback.

AL: Who is it designed to help and how?

MM: For many risk professionals, the topic is complex and can feel rather daunting, as climate change touches the whole organisation and interacts with many existing initiatives and activities, such as ESG goals or sustainability targets.

The guide has therefore been designed primarily to support risk professionals including SIG members across all sectors, not just financial services, to better understand the impact of climate change and build resilient strategies to cope with climate change effects.

Considering companies' net-zero ambitions, the transition to a more sustainable low-carbon economy and growing requirements for a more transparent disclosure on climate, we believe there is great momentum to support companies in taking a more strategic approach on climate change.

Adrian Ladbury (AL): Who within an organisation is actually responsible for identifying, managing and mitigating climate change risk, and who should be?

MM: Taking a proactive approach on ESG and climate change, all risk managers have an important role to play in helping organisations to develop a strategic response, influencing corporate strategy and meeting stakeholder expectations for the transition to a low-carbon economy.

However, given the wide-ranging nature of risks arising from climate change, for most organisations the chief risk officer is often the most appropriate individual to hold overall responsibility for the oversight of this risk. The need for day-to-day ownership and management of the risks is carried out by the relevant individuals in the business.

Regulators have not been content to leave firms to 'get on with it' at their own pace. The Bank of England set out clear expectations in its supervisory statement SS3/19 in 2019 that each firm must appoint a "senior management function" to take lead responsibility for climate change risks. For many financial services organisations, this has been a game-changer in that the responsibility has now shifted to the c-suite, and the responsibility has now been included in the Statement of Responsibilities and Management Responsibility Map for many organisations.

Adrian Ladbury (AL): How do you define climate change risk management?

MM: Climate change risk management as we have outlined should align to the existing ERM framework and wider group business and strategic objectives. The specific goals of climate risk management include:

- Ensuring that there is a robust framework in place to identify and manage climate risks and opportunities
- Ensuring that there is adequate visibility of risk management activities at the board level
- Allowing strategic discussions that support the right risk/reward balance
- Ensuring that ERM integration considerations include policies, thresholds, mitigation strategies, monitoring capabilities and risk appetite metrics and targets.

Adrian Ladbury (AL): Why is it necessary to integrate it into the wider ERM framework?

MM: Stakeholder expectations are shifting and there is a growing requirement to meet regulatory, customer and investor expectations driving the climate agenda.

Stakeholders expect risk management frameworks to address risks from climate change and therefore organisations will need to enhance their frameworks and risk maturity. This extends from identifying and reporting climate change risks to boards, to supporting strategic decision-making.

By identifying and proactively addressing climate risks and opportunities, all enterprises protect and

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Finalists announced

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

EUROPEAN RISK MANAGEMENT AWARDS 2021

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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ZURICH

"We advocate that risk managers integrate climate change risk appetite metrics that can be monitored within their existing ERM risk appetite statement, frameworks and operational processes

create value for their stakeholders, including owners, employees, customers, regulators and society overall.

Part of the rationale is that one of the greatest dangers to any organisation is not recognising a threat until it is too late.

It is no longer acceptable that an organisation finds itself in a position whereby unexpected events that could have been anticipated cause financial loss, disruption to normal operations, damage to reputation, loss of market presence, or cause loss of human life.

In July 2020, Sam Woods, the deputy governor for prudential regulation and CEO of the UK Prudential Regulation Authority, wrote to all CEOs of financial institutions.

His letter stated: "Climate change represents a material financial risk to regulated firms and the financial system. Whilst the Covid-19 pandemic is a present risk and an understandable priority for firms, minimising the future risks from climate change also requires action now. We continue to work on understanding and mitigating these risks."

The letter, although directed at financial services organisations, is a good reference for risk managers from all industries on providing guidance.

One of the key comments under the heading "risk management" is that risk leaders should seek to consider the far-reaching breadth and magnitude that climate change represents, distinguishing between financial and non-financial risk management, corporate responsibility, particularly in respect to reputational risk, customer behaviour and legal risk.

Adrian Ladbury (AL): How can the identification and reporting of climate change risks help strategic decision making at board level?

MM: There are a number of practical ways in which the identification and reporting of climate change risks to boards can support strategic decision-making. Integration can provide a number of benefits including an improved risk appetite framework and risk mitigation strategies across most areas of an organisation's risk profile.

The integration of emerging risk information with the design of climate scenario analysis is probably the most effective mechanism that risk managers can use to support improved risk appetite and risk mitigation strategies that in turn leads to improved decision-making.

In section three of the guide we explore how organisations can assess the materiality of the risks and opportunities they have identified through the use of scenario analysis.

It is important to remember that the overall purpose of scenario analysis is to explore several plausible and 'best-available' 'what-if' scenarios, rather than to precisely forecast the future.

Assessing climate change-related risks based on forward-looking information and scenarios is a central component of the TCFD and regulatory recommendations.

It is arguably the most challenging, but also the most important element given the complexity of design decisions, such as alternative time horizons and climate pathways.

Organisations should start by describing climate-related risk scenarios to which they are exposed, how they are expected to manifest, and, if the scenario occurs, the mechanism/path by which the firm, its external environment and/or its stakeholders would be impacted. Consideration should also be given to the existing internal control environment and the types of remediation that may be required.

Adrian Ladbury (AL): How can your report help determine climate change risk appetite and risk mitigation actions?

MM: The importance of defining the company's risk appetite is recognised as the foundation of a robust ERM framework. The first part of the guide that is being published does not cover the risk appetite considerations that we are currently researching for part B of the guide that we plan to publish in 2022.

Integration into the risk appetite framework and supporting metrics will be of particular importance, which in turn will support risk mitigation actions and decision making. For example, metrics that include the science-based targets to reduce emissions: "If you can't measure it, you can't manage it."

We advocate that risk managers integrate climate change risk appetite metrics that can be monitored within their existing ERM risk appetite statement, frameworks and operational processes.

It is important to design both risk preferences for climate change, such as qualitative statements that guide the company in the selection of risks the company seeks versus those it wishes to minimise or avoid, as well as risk tolerances/limits and quantitative risk appetite statements that guide the company in the selection of risks.

These statements may typically specify maximum acceptable losses or exposure. They will help the company translate the qualitative risk preferences into action by constraining the company's exposures to risks.

Adrian Ladbury (AL): You say that you have assumed that organisations already have a robust ERM structure in place to which the climate change risk management approach can be added. Is this really the case, particularly outside of the financial services sector?

MM: Most organisations, in my opinion, do have in place risk functions and robust corporate governance and risk frameworks, which have significantly improved since the financial crisis because of increased requirements from external stakeholders such as investors and regulators.

This has also coincided with more robust ERM frameworks that may organisations have adopted to manage risks, in particular ISO 31000 (2018) and COSO ERM (2017).

Although the guide assumes that organisations have some form of formal ERM framework in place, the best-practice tools and techniques outlined in the guide for managing climate change risks are quite generic in nature and can be applied to manage other strategic risks in general.

Adrian Ladbury (AL): Can this project actually help spur more action on the development of wider ERM structures?

MM: We believe that the guide should help risk professionals use more cutting-edge tools and techniques for managing risks that we include in the guide.

We discuss, for example, a number of approaches, such as having a formal emerging risk management framework, for risks that are generally not well documented or used within existing ERM frameworks by many organisations.

The guide also outlines the use of specific risk management tools such as horizon scanning and stress- and scenario-testing frameworks that we consider to be very important for managing climate change risks.

Risk managers tend to focus on managing the downside of risks. While this is still important, in particular for physical and liability-related risks, for climate change it is very important to also consider associated opportunities, in particular for transition risks impacting the organisation.

Adrian Ladbury (AL): What are the next steps? What kind of value-added tools can you develop to help IRM members and their boards in future?

MM: The guide that we are publishing is part A, in which we have finalised sections one to four of the seven sections we have identified as key enablers. The SIG has set up a working group that is now writing part B of the guide, covering the three remaining sections, namely best-practice climate governance; implementation of risk mitigation and resilience plans, and how to operationalise risk appetite and set monitoring metrics and targets for managing climate change.

AL: How can non-members of the IRM gain access to this important work – is it more widely available?

MM: The SIG committee and our activities are primarily focused on supporting the needs of our SIG members and the wider IRM community. We have for example designed a bi-monthly newsletter that is posted on our webpage that we do share on Linkedin to attract new members. The newsletter provides updates on our ongoing activities and centralises articles and publications, including our own work covering the latest developments in science, risk management and regulatory changes surrounding climate change given the speed of change. The IRM climate training course is open to non-members and, as discussed earlier, the course is based on the practitioners guide.

As Airmic prepared for its conference in Brighton this week, we spoke with its new chair **Claire Combes** about some of the biggest issues facing the association's members as they emerge from the pandemic

Risk managers encouraged to spread the risk gospel further into organisations

Collaboration key to new risk solutions

◇ ASSOCIATIONS

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Claire Combes is director of risk and assurance at easyJet

Airmic's new chair Claire Combes believes risk managers will increasingly need to drive risk management skills further into their organisations to achieve success, and collaborate with a variety of stakeholders to develop solutions for complex risks.

Speaking with CRE ahead of the risk and insurance management association's annual conference, Mrs Combes said the past 18 months has been tough for UK businesses and their risk managers. "Risks are changing, and they are changing much faster than they were before. Risk management is now all about agility," she said.

While the worst of the pandemic appears to have passed, UK businesses face a number of challenges going forward, including heightened people risks and supply chain disruption, according to Mrs Combes. Even before Covid-19, risk manager surveys consistently identified business interruption, cyber, supply chains and reputation as top risk issues. Now, Covid-19 and Brexit are causing labour shortages and further disruption, noted Mrs Combes.

"One risk that has risen to the top, however, is employee health and wellbeing, and mental health in particular. This has risen in importance in every business that I speak with, and it is an issue that is here to stay, and that is likely to grow in relevance," said Mrs Combes, who is also director of risk and assurance at European airline and travel company easyJet.

Recent supply-side disruption to goods and services, in part due to surges in demand following the end of Covid-19 lockdowns and a squeeze on labour, has also raised awareness of supply chain risk for UK companies, explained Mrs Combes. While business interruption has been an issue for a number of years, there is growing awareness of the complexity and interconnectivity of supply chains, and how disruption can impact customers and reputation, she said.

RISK FOCUS

However, the increased awareness of risk and risk management in the current environment is an opportunity for the risk profession, according to Mrs Combes. The pandemic has made companies and their boards far more focused on risk than before, while the interconnectivity of risk is now much better understood by boards and stakeholders, she said.

There is also growing recognition that everyone within an organisation has a role to play in managing risk, continued Mrs Combes. "The pandemic has shown that we are all in the business of risk management. At an individual level there is now much more awareness of risk and how it can be managed than in the past. Everybody is a risk manager now," she said.

> **"The pandemic has shown that** we are all in the business of risk management. At an individual level there is now much more awareness of risk and how it can be managed than in the past. Everybody is a risk manager now"

There is growing recognition of the need to embed risk management throughout an organisation, but non-risk professionals will need skills and support, said Mrs Combes.

She believes this is an opportunity for Airmic to further broaden its membership beyond risk and insurance professionals, and provide some of its services to a wider audience. "It boils down to growing the membership and increasing diversity, to help a wider range of people in organisations get the skills they need to manage risk," she said.

"In companies that I have worked in, we have increased the number of people that are members of Airmic. It is not just risk managers – colleagues

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in legal, finance, HR, IT, security and communications can all benefit from learning about how to manage risk," Mrs Combes added.

Airmic's fastTrack programme, for example, provides a learning environment for those new to risk management. There is also a variety of Airmic webinars and special interest groups that can help people throughout an organisation understand the principles of risk management or specific risk issues, Mrs Combes explained. Non-risk professionals could benefit from the work carried out by Airmic's special interest groups (SIGs), such as the recent ethics SIG, she added.

"There is a recognition that risk needs to be embedded within the organisation. It is about understanding what risk management is and that there are skills that can help manage risk. The more educated and informed people are about risk, the better. But people will need the right skills, which could be as simple as a basic understanding of risk and insurance," said Mrs Combes.

As organisations develop their risk culture, the risk management function will need to provide support to those in the business, in much the same way as HR departments help line managers manage people risks, said Mrs Combes. "Risk management is not sitting in an ivory tower pushing paper about. It's about communication and helping people think about risk. It's about the different scenarios that could happen, and what controls could be put in place," she said.

PARTNERSHIPS

Mrs Combes' other passion is the role Airmic and its members can play to boost collaboration on risk issues and develop solutions. Airmic is looking for ways to connect its members and facilitate discussion with insurers, brokers, insurtechs and risk management service providers. "Airmic members can approach partners with their problems and explore solutions in collaboration," said Mrs Combes.

"Risk management is not sitting in an ivory tower pushing paper about. It's about communication and helping people think about risk. It's about the different scenarios that could happen, and what controls could be put in place"

Airmic has developed the Airmic marketplace to connect members with service providers. In addition, the association can create opportunities to promote cross-partner networking, said its new chair.

"The insurance market is doing a brilliant job of covering a large number of risks, but there are still areas the profession needs to get to grips with. For me, it is about the liaison between risk managers and insurers. It's about talking about the risks and whether insurance is an appropriate way to address these risks," she said.

The Airmic chair acknowledges the efforts of insurers to innovate, but believes the market could do much more to share its data and risk insights. "Insurers are in a unique position to help companies manage and prevent risks. The insurance market holds a lot of data on risks that we, as individual companies, do not see. Insurers have an important role to play in feeding information on trends back to risk managers so that they can better understand the risks and proactively manage them. There is definitely a bigger role they can play in risk data," she said.

While insurers do provide some risk management advice, Mrs Combes believes they should invest in more data analytics and services that can help clients understand, manage and, ultimately, transfer their risks. "There needs to be more of a partnership approach to the value insurers can bring with their insights. It's fine to say that you cannot transfer a certain risk in the traditional way, but we can sit down and look at alternative solutions," she said.

GETTING TOGETHER

Due to Covid-19 restrictions, most risk managers have not been able to network with each other and their partners in the insurance industry. This lack of physical networking is a real hinderance to innovation and problem solving, according to Mrs Combes. While last year's virtual Airmic conference was a success, it was no substitute for networking provided by its physical annual conference, she said.

"We are all so excited about the conference and finally meeting up with our colleagues and partner organisations. Risk managers have missed the opportunity to network and share their ideas, and the ability to discuss their problems and develop solutions," said Mrs Combes.

"We will have more hybrid events going forward – which can increase a broader participation – but we still recognise the benefit of face-to-face conversations. You can't replace physical networking in terms of value," she concluded.

Airmic members will meet again in Brighton this week after a year's absence due to Covid-19

Spotlight falls on UK risk managers to boost resilience amid supply chain crisis

Remote working has hindered renewals

◇ UK MARKET

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The current crunch in global supply chains and disruption to multiple UK sectors and their customers could ultimately make businesses more resilient, according to Marsh's chief client officer, UK and Ireland, Ailsa King. Speaking to CRE ahead of the Airmic conference, Ms King said risk managers have taken on higher-profile roles since the pandemic and the current supply chain squeeze has kept up that momentum.

"Risk managers have the opportunity like never before to join the dots between risk and mitigation. Risk managers have grabbed hold of the challenge and are making the most of the opportunities," Ms King said.

By headlining UK newspapers, supply chain disruption and risk have made their way into common parlance and pushed the role of risk management to centre stage. "Risk managers are in the limelight like never before," Ms King said. With so much attention, risk management has risen to become top of any c-suite agenda, she added.

The pandemic, and now the impact of global supply chain challenges, will redouble efforts to build more resilient operations. Ms King said UK businesses are already taking more control over elements of their business models exposed to supply chain disruption. A Marsh client heavily reliant on HGV drivers recently invested in a new logistics model, in direct response to the current crisis. "In the short term this will alleviate issues with driver shortages, but in the longer term they're building a more resilient business," Ms King said.

More executives and senior management are joining the risk discussion. Ms King said every week she is seeing more c-suite colleagues taking part in these conversations with brokers and underwriters.

RENEWALS

As Airmic gathers for its first in-person conference since the pandemic, Ms King said the risk industry has suffered during remote negotiations around renewals. These remote discussions have been made even more challenging in the current climate of rate increases, tighter terms and closer scrutiny of contract certainty, she added.

Ailsa King says progress on gender diversity has to be replicated with the same fervour on race and social inequality

UK buyers have found underwriting "a source of frustration" during the past 18 months, Ms King said, with "the wheels turning more slowly in places, in the absence of face-to-face meetings".

She has seen different outcomes for buyers and underwriters who meet via remotely-held negotiations and presentations. Underwriters who sit around the table with clients gather more detail about the risk, Ms King said. "Online presentations lose something from the communication style and sharing of information, and the story behind the data points," she said.

Meanwhile, the fallout from Covid-19 business interruption policies and tighter underwriting has led to greater scrutiny of risks and the way they are managed, but Ms King said greater contract certainty has not necessarily followed suit. "Contract certainty has actually deteriorated in some places," she said. Marsh is working with carriers to "get ahead" of certificate issuance and policy terms and conditions before the renewal date, to give clients a clearer picture of their coverage.

But brokers and insurers are driving forward innovation to help close gaps in client needs, Ms King continued. She said "interesting developments" are afoot in mitigating client reputational risk and more solutions are underway to address digital business risk. "We're certainly seeing innovation from some insurers… parametrics are much more varied in design," Ms King said.

> **"Risk managers have the** opportunity like never before to join the dots between risk and mitigation"

Alongside this, insurers are being driven forward by competition within their own sector. Ms King said the UK is still an attractive insurance hub for international buyers, but innovation will be a defining factor. "Continued innovation – in order to stay relevant to clients as they adapt to a new world of risks – is essential if London wishes to retain its crown in the longer term," Ms King said.

D&I CHALLENGE

Supporting a more diverse and inclusive workforce is also an opportunity for the insurance industry to be more relevant and dynamic. Ms King, a board member for Women in Insurance's ISC Group and an advocate for neurodiversity, said progress on gender diversity has to be replicated with the same fervour on race and social inequality.

For the insurance market, attracting a younger workforce will serve to both help the industry stay relevant and also provide opportunities for young people disproportionately affected by the pandemic.

"We need to redouble our efforts and focus on attracting more young people into the insurance industry," Ms King said. She explained that Marsh expanded its graduate programme this year to take on 65 graduates, from 50 last year.

"Key to our industry's future success is attracting more young people into our ranks, if we are to keep gaining ground and create meaningful, long-term change," Ms King said.

Learning lessons for the risks ahead

Signs that insurance market is finding some balance

As Airmic gets its first physical conference underway for the first time in two years, **Liz Booth** asked **Julia Graham**, the association's CEO, to respond to our Risk Frontiers Europe 2021 survey questions...


Julia Graham

The key lesson from the pandemic is not to forget about the pandemic, Julia Graham, CEO of UK risk association Airmic, told *Commercial Risk Europe*. Talking as part of the Risk Frontiers Europe 2021 survey, Ms Graham said there is a real danger of risk managers thinking they can take pandemics off the risk list for the immediate future.

"Don't fall into the trap of underestimating the need to understand the impact of a future event on your business," she said. "Pandemics were listed in the World Economic Forum risk report every year but were down the list because they were assessed as low-probability events."

But that does not mean they can't happen, or happen again very quickly, stressed Ms Graham. Many organisations had pandemic crisis and response plans in place but what caught most by surprise was the speed at which the disease advanced and the global scale of its reach, she added. "Woe betide you if you take it off the radar," she warned.

RESIDUAL EFFECTS

Airmic's CEO is also concerned that organisations are moving forward without fully considering the residual effects of Covid-19. "It is the tip of the iceberg, for example in terms of muscular-skeletal and mental health issues," she said.

"When we were all working from home and saw this as temporary, however long temporary became, it was possible to operate in unusual ways. But if working from home is to become a permanent feature, then the message has to be 'do not skimp' on all the usual office working risk assessments," she advised her members.

If someone is working from home for even one day a week, companies must carry out risk assessments in the office and at home, said Ms Graham. They must ensure they do fresh assessments for anyone who has moved location or finds their working environment has changed, she added.

"I remember years ago, the then head of risk for a well-known airline telling me that their spend on employee benefits way exceeded the cost of insuring their aircraft. This, coupled with the improved richness of data achieved by managing people risks and people risk-related insurances collaboratively, was an enduring lesson to me about how important these risks and covers can be as part of the risk and insurance mix of an organisation," said Ms Graham.

> **"Financial skills and** technical skills are a given in my book. It is the power of communication that sets you apart and that will be needed more than ever before in the future"

It is therefore time to make sure the risk function is more fully connected with HR. "It is too easy to believe that they know more about the subject and can take care of it. But you are the one typically buying the personal accident and employers' liability insurance. These risks and insurance covers are entwined with employee benefits, long-term disability and group life assurance, for example. You need to be working in partnership," said Airmic's CEO.

HARSH MARKET

Talking of insurance, Ms Graham, said that collectively, risk managers and their organisations are still facing growing challenges in the "harsh market", including insurance rate increase. But Ms Graham said there are some signs things are "easing back a little – for some".

She is also seeing real efforts from insurers and brokers to try and rebuild some of the bridges burned during the past tough few years.

However, that does not necessarily mean everything is back to being sweetness and light. Some prices are still on the rise, terms and conditions are frequently still tougher, and there is an exodus from certain lines of business, notably cyber, explained Ms Graham.

But some of the pressure may have eased on D&O cover, and in elements of other polies covering risks such as disease and pandemics, she added. But this is an easing not a reversal, she made clear.

Wordings too have come under scrutiny in the UK market but there are signs of some good work being done, which may well outlast the current hard market. There has been some standardisation and a more collaborative approach, which means the wordings are more likely to last well into the future, said Ms Graham.

"One of the problems was that many wordings had simply slowly evolved in time and become not necessarily fit for purpose as a result. A rethink on some wordings can probably make for greater relevance and longevity," she said.

Certain areas of business, however, remain as tough as ever. Some professional indemnity lines are difficult, with risk managers struggling to find enough capacity in the market.

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"Many fire surveyors, for example, have found it difficult, especially since the Grenfell tower fire. And solicitors have also experienced some issues. If you want £500m capacity or more, you may not find this in London and you may be forced to look to Bermuda, the US or elsewhere," said Ms Graham.

Adding: "We have been hearing of inner deductibles within the layers of cover – buyers need to be wary and ensure that when they run claims scenarios, issues like this are taken into consideration."

And despite moves from risk transfer partners toward reconciliation, the reality is that underwriting appetite for certain risks has changed or disappeared. This means that no matter how good your company is, cover can remain a challenge.

Whether this will last much longer, however, is another big question. Ms Graham said there are a lot of new players with new models, new ideas and interesting uses of technology. All of which could change the insurance landscape in the coming months and years.

She would definitely like to see more recognition of well-managed risks. "Of course, insurers want to take on the best risks. If you are not offering your risk in its best possible light, then you cannot be surprised if you struggle to find cover," she said.

"Having your CEO or CFO in the room and taking a leading role in your presentations to the market goes a long way towards demonstrating that risk management is in the culture and at the heart of your business," she added.

Ms Graham believes that risk managers are also keen to rebuild some of the damaged relationships with insurers and brokers. "Certainly, Airmic members are working very hard to improve the quality of their relationship with both carriers and brokers, and I do think the tripartite relationship is on the turn for the better," she said.

"Through the lens of the carrier, I'm pleased to see greater engagement with claims teams – but I urge these high-calibre professionals to be included at the cover and wording design stage, not just as the claims stage," she added.

TOP RISKS

We also ask Risk Frontier Europe participants about what they see as the big risks in the year ahead. Ms Graham first pointed out that the top five risks in Airmic's latest member survey remain relatively unchanged from 2020.

> **"If you are not offering** your risk in its best possible light, then you cannot be surprised if you struggle to find cover"

"Pandemic was at the top of the list last year but has fallen back to number six or seven and we are now back to the usual suspects. I don't find this a surprise – we tend to focus on the immediate. What is interesting is the underlying concerns – and one of those is compliance. People are worried by the fact that they are facing more reporting. Compliance is part of the fabric of the risk environment," she explained.

She added that the pandemic has masked some of the expected impacts of Brexit, but only time will tell whether worse is still to come. As an aside, Ms Graham added that Airmic remains a "committed member association of Ferma".

She said that all risk managers should be watching closely to see what the government does next in a clear example of the connectivity of risks.

And then there is the issue of insurance, traditionally a risk control, becoming a risk in itself.

"Let's not overlook that for the first time, and previously in the domain of controls, the unavailability of insurance at a price and for cover companies are willing to buy, is now entering many risk registers," said Ms Graham.

Finally, she moved onto rising ESG facing Airmic members.

"Of course, we cannot talk about risk without reflecting on ESG. Climate change is holding our attention and as we head towards COP26 in Glasgow, the world is watching – have we done too little, too late?" A chilling report published by Chatham House in September should be essential reading for us all, she suggested.

Ms Graham believes that the insurance industry and its stakeholders have a key role to play in the battle against climate change and transition to net zero.

"We can and must help to make a difference. We can still, for the majority of risks, choose who we wish to deal with and evidence of environmental commitment will be on the insurer and broker due diligence checklist," said Airmic's CEO.

RISK MANAGERS

She also believes the risk profession has come out of the pandemic well. "Risk managers have stepped up and helped their organisations. They have shown their skills and their knowledge turned out to be very useful to organisations strategically. Risk managers will increasingly have the ear of their leadership," she said.

In our fast-moving, complex and connected world, risk managers have a chance to show that they can talk the language of business and not just of risk.

"You can't argue with people's perceptions, but you can influence them and converse in a language business understands," said Ms Graham.

Increasing knowledge and skills needed for the future is also vital for risk professionals. This starts with understanding their organisation's DNA to learn where they can add the greatest value, said Ms Graham.

"The risk profession needs to be future-fit," she said. "Future risks will be based on the current context and insight into the future. This doesn't mean that the past and history is redundant, but it does impose the need to couple what you know with an understanding of what might be next," she added.

Perhaps most importantly, risk managers need fabulous communication skills, she continued. "Financial skills and technical skills are a given in my book. It is the power of communication that sets you apart and that will be needed more than ever before in the future," she said.

Ultimately, Airmic's CEO is optimistic that risk managers are prepared to take their place at the centre of business and believes the pandemic has shown just how important they are, and will be, to any organisation.

The insurance industry and its stakeholders have a key role to play in the battle against climate change

Unprecedented times call for unprecedented professionalism

◇ HDI GLOBAL SPONSORS

The twin challenges of Covid-19 and Brexit have seen many British risk managers in uncharted waters, but the risk profession has stood up and thrived in the new environment, **Claire McDonald**, UK and Ireland managing director for HDI Global, tells **Liz Booth**

A lack of lorry drivers has led to fuel shortages and subsequent panic buying

Speaking as part of the Risk Frontiers Europe 2021 survey, Claire McDonald, UK and Ireland managing director at HDI Global, said that like many other insurers, her firm has been seeking additional rate strengthening at renewals this year. But Ms McDonald explained that property rate increases, for example, "have in the main been in the teens and not the 20% to 30%-plus that we saw last year".

Terms, conditions and wordings have tightened too. Ms McDonald believes this will have an important impact going forward.

"Wordings are often hard to sort out during a soft market and this current market cycle has given the industry the opportunity to review wordings and make adjustments, working with customers to ensure the right solutions emerge," said the insurer.

"And when the market changes once more, it is likely that those wordings will remain in place for a longer period. It has given us the chance to develop yet more technical underwriting and that can only be good news for both insurer and insured," she added.

It won't surprise anyone to learn that infectious disease wordings were among those changed this year. Ms McDonald stressed that insurers are unlikely to have treaty protection in the current climate for this risk, and have little choice but to withdraw or minimise that aspect of coverage.

"Looking at the wordings has also given us a good opportunity to ask what the client actually wants covered and whether the existing wordings deliver that. Or do the wordings actually leave us exposed to things that we or the clients didn't intend to cover?" said Ms McDonald.


Claire McDonald

"The combination of Covid-19 and Brexit has certainly created an unprecedented time and probably the biggest challenge since World War II"

Proper checks on wordings are therefore good for both client and insurer, she argued.

Ms McDonald also believes the hard market has provided the opportunity for greater dialogue with brokers and clients, cementing the tripartite relationship. That relationship will be critical in the years ahead, she suggested.

LONG-TERM RISKS

On a less positive note, the insurer worries about the long-term risks of climate change and sustainability, but also shorter-term exposures from the continuing Covid-19 pandemic and current supply chain issues in the UK.

She questions the extent to which property cover will be sustainable if climate change irreversibly changes weather patterns and increases the frequency of extreme weather events.

Ms McDonald said there is a set of questions that insureds and insurers need to explore together if the insurance market is to remain relevant and sustainable.

Questions such as: How can businesses make themselves sustainable and are they really addressing the issue? How do you manage the new risks that will emerge as companies move towards the zero-carbon economy? How will it change what they do, where they do it and when will those changes come?

"For example, if you consider modular construction. For many it is seen as a green alternative and it can reduce some of the engineering risks on sites. But does it alter the fire risk when operational compared to historical construction methods?" asked Ms McDonald.

BREXIT WOUNDS

The other elephant in the room remains Brexit, she continued. "Much of the impact of Brexit was masked by Covid-19, but as we emerge from the pandemic, we have to consider how our risks will change," she said.

Tied to that are supply chain issues facing the UK right now, from a lack of CO^2 to process food, to a shortage of lorry drivers. While the lack of lorry drivers might cause supply chain issues, lorry drivers out on motorways that haven't been fully trained could cause more accidents and become a new risk in its own right.

There are also questions around social cohesion and whether people will start panic buying again, causing greater problems in turn.

"It is a really volatile time right now and it calls for strong governance. The combination of Covid-19 and Brexit has certainly created an unprecedented time and probably the biggest challenge since World War II. We are all having to learn on the job and adapt to whatever comes next. It is the same for risk managers," said Ms McDonald.

But she believes risk management has risen up the agenda as a result of the environment we are living in.

"I think a good risk manager is able to clearly differentiate their organisation from their peers commercially. The past year has given risk managers the opportunity to demonstrate that skill. The good news for us is that we have been able to develop our relationships with these excellent risk professionals through that process," concluded the insurer.

SPONSORS

Challenges ahead as UK emerges from pandemic

◇ BROKERSLINK

David Horne, head of international, Bridge Insurance Brokers, a Brokerslink partner in the UK, discusses the current state of the insurance market with **Liz Booth**


David Horne

Q: ARE INSURANCE RATES CONTINUING TO HARDEN THIS YEAR?

A: Rates in the UK market are continuing to harden in 2021. Capacity is in short supply and we are seeing many more risks being scheduled between three and four different insurers. The risk appetite of mainstream insurers also continues to become more restrictive.

Terms and conditions are also becoming ever more restrictive. Concessions granted by insurers during the height of the pandemic – for example, extended cover for unoccupied premises during lockdown – have, in the main, now come to an end. For high-risk exposures, insurers are insisting on onerous risk protection conditions.

Q: CAN YOU LIST THE LINES MOST AFFECTED?

A: Property/business interruption insurance is one area where we are seeing significant impact, particularly for more challenging risks. These include food manufacturing and storage, multi-tenure locations and buildings containing combustible panels. This impacts businesses, including facilities such as food factories and cold stores, along with property owners of high-rise buildings with external cladding, such as those seen in the Grenfell Tower fire.

The second very prominent area is financial lines. This includes D&O liability where we are seeing both increased pricing and also restrictions on coverage, such as insolvency exclusions for businesses perceived to be at risk from pandemic-related exposures, and also around cyber and professional indemnity (PI).

The capacity shortage is acute for PI risks, especially those involved with architects and building surveyors, fire safety consultants, design-and-build contractors. Premiums in these sectors have continued to spiral and limits available are much lower than in previous years. 'Any one claim' solutions are often being replaced with 'aggregate' limits.

These factors, and the associated claims activity, are also driving requests for much more detailed risk information in these classes of insurance. For example, as the cyber market continues to evolve, insurers are placing more emphasis on protections incorporated into companies' IT infrastructure, software and security procedures.

Q: ARE CLAIMS GETTING MORE DIFFICULT TO SETTLE THIS YEAR?

A: In general, our experience is that insurers are settling claims within the service levels that we would expect, but are operating more strictly in line with the coverage provided by the policy wording. There is little room for negotiation or flexibility. It is essential therefore that the policy is arranged on the correct basis, with adequate levels of sums insured and indemnity limits.

One particularly difficult issue has been advising clients on potential Covid-19 business interruption claims and ensuring that they have the opportunity to log a claim if they wish. As has been well documented, insurers did not anticipate these risks when underwriting and drafting policy wordings, so it has been important to review and update clients on the position as legal test cases have progressed in the UK.

Q: ARE YOU SEEING MORE CLIENTS LOOKING AT ALTERNATIVES TO TRADITIONAL INSURANCE?

A: Relatively few clients are of a size to justify involvement with captive insurance companies. However, the step increases in premiums have led a number of clients to decide on self-insuring certain risks, while others have sought to take on more exposure through increasing deductibles. Clients with properties in high flood-risk areas are also having to consider innovative solutions to obtain any coverage.

Q: HAS THE RELATIONSHIP BETWEEN INSURED, BROKER AND INSURER CHANGED?

A: The issues arising from Covid-19, including the focus on policy wordings, and the new challenges presented by working from home and furloughed employees, have increased focus on the importance of having a reliable and knowledgeable insurance broker.

Strong relationships between the broker and their insurer partners are vital to achieve optimal results for our client base. Insurer service levels have often dipped during the working-from-home period, and brokers have had to step up and fill that vacuum.

We are in favour of tripartite relationships with closer insurer/broker/client interaction and believe this is preferential for all parties to ensure high-quality coverage at optimal rates, with an insurer that is well informed about client operations and risk exposures.

Q: WHAT DO YOU SEE AS THE KEY RISKS FOR INSURANCE BUYERS IN 2021?

A: The role of risk management and the risk manager is critical to ensure clients mitigate their exposures, and that insurers have full knowledge of clients' exposures. Covid-19 has greatly limited site visits, even as this function becomes ever more critical because of capacity problems in the hardening market. Those risks that stand out as above average and more attractive to insurers will secure the capacity they need, and the broker remains crucial in ensuring that the risk is presented coherently.

If anything, the pandemic has evidenced to customers that insurance isn't the comfort blanket for all eventualities and that they need to mitigate risk as much as possible. Business continuity planning and the use of risk managers to help formulate solutions will become even more critical. Capacity continues to be the biggest risk of 2021, followed by claims inflation and underinsurance caused by the spike in building repair and labour costs. In particular, we anticipate that Lloyd's of London will likely take action against those books deemed to be underperforming, and that this will likely have a knock-on effect in the market.

Q: HOW DO YOU THINK RISK MANAGEMENT AND RISK MANAGERS FARED IN THE PANDEMIC?

A: It is certainly true to say that the traditional role of the insurance purchaser has developed and they now have a wider appreciation of the importance of effective risk management in their businesses.

On the matter of how Covid-19 has changed organisations, it is fair to say that we view this as a still-developing scenario. Clients over the past 18 months have faced and been impacted by many unforeseen challenges, ranging from enforced closure of their operations or those of their clients or customers, to reduced income, additional costs to make their businesses Covid-19 safe and the yet-to-be-quantified impact of staff working from home.

Q: WHAT ARE THE BIG RISKS FROM THE PANDEMIC THAT MIGHT MATERIALISE IN 2021/2022?

A: Current major supply chain issues are affecting business across the UK and will inevitably require our clients to factor in increased building costs and longer timescales to complete projects. Lead times for the replacement of stock, key plant items, components etc, continue to increase, exacerbated by a global shortage in packaging and shipping containers. It will be critical that business interruption exposures, and associated maximum indemnity periods, are considered in this context.

Many businesses have also been placed under significant stress by the Covid-19 pandemic and the ongoing uncertainty that continues to flow from it. For those business that also operate on a multinational basis, this impact, added to the upheaval and additional logistical difficulties created by the UK's departure from the European Union, mean that this has been an unprecedented period of volatility. One key issue in this area is the availability and cost of labour, which is likely to put further pressure on businesses going forward.

While the majority of Swiss risk managers interviewed for our Risk Frontiers Europe 2021 survey share the pain felt by colleagues across the continent when it comes to renewals, some are managing to find sufficient cover without massive price hikes, as **Liz Booth** reports

Switzerland

◇ RISK FRONTIERS EUROPE: **SWITZERLAND**

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Bright spots in a gloomy renewal picture

Many risk managers in Switzerland are enduring the same hard market as colleagues across Europe, but the picture is by no means even. Speaking to *Commercial Risk Europe* as part of the Risk Frontier Europe 2021 survey, several of the risk managers said rates continue to rise, while terms and conditions toughen and deductibles increase. Capacity is another challenge as buyers struggle to find the right amount of cover from the international markets.

However, the pattern is not uniform. Evelyn Lämmli, head of corporate risk and insurance management at Rieter Group, was one who has experienced reasonable rate increases compared to general market conditions. She explained that this was the result of good loss ratios, good geographical locations and very well implemented risk management processes, with regular internal risk control audits.

MULTI-DIGIT INCREASES

Generally, the group of risk managers acknowledged that they had enjoyed 15 years of soft markets and that it was inevitable prices would rise at some point. But most are experiencing multi-digit percentage increases again this year – in some cases four years after rates started to rise.


Evelyn Lämmli

Patrick Thomazeau, senior manager of risk and insurance in Europe and Latin America at Mondelēz International, was among those who reported continuing price increases with little sign of the market levelling off, let alone falling back. He has heard talk of increases up to 60% in some lines. Finding two- or three-year agreements is another challenge this year, and a major change from the softer market when such deals were readily available, he said.

"Now everything is going up, except capacity," said the insurance buyer. "The insurers are very reluctant to give big layers. If we have to place €100m or €200m of cover, we will need to find many more insurers willing to become involved. And to get those risks placed, insurers are asking many more questions than before."

Luckily for Mr Thomazeau, his company already had a captive in place. The only option now is to increase risk retention and carry more risk in-house, he said. Mondelēz International is using its captive to take on much more of that risk.

"We have considered our appetite for risk and decided to put more risk into the captive. We have found sufficient coverage but we have found that overall we have needed to include more insurers in our panel to get the job done," Mr Thomazeau explained.

MAJOR CHALLENGES

Steffen Bergholz, managing director at Nacora International Insurance Brokers Group, said it has simply not been possible to find coverage for some global risks. "Even in the reinsurance market, we have seen major challenges, with insurers simply walking away for strategic reasons," he said.

Mr Bergholz said mergers and acquisitions within the insurance market during the past few years mean fewer choices for risk managers, adding to the challenge of finding large capacities or insurers with the required global presence. "The choice among global insurance programme carriers is getting less and less," he said.

With many high-value transport and marine risks to cover, Mr Bergholz said exclusions have become more numerous. The Communicable Disease Exclusion LMA5397 and the Cyber Endorsement LMA5403 have become new standards as insurers try to avoid systemic risk, he explained.

"We are far more concerned about where this journey goes – it is not only pricing but also the risk appetite. It is currently a challenge to work with insurers and to get them to understand the core of our business, in order to design specific solutions for emerging risks across various insurance lines," said Mr Bergholz.

Pascal Carrer, head of corporate risk and insurance management at HOERBIGER Holding AG, agreed it can be a challenge to persuade insurers to look at individual organisations, consider their structure and provide sufficient cover at a reasonable rate.

He pointed to one insurer that provided €100m of cover in 2020 but has cut that back to just €25m this year for the same risk. Mr Carrer reported that deductibles and wordings have remained much the same for his firm, but he has had to answer many more questions about the programme and the whole process has become longer.

"The work for us is increasing; we need much more of a risk dialogue and it is varied. For example, on liabilities we can find cover, but not if we want specialist support in key areas and cyber," said Mr Carrer.

RENEWALS

Another real challenge, the Swiss risk managers agreed, is getting quotes when they want them, early in the renewal process.

Mr Carrer explained that HOERBIGER Holding uses a US-based insurer, which simply will not provide quotes until just a few weeks before inception. This, he said, is a real challenge because it does not give him enough time to find an alternative if capacity is withdrawn or provided on unacceptable terms and conditions.

"They do not provide their quotes until November, but I have to finalise my plans in September to present to the board in October. It is a new challenge. They keep everything back until very close to the renewals and we don't have the option of renegotiating," he added.

This trend was echoed by other members of the group, who agreed this is particularly tough in an environment where prices are rising, capacity is shrinking and terms are deteriorating.

And even though Ms Lämmli reported a better experience than some others, she said things aren't entirely plain sailing. For example, Rieter Group has seen wordings change for pandemic risks.

Ms Lämmli's colleague Michael Otto Schier, risk and insurance manager at Rieter Group, said the firm has also had to introduce more insurers onto its panel to secure the full cover needed, and replace a couple of carriers that were less flexible this year.

Overall, however, the pair from Rieter Group reported that they are happy with their renewals – a bright spot in any otherwise more gloomy market for the Switzerland-based risk managers.

Practical implications of the hard market

From captives to claims, the hard market has affected the day-to-day operations of many insurance programmes, a group of Swiss risk managers told *Commercial Risk Europe*

Lockdown in Zurich, Switzerland: Covid-19 impacted insurers and their clients in many ways, including claims

A hardening market is not purely about changing terms and conditions or increasing rates. Risk managers from Switzerland taking part in this year's Risk Frontiers Europe survey said the hard market has also changed attitudes to alternative solutions and impacted claims settlements.

In terms of risk transfer alternatives, a number of the survey's participants already had a captive in place before the hard market struck. However, a couple admitted they had stopped their captives only a couple of years ago. This decision was not taken lightly, but there were a few wry smiles about that choice in light of what has happened since.

Those that had taken this step said the cost of compliance was simply too high in a soft market. But they admitted the maths have now changed and they may not make the same decisions today.

One of those who had pulled the captive just a couple of years ago said it was difficult at the time to find an insurer to back them. The organisation had not wanted to use a rent-a-captive or cell option, which is the direction in which insurers were pushing.

Volker Trapp, risk and contracts manager at DHL, is one of the Swiss risk managers whose company does have a captive. He is pleased with the way it is performing and said it has helped manage renewal costs. He reported a steady 5% increase in rates during the past two or three years, much lower than the high rises reported by some others.

Captives have also helped with capacity for those hard-to-find covers, such as D&O, the risk manager group agreed.

Patrick Thomazeau, senior manager risk and insurance in Europe and Latin America at Mondelēz International, said, for one line, his firm has had to increase its risk retention within the captive five-fold in order to avoid having to pay twice the cost for insurance coverage.

He noted that Mondelēz International envisions adding new risks to its captive, which is providing a good alternative option when insurance prices are going through the roof.

EMERGING ESG

Another of the risk managers, Claude Breutel, director of insurance and risk management at Alcon, highlighted environment, social and governance (ESG) as an emerging theme and questioned its impact on insurers' appetite for certain risks.

"You have seen announcements by reinsurers and insurers alike that they intend to more or less exclude certain risks. There are a few of us exposed by insurers deciding to align themselves in terms of ESG compliance. It is having an impact beyond Switzerland and we are already seeing repercussions for our businesses," he said.

> **"Communication is key –** insurers need to explain their decisions and problems so that we can adapt and adjust"

COVID-19

While the practical implications of climate change are not yet clear, risk managers have seen the impact of global events on the insurance market.

Covid-19 impacted insurers and their clients in many ways, including claims. The risk managers agreed this was due to the fact people were working from home and it slowed the entire claims process down.

Many services were slower, with inspections particularly affected, said Steffen Bergholz, managing director at Nacora International Insurance Brokers Group. It has simply taken more time for insurers to get surveyors onsite to process claims, he said.

In remote areas such as west Africa, current Covid-19 travel restrictions require insurers to rely on locally based surveyors and this raises questions over the quality of service. "It became a question of quality and additional reworking of such results to produce adequate risk engineering reports," said Mr Bergholz.

And more broadly, local in-country travel restrictions have hindered the process. "It was not satisfactory from the insureds' point of view, because the overall adjusting of claims was taking too long and could impact businesses. The extended handling time and number of parties involved made the claim ultimately more expensive," said Mr Bergholz.

Mr Breutel said service has varied enormously but giving credit where it is due, added that insurers are performing well on nat cat-related events.

He explained it has been hard for insurers to access sites following the many nat cats this year, but feels they managed to run an efficient claims service in the circumstances. Technology has helped a lot, he said.

RISK DIALOGUE

The hard market has forced risk managers to take a much harder look at their own risks, which is a good thing, the group agreed. They all wanted strong risk dialogue with insurers to ensure they understand their specific situation.

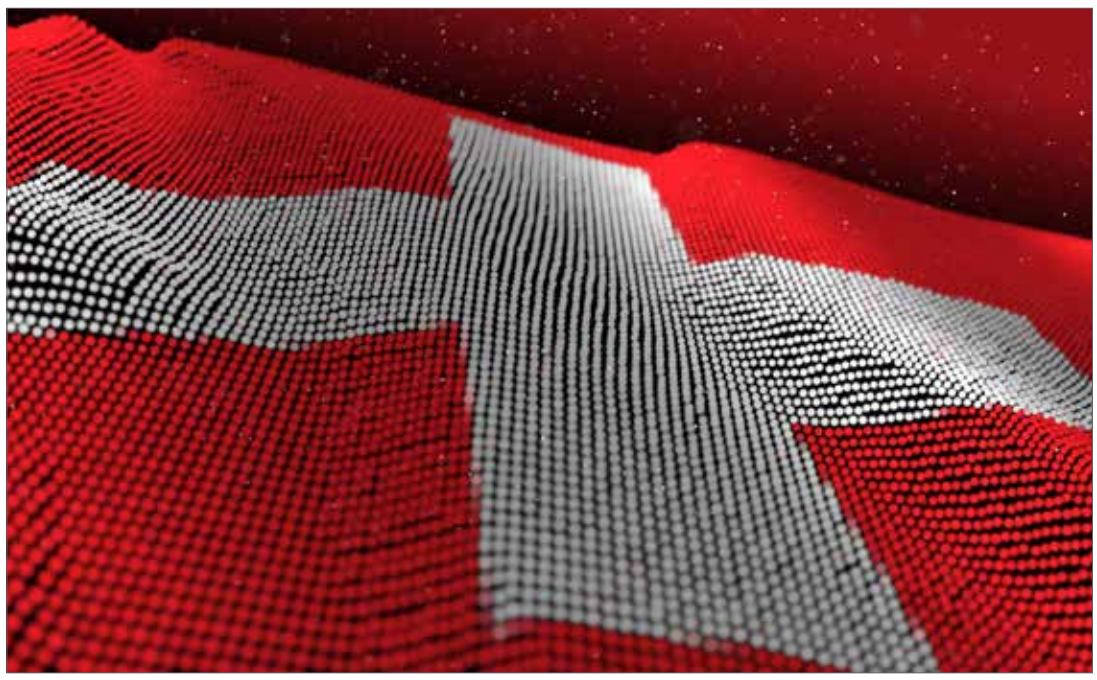
"Communication is key – insurers need to explain their decisions and problems so that we can adapt and adjust. We need to have an ongoing conversation with key players to understand their underwriting philosophy and what is changing. This is extremely important," said Mr Breutel.

"I would not say that I would do a better job if I didn't have the support of the brokers but it is also important that we have a direct relationship with the insurers," he added.

He concluded that Covid-19 has impacted these relationships, with contact limited to virtual meetings. He is therefore pleased that physical meetings are beginning to return because he believes they and are crucial to establishing ongoing relationships.

Changing risk landscape posing challenges

There are plenty of lessons to be learned from the Covid-19 pandemic, not least about the role of risk management



Risks are increasing and challenges are growing for risk managers, which ultimately means risk management has an even more central role to play within organisations. But every organisation naturally has a different risk profile, which impacts their risk managers' views of emerging and growing threats.

One Swiss risk manager said during a roundtable discussion for this year's Risk Frontiers Europe 2021 survey that natural catastrophe risks are a key focus, with much of his company's construction work affected by major events.

But he has been using technology to manage these risks and seen a major improvement in its ability to monitor the weather and react in advance of an extreme event, ultimately reducing the impact on the business.

Volker Trapp, risk and contracts manager at DHL, said climate change risks remain very much on his agenda. Cyber-related business interruption (BI) risks are also a concern, he said. Mr Trapp is worried about the changing attitude among insurers towards cyber and BI. He is concerned that there will not be enough capacity available to realistically protect his business.

"If you calculate the possible cost of a successful cyberattack, there are some huge sums involved. I am not sure insurers can take on those risks – in many ways it is similar to pandemic risks. The question is: how can systemic risks be covered? In the future, these risks may become uninsurable," he said.

There has been some discussion about a public-private partnership to cover pandemic risk in Switzerland, with a working group studying the options, the risk managers said. But any solution seems a long way off, they suggested.


Sabrina Hartusch

> "If you calculate the possible cost of a successful cyberattack, there are some huge sums involved. I am not sure insurers can take on those risks"

SUPPLY CHAIN

Patrick Thomazeau, senior manager risk and insurance in Europe and Latin America at Mondelēz International, said his biggest concern is supply chain risk. The past year has highlighted the risk for many people and the challenge will remain for time yet, he added.

Mr Trapp warned the situation is unlikely to improve this side of Christmas and that international supply chain challenges will continue well into 2022. Mr Thomazeau wondered whether it is time for government to step up and encourage more local production to reduce these risks.

Claude Breutel, director of insurance and risk manager at Alcon, stressed the huge interdependency of organisations and suggested supply chain is now a systemic risk.

It will take public investment to manage climate change challenges, he said, citing the Swiss government's moves to build flood protection in recent years. Mr Breutel pointed to the US where Hurricane Ida caused a lot less damage than Hurricane Katrina, thanks to huge investment in infrastructure protection between the two storms. "If society doesn't react proactively, we are facing an out-of-control situation," he warned.

Some of this can start at home, suggested Pascal Carrer, head of corporate risk and insurance management at HOERBIGER Holding AG. His organisation used to operate in business silos but now needs to work together to share experiences to develop a global view of risk. For him, bringing people together to share experiences and learn lessons from others is one of the core values of risk management.

WORKING PRACTICES

On the subject of working from home, the risk managers agreed the jury is still out on what the future office will look like. They are working through the options but agreed the final decisions will likely increase risks, particularly around employee health and welfare.

Learning the lessons from the pandemic itself will also be crucial, suggested Mr Trapp, who warned there will inevitably be another crisis. "We didn't expect the pandemic when it hit and we don't know what the next major challenge will be – but we do know that there will be something. There always is. The board now sees the value of risk management," he said. "We were already embedded within the organisation but that has deepened further."

Many of the risk managers agreed. Sabrina Hartusch, global head of insurance at Triumph, said the Covid-19 pandemic forced everyone in the company to step up, take responsibility and find solutions.

"Risk management was far from alone in taking a central role, but everyone had to work together to bring the company through. The value of each department came to the fore," she said. "What is risk management really? It is just good management at the end of the day. We often use the words 'risk management' when we really mean generally good management of a crisis. It meant coming together to work for the good of the whole."

SPONSORS

Risk management to the fore on both sides of the transfer divide

◇ HDI GLOBAL

"The original idea of insurance is for everyone to contribute so that claims, when they come, can be covered – and that has not changed"


Marc Luginbühl

Stiff competition may have kept insurance premiums down for some 15 years, but now the Swiss market has seen a complete switch, in which capacity has become scarce in some lines and prices have risen. The correction, says Marc Luginbühl, Swiss country manager for Risk Frontiers Europe sponsor HDI Global, has not been uniform. Like so many other countries across Europe, certain risks have been harder hit than others.

But Mr Luginbühl says HDI Global prides itself on personal service, and this is no different in the Swiss market. So he and his team have spent many hours talking to insureds to ensure they are comfortable with the changing environment.

For those with large exposures to nat cat risk or other difficult areas, this conversation has been particularly challenging.

And while Mr Luginbühl points out that there are still a few areas where insureds will enjoy a flat rate, or even a slight drop in rates, he concedes these are the exception rather than the rule.

But overall, he says insureds have understood the need to have a sustainable insurance partner. And for that reason, HDI Global is "working on terms and conditions, as well as wordings and limits".

KEY DIFFERENTIATOR

In the current market, risk management and minimising claims have risen to the fore, and Mr Luginbühl says offering services beyond pure insurance cover, including advice, has become a key differentiator as customers look to better risk manage their businesses.

"Sometimes we will be working most on rates, sometimes coverage and sometimes a combination," says Mr Luginbühl. "What we are trying to achieve is a balance and it is all these different elements that lie at the heart of our relationships with clients."

As with other European markets, D&O and professional indemnity are the most difficult for Swiss companies. Mr Luginbühl also points to business interruption, which remains complex for large corporates.

With supply chains coming under increasing pressure thanks to a combination of factors from Covid-19 to nat cat events and even Brexit, he says Swiss clients face growing challenges.

"We are a physically small, landlocked country, but many of the large businesses in Switzerland are globally recognised and trade across the world. They have all the same concerns as any large multinational organisation. The nat cat exposure is changing for these multinational entities – the world is changing," says Mr Luginbühl.

And this change is not limited to physical events. "We have to find new ways to tackle things like cyber risk," says the insurer.

He adds that insureds in the Swiss market are considering captive options, while there is also greater use of global programmes. And claims are a big issue in terms of service and education.

"Obviously, the environment is changing due to an increase in claims. But whenever a claim is triggered, we want to work closely with the client and to be as fair as possible. Claims also help us to establish what can and can't be covered. The experience that every claim gives us feeds into our approach for the future. The original idea of insurance is for everyone to contribute so that claims, when they come, can be covered – and that has not changed," says Mr Luginbühl.

COMMUNICATION KEY

Asked whether insurers are too quick to pull away from certain classes or impose exclusions when claims start to materialise, Mr Luginbühl reiterates that communication with customers and delivering on the basic promise of insurance is key.

"We exclude cyber on casualty policies but clients can buy cyber cover. We make it very clear on the terms with which we can offer cover, so that there can be no confusion when it comes to the claims end of the process," he says.

The insurer believes that the last couple of years have actually strengthened relationships between insureds, brokers and insurers in Switzerland "That relationship is vital if we are to serve our customers properly," he says.

There are lessons to learn from the past couple of Covid-19-hit years, according to Mr Luginbühl. "When the pandemic started, it was so unexpected, but it is something we have to be prepared for going forward. Both us and our clients need to derisk our portfolios going forward. We have to be sure that we are insuring the right risks – that benefits our customers and ensures we remain sustainable. It is about becoming more resilient and being prepared," he says.

"I want clients to truly understand that they may pay premiums for decades for a risk that might only materialise once a century. But by doing that they are ensuring that, when the day comes, insurers will be able to pay with confidence. As insurers, we need to be fully transparent about that," he continues.

"Companies are behaving differently and risk managers want to play with the margins that are available in the market"

MANAGING RISK

But his key message is that this is a time when managing risk is critical.

"We see clients taking on higher deductible levels. What that does ultimately is put more risk onto the balance sheets and hence we see clients becoming more involved because they are carrying more risk for themselves," explains Mr Luginbühl.

This is resulting, he says, in companies investing more heavily in risk prevention. "Customers are becoming more sophisticated and, critically, decisions are being made at the c-suite level as boards want to understand the costs," he says.

This change in approach from Swiss firms and their risk managers is also reflected in how they see HDI Global.

"In Switzerland, we have always been able to offer these services to our clients but during this hard market, they no longer see us as purely a capacity provider, but as a primary-level player that can leverage its capacity at a global level. Companies are behaving differently and risk managers want to play with the margins that are available in the market – as a result they are using us much more at the primary level and allowing us to provide the needed capacity," concludes Mr Luginbühl.

SPONSORS

Claims complicated by hard market

◇ BROKERSLINK

Edoardo Leusciatti, director, SRB Assekuranz Broker AG, Brokerslink partner in Switzerland, talks to **Liz Booth** about some of the challenges in the Swiss market and why buyer and broker ties are strengthening


Edoardo Leusciatti

Q: ARE INSURANCE RATES CONTINUING TO HARDEN THIS YEAR? HAVE TERMS AND CONDITIONS HARDENED TOO? AND ARE THERE MORE EXCLUSIONS?

A: Yes, insurance rates hardened in 2020 and they have continued this trend this year. The extended period of the soft market has certainly turned hard.

Since investment yields are falling and insurance carriers face lower capitalisation, insurers are forced to enhance their revenues by increasing premium rates. Subsequently, the terms and conditions are more restricted and higher deductibles are implemented. Insurers have been reducing their risk and avoiding claims. This is a further hidden measure helping to increase their earnings.

Combined ratios of more than 100% have led to a focus on technical underwriting. Clients with a good loss history are faced with premium increases of 10% to 20%. Clients who have experienced large losses, or a high frequency of claims, are faced with premium increases of between 50% and 100%. Loss prevention has become a key factor for assessing premiums.

Q: CAN YOU LIST THE LINES MOST AFFECTED?

A: At the top of the list would be cyber, followed by D&O, property damage and business interruption, liability and product tampering.

Q: ARE CLAIMS GETTING MORE DIFFICULT TO SETTLE THIS YEAR?

A: Insurers are much stricter in their interpretation of policy conditions. They have been searching for more reasons to reject a claim than to accept one. This has led to some difficult discussions with claims handlers and dissatisfied customers. It has resulted in claims being analysed in depth, sometimes by external experts, which creates additional costs, before we can negotiate with the insurer's claims department.

Q: ARE YOU SEEING MORE CLIENTS LOOKING AT ALTERNATIVES TO TRADITIONAL INSURANCE? IF SO, WHAT?

A: Due to an increase in the levels of self-insured retention and less favourable conditions from insurers, the big multinational companies, including pharmaceuticals and medtech, are forced to evaluate alternatives to the traditional insurance products, like captives, rent-a-captives and protected cells. However, not every company is appropriate for this sort of solution.

> "Insurers are much stricter in their interpretation of policy conditions. They have been searching for more reasons to reject a claim than to accept one."

Q: HAS THE RELATIONSHIP BETWEEN INSURED, BROKER AND INSURER CHANGED?

A: The relationship between insured and broker is much closer. The insured must rely much more on the broker's advice than before. Trust and confidence are key factors within this relationship. The market has changed from a buyer's market to a seller's market, discussions have hardened and there is less room for compromises. There is a less competitive environment between the insurers as their main goal is high premiums and less coverage. Reinsurance companies are supporting them in this strategy.

Q: WHAT DO YOU SEE AS THE KEY RISKS FOR 2021?

A: Looking at this from the perspective of both the insured and the insurance market, customers are facing higher premiums with more restricted conditions and higher deductibles. The insured must accept they may need to bear a potential loss on their company balance sheet. There is now no room for compromises.

In terms of the insurance market, the lower capitalisation of carriers I mentioned previously has led to an increase in premiums, affecting insurers' relationships with policyholders. There is a distinct lack of capacity in a number of lines of business and insurers and reinsurers have restricted or declined to offer coverage protecting their book of business.

Q: HOW DO YOU THINK RISK MANAGEMENT AND RISK MANAGERS FARED IN THE PANDEMIC?

A: Generally speaking, risk managers fared well during the pandemic. However, with their focus on the health of their employees and the continuity of their business, they did not give their main priority to insurance coverage. Home office and IT risks became more evident and important. Environment, health and safety were boosted and reached a higher level on the company agenda. In the face of raised levels of remote and home working, cybersecurity also reached a much higher level of priority.

Q: WHAT ARE THE KEY LESSONS LEARNT FROM THE PANDEMIC?

A: The dialogue between broker and insured and the knowledge of the insured's risks are key factors in mastering risk; these have become even more important during the pandemic.

The broker must continuously enhance its knowledge to cope with the insured's risk and understand the implications and impact of new and emerging areas such as special business interruption, supply chain challenges and pandemic or epidemic insurance coverage, as well as cybersecurity such as malware popups.

Depending on the further outcome of new Covid-19 mutations, there may be significant risks such as loss of profit, bankruptcy, unemployment, early retirement and sickness. All will influence the outcome of our clients' future.

Risk managers must continue to consider potential pollution exposures

◇ LIABILITY

Toby Scott
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The detrimental effect of air pollution is a significant emerging risk, which was brought to public attention in the UK following the death of Ella Kissi-Debrah in London in 2013.

An inquest in 2020 found that air pollution from the South Circular Road had made a material contribution to the girl's death and the coroner's *Report to Prevent Future Deaths*, published in April, called on national and local government to properly publicise air pollution levels and for medical professionals to better communicate the adverse effects of air pollution to their patients.

Since then, in a recent landmark ruling, the English High Court has shown that it is prepared to hold the regulators to account for the consequences of air pollution. In *Richards, R (On the Application Of) v The Environment Agency {2021}*, the judge ordered the Environment Agency (EA) to take further regulatory action to reduce emissions of hydrogen sulphide at a landfill site in Silverdale, Staffordshire. The judgement was also critical of the measures adopted by the EA to date.

The Richards case was brought by the family of a five-year-old boy who suffers from breathing difficulties caused by underlying health conditions, which doctors say are being worsened by his exposure to emissions from the nearby Walleys Quarry landfill site (WQLS).

Mr Justice Fordham was not satisfied that the EA was complying with its legal duty to protect the life of Mathew Richards and granted a declaration compelling the EA to take action to reduce hydrogen sulphide emissions from the privately-owned landfill site to levels recommended by Public Health England (PHE) by January 2022.

The case was advanced on the assertion that the emissions had placed "the local community in crisis and living in unbearable conditions". For Mathew himself, this had prevented his lung development and ability to recover, raising the likelihood of him developing chronic obstructive pulmonary disease, with the consequential effect of shortening his life expectancy.

Pollution in London, UK

It was further contended that the EA was failing in its obligations to discharge its statutory duties under Section 6 of the Human Rights Act to protect Mathew's right to life (Article 2) and right to respect for private and family life (Article 8), as well its common-law duties to act reasonably and take reasonable steps to acquaint itself with relevant information.

The High Court decision in the Richards case goes one step further than the inquest in Ella Kissi-Debrah's case, by forcing a state regulator to take action. Specifically, Mr Justice Fordham held that in the scope of industrial activities, there was an overlap in the positive obligations on the part of the state in respect of Article 2 and Article 8 of the European Convention on Human Rights (ECHR). In environmental cases, the responsibility can fall on state authorities where private industry fails to be regulated.

The usual route for human exposure to hydrogen sulphide is via inhalation, and agencies such as PHE and the US Environmental Protection Agency have set out guideline levels.

Various respiratory, ocular and neurologic effects can be experienced, depending on the intensity of exposure; however, the court identified that there was "an information gap in relation to the human health implications of long-term (chronic) exposure to low-concentration hydrogen sulphide, especially in relation to children".

> **"The English High Court** has shown it is prepared to hold regulators to account for the consequences of air pollution"

It was apparent from submissions made by the residents of Silverdale that hydrogen sulphide emissions from WQLS had been intolerable throughout 2021. A number of statements from adults, and on behalf of children, detailed various symptoms and health effects.

In failing to regulate the reduction of emissions from WQLS to the levels recommended by PHE, the court considered that the EA had failed to discharge its positive obligations under Article 2 and Article 8 of the ECHR. Severe environmental pollution affecting the family and private life of an individual was enough to trigger a positive obligation on the part of the state under Article 8. Where the adverse effects of that environmental pollution attain a minimum level, the state – in this case, the EA – was required to take reasonable and appropriate measures, which balanced the rights of the individual and community.

Regarding Article 2 and the right to life, Mr Justice Fordham noted that while Mathew's bronchopulmonary dysplasia was not caused by hydrogen sulphide exposure, the "very inevitability" of bronchopulmonary dysplasia evolving into chronic obstructive pulmonary disease was "attributable to the ongoing exposure to hydrogen sulphide".

The judge recognised that the EA has powers to protect against this, but that this positive operational duty was "being breached in the present case". The court did not identify the steps that the EA should compel the owner of WQLS to take, but was unequivocal in stating that "the current levels of hydrogen sulphide from WQLS constitute a breach by the EA of its positive operational duty under Article 2".

As with many other emerging risks, risk managers will increasingly need to ensure they have considered the potential exposures presented by air pollution. Although the case did not address the issue of civil liability to victims of air pollution, it opens the door to further legal action both against the polluters and the regulators, concerning air pollution where a threat to life is identified.

◇ **LEGAL EYE:** THE NEWS IN BRIEF

Whistleblowing rules changing in Europe

◇ It is now less than three months until the 17 December 2021 deadline for all EU member states to transpose the new Whistleblower Protection Directive 2019/1937, which obliges businesses with more than 50 employees to have a reporting channel, say lawyers at Baker McKenzie. The aim of these new regulations is to exploit the potential for whistleblower protection, strengthen enforcement and set standards for strong protection against any reprisals. "The introduction of these regulations helps ensure a level playing field so the single market can function properly and companies can operate in an environment of fair competition by helping to prevent and detect irregularities," explained Baker McKenzie.

UK's ICO looks to international data transfer agreement

◇ The UK Information Commissioner's Office (ICO) has launched a public consultation on its proposals for an international data transfer agreement, which is – as a post-Brexit change – intended to replace the EU Standard Contractual Clauses as a safeguard between parties transferring personal data from the UK to countries not covered by adequacy decisions recognised by the country. Lawyers from Penningtons Manches Cooper report that these proposed measures will not affect transfers from the UK to EEA countries. They will also not apply to Andorra, Argentina, Canada (commercial companies only), Faroe Islands, Guernsey, Israel, Isle of Man, Japan (private sector companies only), Jersey, New Zealand, Switzerland and Uruguay, which are subject to EU adequacy decisions recognised by the UK.

Belgian payment terms to change

◇ A series of amendments to the Belgian law regarding the payment term for invoices in B2B transactions will come into effect from February next year. These are intended to protect weaker business partners against abuses and loopholes that have been exploited over the years, report lawyers from Dentons. Under the amendments, the legal payment term for invoices in B2B transactions will be a maximum 60 days from the date of the invoice.

AM Best says Solvency II changes 'more generous' to insurers than most expected

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AM Best has said the EC's proposed Solvency II rule changes offer a bigger reduction in insurance capital requirements than most commentators had expected and go further than plans initially put forward by Eiopa last year.

But it added that questions marks remain over the extent to which the measures will see insurers contribute more to green investment, as desired by the EC.

The EC proposed changes to Solvency II last month. It claims they will better protect insurance buyers while freeing up €90bn of insurance capital in the short term to boost investments and help the Covid-19 recovery.

The reform would see an overall reduction in insurers' capital requirements, while introducing more proportionate rules.

"The aim of today's review is to strengthen European insurers' contribution to the financing of the recovery, progressing on the Capital Markets Union and the channelling of funds towards the European Green Deal. In the short term, capital of up to an estimated €90bn could be released in the EU. This significant release of capital will help (re)insurers ramp up their contribution as private investors to Europe's recovery from Covid-19," said the EC.

AM Best said that the EC's proposal offers insurers a more generous capital reduction that many expected and the European regulator Eiopa suggested back in December.

The ratings agency said the review's increased generosity principally arises from the proposed reduction in cost of capital within the risk margin calculation, from 6% to 5%.

However, the document is not all good news for (re)insurers. AM Best explained that it also outlines a reduction in discount rates over the longer term.

But the ratings agency noted that the reduction in risk margin and other favourable changes will be implemented well ahead of discount rate increases taking full effect. The discount rate will be phased in by 2031.

"The proposed changes are, overall, somewhat more favourable for insurers' stated regulatory solvency than the advice proffered by the European Insurance and Occupational Pensions Authority back in December 2020, suggesting that the Commission took note of responses to the consultation exercises with (re)insurance companies that have been part of the review programme," said AM Best.

But despite this assertion that the EC has listened to the European insurance industry and reduced its capital requirements by more than expected, Insurance Europe, which represents Europe's insurers, said the proposals don't go far enough.

It said only "significant and permanent reduction of capital" would allow insurers to increase their contribution to financing the recovery and supporting the EU's Green Deal and Capital Markets Union.

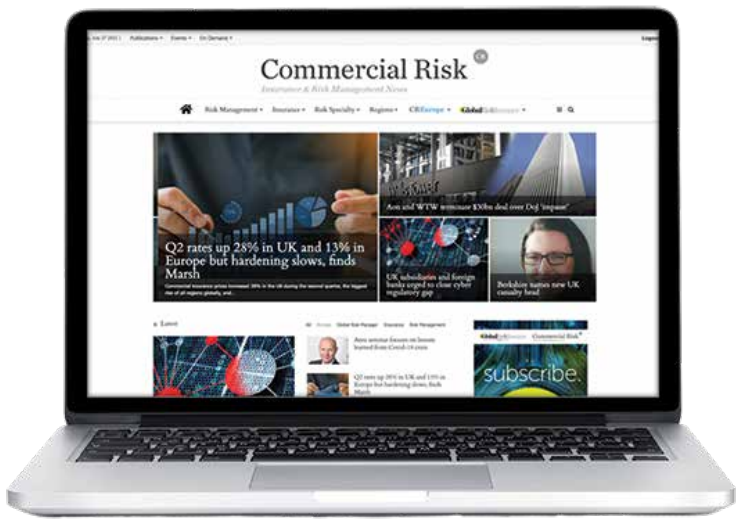
"This is because insurers must take a long-term view in their strategy and investment decisions. In addition, a significant and permanent capital reduction would allow our industry to regain international competitiveness. This capital reduction can be achieved while maintaining very high levels of protection for European policyholders," said Olav Jones, deputy director general of Insurance Europe.

He added that steps to boost proportionality within Solvency II seem positive. But Mr Jones said there are concerns that the EC's proposals for new reporting and group requirements "include elements that would unnecessarily increase costs and complexity".

AM Best said there is doubt over whether the EC's proposals to free up insurer capital will lead to an increase in green or other economic investment on a similar scale.

"Insurers' activities are multifaceted, encompassing a wide range of corporate actions. Evidence of investment funds flowing into particular assets would only be observable in the long term, would be difficult to track and would be harder still to attribute to policy measures," it said.

As debate over proposed Solvency II changes rumbles on, the European Parliament and European Council will now negotiate the final legislative texts on the basis of the Commission's proposals.



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RIMS makes Covid-19 vaccination compulsory for all future events

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US risk management society RIMS will require anyone attending one of its in-person events to show that they are fully vaccinated for Covid-19.

The requirement comes into effect immediately for all events managed by RIMS staff.

It will be in place for November's RIMS Enterprise Risk Management Conference and the society's Annual Conference & Exhibition scheduled for 10-13 April in San Francisco.

RIMS said attendees will have to comply with the US Centers for Disease Control's (CDC) definition of fully vaccinated.

It says this means people are counted as fully vaccinated two weeks after their second dose in a two-dose vaccination series, such as the Pfizer or Moderna, or two weeks after a single-dose vaccine, such as Johnson & Johnson's Janssen.

If an individual does not meet these requirements, regardless of age, they are deemed not fully vaccinated by the CDC and therefore RIMS.

The vaccine requirement also applies to RIMS staff, vendors, sponsors, media and other ancillary partners who plan to attend or provide a service at an event.

RIMS said it will make no exceptions for religious or health exemptions, but will work with those impacted to develop an alternative virtual event experience.

The society is currently exploring third-party vendors that specialise in conducting health screenings, as well as validating the authenticity of vaccine documentation.

"Under these current conditions and after a thorough review of event-industry trends, our board felt it was necessary to adopt these vaccination requirements. At the end of the day, it's about the safety of our attendees and, as risk professionals, we believe this decision is the best option for RIMS to, once again, bring the world's risk management community together," said RIMS president Ellen Dunkin.

RIMS said its board will continue to monitor the pandemic and reserves the right to amend its vaccination policy accordingly.

Global carbon-emitting firms failing to disclose climate risks

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More than 70% of 100-plus of the world's most carbon-intensive firms failed to fully disclose climate risk in last year's financial statements, according to new research by thinktank Carbon Tracker and the Climate Accounting Project.

Following a study of 107 companies, which included the majority of 94 firms listed by investors as having significant carbon footprints through Climate Action 100+, Carbon Tracker says the "glaring absence" of disclosures was signed off by 80% of auditors without assessment of climate risk.

The study focuses on some of the world's largest carbon emitters, including Chevron, Exxon Mobil and Air France-KLM.

It found that European companies, which accounted for 41% of firms in the study, "led" climate disclosure transparency. US firms, which accounted for 39% of the study, along with firms in Asia and emerging markets, are "lagging behind", Carbon Tracker adds.

Barbara Davidson, senior analyst at Carbon Tracker, commented: "Based on the significant exposure these companies have to transition risk, and with many announcing emissions targets, we expected substantially more consideration of climate matters in the financials than we found.

"Without this information there is little way of knowing the extent of capital at risk," Ms Davidson added.

Not one of the companies in the study demonstrated good practice in the areas of climate mitigation analysed, and none incorporated Paris Agreement-aligned assumptions to keep global warming to no more than 1.5°C and achieve net-zero emissions by 2050, Carbon Tracker notes.

It adds that energy companies provided most evidence of transparency on climate issues within their financial statements.

Carbon Tracker says its findings go against pressure from investors as well as global accounting and auditing standard-setting guidelines to disclose climate risks, and in particular how that impacts financial risk.