

## FERMA NEWSLETTER - ISSUE 19



DECEMBER 2004



*Dear all,*



*Here is our last 2004 Newsletter. 2004 has been a very fruitful year with a number of achievements that we have described in our various newsletters. Ferma has now 15 member countries and its reputation and influence is growing rapidly; not only because of Ferma itself but also because 2004 will be a major step for the Risk management discipline, with global recognition by the business community. Things are moving fast, and even faster than expected.*

*Internal control compliance under SOX and other local regulations quickly shows its limits and the need for "more", this "more" being simply Enterprise Risk Management. Many of our members are facing up to this challenge and 2005 will see frequent "reengineering" of the Risk Management position in the major European corporations. We strongly wish for 2005 that our members will be the driving forces behind these changes.*

*The year 2004 also ends with the broker remuneration issue, and behind it, and this might be the essential, the Servicing cost problem. You will find enclosed the Ferma press release on this. We met with the European commission and had contacts with the European brokers association (BIPAR) and the European Insurers Association (CEA). We agreed to start discussions between the CEA, the BIPAR and FERMA, at European level to agree on a code of conduct and adequate procedures to guarantee adequate transparency. The European Commission will keep an eye on our work and only envisage taking some steps if no solution is found between parties, according to the Intermediation Directive,. We know that many members are working today with their national brokers on such projects. We shall bring together this work in order to try to define the most effective tools to be implemented at European level. Needless to say that, with the Insurance and brokerage consolidation on one side and the European Directive on intermediation on the other side, the solution to this can only be European.*

*Finally, 2005 will also be a tremendous year with the FERMA FORUM which will take place next October in Lisbon. When we have a look at the bookings for Stands, the Sponsorship agreements signed and the pre-bookings, we are more than confident that the event will be a great success!*

*In the meantime, on behalf of the Ferma team, let me wish you a Merry Christmas and a Happy New Year to all of you.*

**Thierry van Santen**  
**President**

## FERMA HIGHLIGHTS

- ❑ **STATEMENT ON BROKERS' COMPENSATION**
- ❑ **RESULTS OF OCTOBER SEMINAR SURVEY RELEASED**
- ❑ **EXPERT ENVIRONMENTAL WORKING GROUP AT CEA**
- ❑ **A EUROPEAN COURSE IN RISK MANAGEMENT : DESIRIMAN**
- ❑ **LISBON 2005 WELCOMES THE RISK MANAGEMENT FORUM**

### **STATEMENT ON BROKERS' COMPENSATION**

The contingent commission issue is not new and various actions have been taken over the last 6 years by Ferma and by various European associations in order to try to bring more transparency. In some countries, codes of good conduct were signed between the brokers' representatives and the Risk and Insurance Management Associations, members of Ferma. In spite of this we understand that contingent commissions are still a practice in some markets.

Ferma considers that broker compensation should be transparent, with all sources of compensation fully disclosed. Any kind of side agreement between brokers and carriers should be disclosed openly.

Without this sort of transparency, it is not possible to build the trust needed between brokers and clients.

Ferma will encourage the European Commission to define compensation disclosure obligations for insurance transactions, considering that any transaction should show clearly the intermediary compensation associated with the transaction.

An informal survey by the Federation of European Risk Management Associations (FERMA) has revealed that many national risk management associations have already begun or are considering some form of inquiry or action, as details of contingent commissions, market service agreements and even price collusion between brokers and insurers have emerged from the Spitzer inquiry. *Full details are available on the website.*

### **RESULTS OF OCTOBER SEMINAR SURVEY RELEASED**

Under the title **“Risk Management: an assessment of European practices - New Corporate Governance trends”**, nearly 140 risk managers from 13 European countries attended the biannual FERMA seminar on 5<sup>th</sup> October. They included representatives of FERMA's newest member organisations from Russia and Sweden, RussRisk and SWERMA, as well as individual members from Poland. The results of the survey of European risk management practices in 2004 have been released. The introduction of new regulatory regimes and corporate governance legislation, combined with increasing maturity in the management of risk, is today driving the development of the risk management function in European companies and its relationships with the decision making bodies of the business. This is one of the principal conclusions of the survey. *A copy is available on the website.*

### **EXPERT ENVIRONMENTAL WORKING GROUP AT CEA**

The Environmental Directive n° 2004/35/EC entered into force at the end of April 2004. EU Member states must now implement the Directive into their national laws by 30<sup>th</sup> April 2007. CEA put a lot of effort into proactively influencing and steering the scope of this new regime, in particular in maintaining the defences (e.g. state of the art and normal operations) and in avoiding compulsory insurance. CEA will observe the transformation process of this new EU Directive into national law very closely and has developed an Expert Group composed of environmental underwriting and risk management experts. The main task of the CEA Expert

Environmental Working Group is to gather information on the practices and experience of the various markets and, based on them, to work out cornerstones of a possible environmental liability scheme, reflecting (at least partially) the scope of the EU directive. FERMA is participating and represented by Pierre Sonigo, Secretary General of FERMA.

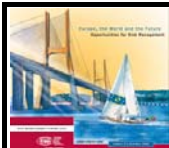
## **A EUROPEAN COURSE IN RISK MANAGEMENT: DESIRIMAN**



The first trans-national partners meeting, hosted by FERMA, took place in Brussels on 6th October 2004. A presentation of the draft structure of the project was given by the Project Co-ordinator, Anna Kingsmill-Vellacott. Financial matters were covered by the consultant, Richard Taylor. After an in-depth discussion, the partners agreed the following:

- That the structure as outlined in the presentation was accepted. This provides an initial, free module. This will be followed by one full day's face-to-face tuition and then six e-learning modules of no more than half an hour. The pilots will be run in France and the UK in the last quarter of 2005, then in Germany and Italy in the first quarter of 2006. The intention is to have the finished product ready for sale from 1st October 2006.
- The Trans-national Partnership, comprising all partners, will set the broad, strategic direction of the project in line with the EU requirements. In order to keep cost to a minimum, the Partnership would meet two or at the most three times annually and, wherever possible, at a conference hosted by one of the members. The Trans-national Partnership meetings will be chaired by Paul Taylor.
- A Steering Group, comprising AIRMIC, FERMA, Bordeaux and the Project Co-ordinator. It will be chaired by Paul Taylor and will ensure the implementation of Partnership decisions. It is intended that much of the work carried out by the Steering Group will be done by conference calls.
- Day-to-day co-ordination of the project will be carried out by the Project Co-ordinator appointed by FERMA. She will work closely with AIRMIC as the Project Promoter.
- All partners would begin to consider the marketing and dissemination of the project and report on progress at the next trans-national meeting.
- The next trans-national meeting will take place in Paris at 10.30am on Wednesday 2nd February 2005.

## **LISBON 2005 WELCOMES THE RISK MANAGEMENT FORUM**



Next year, FERMA will hold its biannual Forum in Lisbon from 2-5 October with the theme Europe, the World and the Future: Opportunities for Risk Management. It will be a joint meeting with the International Federation of Risk and Insurance Management Associations (IFRIMA). The bookings for the Exhibition have already started and the committee has finalized the plenary sessions and workshops topics. The Committee will meet early February to finalize the programme. For more info, please contact: [info@ferma-asso.org](mailto:info@ferma-asso.org)

Book the dates in your diary now!



*Ferma Risk Management Forum 2005 is the 4<sup>th</sup> Worldwide IFRIMA Congress*

## **BOARD MEETING & EXTRAORDINARY GENERAL ASSEMBLY**

The October Board of Directors took place and has welcomed for the first time the RusRisk (Russia) and SWERMA (Sweden) representatives. Among the subjects discussed were the amendments of the FERMA statutes to comply with the new law requirements, new memberships, etc...

## **INTERNATIONAL**

### **IFRIMA – INTERNATIONAL FEDERATION OF RISK AND INSURANCE MANAGEMENT ASSOCIATIONS**



#### *IFRIMA - 7th ALARYS Latin American Risk Management Congress – 3rd worldwide IFRIMA Congress*

The 3rd Worldwide IFRIMA congress was hosted by ALARYS at their 7th Latin American Risk Management Congress in Bermuda in September 7 – 10.

Held in the beautiful venue of the Fairmont Southhampton Princess Hotel in Bermuda, the congress was attended by some 200 participants from 25 countries in 5 continents.

The congress also celebrated 20 years of activity of IFRIMA, and a special dinner was held to celebrate the event. Over this period, IFRIMA, as a global umbrella Risk Management organization, has proved that it meets a real need, by providing the means of global networking for risk managers and the advancement of risk management and its practice on a global scale, through education and interaction. The coming together of individual associations has helped to create a better understanding on the world stage of not only the risk management practices in one part of the world compared to another, but also the different cultures and concerns around the world. At the same time, IFRIMA has grown and developed an identity of its own. Over the past two decades, IFRIMA has brought together under one common banner risk management associations spanning six continents. Originally founded by 12 risk management associations, IFRIMA today comprises 26 organizations, representing, directly or indirectly (i.e. through regional federations), some 40 countries in 6 continents.

During the congress, the officers of IFRIMA confirmed the objective of the Federation to continue to strive to promote the free exchange of ideas and information on risk management, the professional development of risk management practitioners, the advancement of risk management practices within developing countries, and the creation of more risk management associations.

The congress was the second one “co-hosted” by IFRIMA, after the decision to hold an “official” IFRIMA conference on a regular basis in conjunction with one of the major conferences organized by one of our regional members. The first IFRIMA conference with this new approach was successfully held in Johannesburg, South Africa 2 years ago, in association with FAPARMO, the regional federation for Asia Pacific and Africa. In the meantime, the IFRIMA board drew up and implemented the rules for the designation of a conference as an IFRIMA conference and fixed the calendar for the following 3 annual IFRIMA conferences, to

be held in association with the other 3 regional federations, i.e. ALARYS, FERMA, and RIMS. So, after Asia/Pacific/Africa, it was now the turn of Latin America and ALARYS. Next will be Europe and FERMA, with the conference in Lisbon, Portugal on October 2-5 next year, and the cycle will be closed the following year by North America and RIMS in Hawaii.

ALARYS was very courageous in choosing Bermuda as a venue, because of the logistic problems for people coming from South America. However it was a very astute decision as well, because for a worldwide Risk Management conference, what better place could you choose than one which is located in a barycentric position between 3 continents, and which is emerging more and more as one of the Risk Capitals of the world ? The fact that some 25 countries were represented confirmed that this was a good decision from this point of view.

## **RIMS – RISK AND INSURANCE MANAGEMENT SOCIETY, INC - US**

### **RIMS TAKES ACTION REGARDING CONTINGENCY FEES**

NEW YORK, December 8, 2004 – The Risk and Insurance Management Society (RIMS) has taken an active role with federal, state, and regulatory officials to respond to the contingency fee issue on behalf of our members. The past two months since the launch of Attorney General Eliot Spitzer’s investigation have been full of activity for RIMS’ officials and governmental affairs staff. Leadership at RIMS is working to facilitate regulatory changes to contingency fee structures to benefit the risk management industry.

As a voice for the risk management community, RIMS has taken the following actions:

Janice Ochenkowski, Vice President for External Affairs, testified before the U.S. Senate Subcommittee on Financial Management along with New York Attorney General Eliot Spitzer, Connecticut Attorney General Richard Blumenthal, New York Superintendent of Insurance Greg Serio, California Insurance Commissioner John Garamendi, and other high-profile industry and government officials.

RIMS’ officials, including Nancy Chambers, RIMS President, and Mary Roth, Executive Director of RIMS, met with New York Insurance Superintendent Greg Serio to respond to inquiries regarding contingency fees.

RIMS worked with the National Association of Insurance Commissioners (NAIC) to participate in a public hearing of the NAIC Executive Task Force on Broker Activities, which was held on December 4, 2004.

RIMS has been asked to testify on behalf of the risk management community at a Hearing before the Insurance Committee of the New York State Assembly, dealing specifically with the allegations made in the Spitzer investigation.

On December 7, 2004, RIMS’ officials met with the Massachusetts Attorney General Tom Reilly to respond to inquiries and assist in resolving contingency fee issues. RIMS spokespeople have shared RIMS’ position with journalists from numerous publications and leading news sources around the world to promote RIMS’ position on contingency fee issues.

RIMS’ home page has a designated section to providing updates on this issue as it develops

## MEMBERS' NEWS

### **AGERS – ASOCIACION ESPANOLA DE GERENCIA DE RIESGOS Y SEGUROS - SPAIN**

Last June 9<sup>th</sup> & 10<sup>th</sup>, AGERS organised its XV Yearly Congress. The event was attended by 300 persons, including risk managers and insurance industry officials. The Congress focussed on three main topics: a) Risk Management and Social Corporate Responsibility, b) Spanish New Situation in face of Global Terrorism and c) Contingency Plans & Crisis Management. Special reference was made to the handling of the March 11<sup>th</sup> terrorist attacks in Madrid by the public entity Madrid 112 (Civil Defence and Protection). After the Congress, the General Assembly of AGERS also took place with a large participation, demonstrating again the high visibility and dynamism of the Association.

· AGERS keeps on pushing a large number of educational initiatives; just to illustrate a few: the second edition of the Introductory Course to Risk Management from October 4<sup>th</sup> to 6<sup>th</sup>, and the Loss of Profits Course held on November 24<sup>th</sup>, 25<sup>th</sup> & 26<sup>th</sup>. Because of its importance, mention should also be made of the Master Course on Risk Management developed by AGERS in close co-operation with the University of Murcia with Ecuador and other Latin American countries.

· Regarding investigation activities, it is worthwhile mentioning the public enquiry on the use in Spain of ART systems, developed by AGERS in co-operation with Mrs. M<sup>a</sup> Victoria Rivas, Enterprise Economy Teacher at C.E.S. Felipe II (Madrid's Complutense University) and Mapfre Estudios Foundation. For those interested, the results are available on AGERS web site.

· Last November 18th, AGERS celebrated its X Day on Renewal Expectations for Insurance Programs, involving 350 participants. An in-depth review of the property & casualty markets was made, including, amongst other issues, the use of ART tools in Spain and Solvency rating of both insurers and reinsurers in Spain and the World, as well as Pricing trends in insurance, etc.

· We would also like to particularly highlight the recent launching of the new Web Site of AGERS, with new sections and chapters, and greater dynamics and interactivity than before.

### **AIRMIC - THE ASSOCIATION OF RISK AND INSURANCE MANAGERS - UK**

AIRMIC has published a guide to D&O Liability insurance which is available for free download from its website [www.airmic.com](http://www.airmic.com).

The 600 guests at the AIRMIC Annual Dinner heard a speech from James Schiro, the CEO of Zurich on the importance of transparency in the market and from Andrew Cornish, the AIRMIC Chairman, on AIRMIC's determination to work for a more efficient market.

AIRMIC members have made it very clear in a recent survey that they are looking for much greater transparency in broker commissions. A task force of some 20 members has been set up to debate the issues and to develop tools which could be useful for all buyers of insurance, including small and medium sized companies. The Financial Service Authority in London has also called on the market to deliver contract certainty within the next two years and AIRMIC will be involved in those developments.

### **AMRAE – ASSOCIATION POUR LE MANAGEMENT DES RISQUES ET DES ASSURANCES DE L'ENTREPRISE - FRANCE**

**AMRAE's CONFERENCE: "les Rencontres" 26 - 27 - 28 January 2005 in Biarritz – 13th Edition**

Plenary sessions on Wednesday afternoon and Friday morning. Theme : **Risk and prosperity**  
Keynote speakers are listed in the detailed programme. On Thursday: 36 workshops and roundtables.

**More information on the programme:**

[www.amrae.fr/lesrencontres](http://www.amrae.fr/lesrencontres)

Education: The first session of the risk management course “Risk management strategy” developed by AMRAE and Ernst & Young was completed in June 2004. All participants received their certificate during the AMRAE cocktail in Paris. A second session will take place from October 2004 to May 2005.

**More information about the programme and registrations:**

[www.amrae.fr/amrae/formation/formation-continue.html](http://www.amrae.fr/amrae/formation/formation-continue.html)

**ANRA – ASSOCIAZIONE NAZIONALE DEI RISK MANAGER E RESPONSABILI ASSICURAZIONI AZIENDALI – ITALY**

ANRA just announced the calendar of its courses of professional development for Risk Managers for the first half of 2005, under the overall title "Sharing Knowledge and Best Practice". The Calendar is structured as follows (exact dates and venues will be communicated to the attendees individually):

February 2005: Risk Management Base Course

February 2005: Stock in transit and related risks

March 2005: Risk Management Intermediate Course

March 2005: Managing the claims

April 2005: Product Liability

April 2005: Contract Risk Management

April 2005: Project Financing and Risk Management

May 2005: Risk Management Advanced Course

The Annual General Assembly is scheduled in Milan for March 9th, and as usual, the GA will be followed by a buffet lunch and in the afternoon by a half-day seminar. The subject of the seminar has not been announced yet.

Finally ANRA reminds you that its web-site has recently been fully renovated and invites you to visit it at [www.anra.it](http://www.anra.it)

**APOGERIS – ASSOCIAÇÃO PORTUGUESA DE GESTÃO DE RISCO E SEGUROS – PORTUGAL**

On October 14th, 2004, APOGERIS participated in an event organized in Porto by CNPR (the Portuguese Loss Adjusters Association) on Claims Management in the Transportation sector.

On October 14th, 2004, APOGERIS was represented in the Eurofocus Madrid by one of our members. This was a round table organized by the Strategic RISK magazine to discuss insurance and risk management perspectives in Spain and Europe. The presence of a Portuguese representative was highly appreciated, considering that it is very important to discuss and exchange perspectives between our two neighbouring countries.

On November 16th, 2004, APOGERIS had the opportunity to present the Association to the Portuguese internal auditors. This was the annual conference organized by Instituto Português de Auditores Internos the Portuguese section of Institute of Internal Auditors - IIA, also a member of the European Confederation of Institutes of Internal Auditing - ECIIA. It was very important to exchange views on how both functions should cooperate within the organization.

Amongst other actions undertaken, APOGERIS is now actively promoting the next FERMA Risk Management Forum that will take place in Lisbon, Octobers 2005, as you all know. This

will be our major event in terms of Insurance and Risk Management and will be very important in order to raise awareness and knowledge on these subjects.

### **BELRIM – Belgian Risk Management Association - BELGIUM**

Belrim has organized an Exchange on 7<sup>th</sup> December on the theme "How to cover your Expatriates?"

### **NARIM – NEDERLANDSE ASSOCIATIE VAN RISK EN INSURANCE MANAGERS – THE NETHERLANDS**

NARIM held its Annual General Meeting on October 29<sup>th</sup>, 2004 at which all the participants were made aware of the FERMA FORUM 2005 in Lisbon.

During this meeting we also discussed the situation in the USA regarding the allegations of Elliot Spitzer with respect to contingent fees.

We agreed to create a project group named 'Brokers' Remuneration' that has been entrusted with the following tasks:

Design and develop a strategy on behalf of NARIM towards Brokers and Insurers that will result in a Standard for Transparency of Remuneration and Fair Market Practice.

On November 19<sup>th</sup> 2004, NARIM issued a press release announcing this project and it was reported by all the National and Regional Newspapers.

NARIM expects to finalize this project by the end of this year. During the course of this project NARIM will be in close contact with AIRMIC which is also working along the same lines.

NARIM Congress 2005

On May 13<sup>th</sup> 2005, NARIM will hold its Annual Congress.

NARIM Survey

NARIM will start a survey of its members. Our goal is to find out who we represent in terms of number of employees and sales volume in the Netherlands, Europe and other regions, the type of industries, the total insurance expenditure, etc. The survey questionnaire is currently being developed in conjunction with a University specialized in Marketing Projects.

At the same time, we want to know which companies could be potential candidates for NARIM membership.

### **RUSRISK – RUSSIAN RISK MANAGEMENT SOCIETY - RUSSIA**



The Second International risk-management Forum was held in the framework of the international exhibition «BANK-INVESTMENT-INSURANCE-CONSULTING» at the Expocentr and Radisson-Slavyanskaya Hotel in Moscow, launched by the Russian Risk Management Society and Russian Union of Industrialists and Entrepreneurs (employers). Risk-



managers, insurers, industrials and businessmen could attend the conference and several roundtable discussions.

*Monday, November 1<sup>st</sup>* started with the opening of the International Exhibition and the president and founders of the society held a press-conference with the Mass Media and RBK-TV, who wrote as follows:

«The current Forum was the best place to find out the possibility and necessity of working out the national risk-management standards ...»

«Banks analytic Magazine»

«Risk-management assumes a reputation importance for Russia ...»

«Russian business newspaper»

«RusRisk» could become a pioneer among self-regulating organizations...»

«Business for all»

*Tuesday, November 2<sup>nd</sup>*, during the roundtable meeting “Hedging against financial risks of Russian companies” the most important topics which were discussed: current preconditions for development of the Russian financial risk management market; practical aspects of hedging; introduction to the Russian companies' activities; peculiarities of financial risk hedging by Russian companies. Baker&McKenzie, Eco-Technique Consulting Ltd., Koch Supply & Trading, MAN Financial, PricewaterhouseCoopers all attended, and proposals were addressed to government bodies and to Anatoly Aksakov, the Deputy of the State Duma of the Russian Federation and the Deputy Chairman of the Committee for credit organizations and financial markets, who participated in the meeting.

*Wednesday, November 3<sup>rd</sup>*. The RusRisk International Conference «Management of business-processes continuity: risks and insurance» put together 3 sessions. The plenary session addressed a number of common issues, such as the risks of the Russian economy, risk management legislative mechanism, ethnogeny and ecological risk management, legal problems of risk management in Russia, integrated risk management as a strategic tool for supporting an enterprise's ability to compete.

In the second session “ Integration of the Russian Federation in the international risk management community” the following participated: Edouard Thys - former Bombardier Risk Manager, FERMA representative, Boris Sergeev - TACIS programme lead, Sergey Shibaev - Partner and Deputy Chief of the "Roland Berger Strategy Consulting GmbH" company Representative in Russia

The third podium-discussion concerned risk management and insurance affecting business-processes continuity.

*Thursday, November 4<sup>th</sup>*, the roundtable discussion “Programmes and risk management standards” was held and covered the following questions:

- Risk-management standards - Russian reality and international experience
- Practical peculiarities of risk-management methodologies

An important contribution to the discussion was made by Mr. Edouard Thys, the FERMA representative. In the result it was mentioned that for the acceptance of Russian national standards, it was necessary to reach a common position in understanding terminology, risk management practices, risk management structures and goals.

*Friday, November 5<sup>th</sup>*, 15 risk managers attended the certificating seminar “Integrated company risk management systems”.

## **SIRM - SWISS ASSOCIATION OF INSURANCE AND RISK MANAGERS – SWITZERLAND**

Sirm Forum 9<sup>th</sup> -10<sup>th</sup> November 2004

Basel hosted the SIRM Conference on 9 and 10th November with more than 150 attendees. During two half-day seminars, participants studied how enterprises could better optimize risk and insurance management in an environment of insurers reluctant to take risks, a persisting pressure to reduce costs and economic uncertainty. During a workshop session from Franck Baron and Jean Paul Louisot, crucial communications within a company were discussed in depth. In his opening speech, the president of SIRM called on the members to present their risks in full transparency and to have an open discussion when negotiating contracts to obtain adequate cover. He also emphasized the importance of the dialogue with reinsurers. The risk manager of Schindler illustrated the external political communication of the company and the policy concerning risk coverage, insisting on the crucial point of identifying the risks in order to build confidence with the underwriting partners. Clive Tobin, president and CEO of XL Insurance pointed out the changing landscape, with the need to manage aggregation risks and class exposures. Martin Albers, Member of the Executive Board and CEO of Risk Solutions at Swiss Re presented the criteria of partnership, ranking their importance with a targeted selection and stressing that with this trend, risk transfer will be maintained.

More info: please contact Nadia Gendre: [Nadia.Gendre@CFCIS.CH](mailto:Nadia.Gendre@CFCIS.CH)

### **SWERMA – SWEDISH RISK MANAGEMENT ASSOCIATION - SWEDEN**

SWERMA is progressing well. The membership count is on the rise, standing currently at 90. Our new web-page is expected to be up and running before Christmas, after which we will be announcing our existence more actively to risk managers and "risk managers to be" both within commerce and local authorities. We expect to have 100 members in the New Year and at least 150 when we hold our general assembly on April 21st 2005.

We are currently addressing the FERMA Standard in order to obtain a thorough understanding of the reasoning both behind and within the document and to create an improved Swedish translation with attached briefing material.

SWERMA's ambition is to create closer ties with both the Confederation of Swedish Industries and the Federation of Local Authorities. As in many other countries, Sweden is re-engineering its defence policy and integrating its civil and military defence strategy. Risk management has become a new buzz-word within a number of governmental institutions, of which many are reinventing the wheel. SWERMA has a lot to contribute in order to help create a common language and thinking around risk management issues. We are talking about Private and Public Partnerships (PPPs) and SWERMA identifies a role to play in widening the perspective on risks and vulnerabilities and help create a more resilient society.

In late November, we held a seminar led by Kenneth Norberg, corporate risk manager of Electrolux, elected European Risk Manager of the Year 2004 (and SWERMA's representative to FERMA). Mr Norberg explained his roadmap to success, and encouraged every risk manager to contemplate the various criteria for being nominated for the various risk management awards. What can I do to improve my own professionalism and that of my staff in order to take small steps towards the goal of winning an award? It was an inspiring presentation. Finally SWERMA will be holding its Spring Conference 2005 on Thursday April 21<sup>st</sup> in Stockholm.

## **EUROPEAN CONTACTS**



**EU – EUROPEAN COMMISSION - The Barroso Commission (2004 – 2009)**



JOSE MANUEL BARROSO  
Portugal - President



MARGOT WALLSTRÖM  
Sweden - Vice President  
Institutional Relations and  
Communication Strategy



GÜNTER VERHEUGEN  
Germany - Vice President  
Enterprise and Industry



JACQUES BARROT - France  
Vice President - Transport



SIIM KALLAS - Estonia  
Vice President - Administrative  
Affairs, Audit and Anti-Fraud



Franco Frattini - Italy  
Vice President - Justice,  
Freedom and Security



VIVIANE REDING - Luxembourg  
Information Society and Media



STAVROS DIMAS - Greece  
Environment



JOAQUÍN ALMUNIA - Spain  
Economic and Monetary Affairs



DANUTA HÜBNER - Poland  
Regional Policy



JOE BORG - Malta  
Fisheries and Maritime Affairs



DALIA GRYBAUSKAITĖ  
Lithuania - Financial  
Programming and Budget



JANEZ POTOČNIK - Slovenia  
Science and Research



JÁN FIGEĽ - Slovakia  
Education, Training, Culture and  
Multilingualism



MARKOS KYPRIANOU - Cyprus  
Health and Consumers  
Protection



OLLI REHN - Finland  
Enlargement



LOUIS MICHEL - Belgium  
Development and Humanitarian  
Aid



LÁSZLÓ KOVÁCS - Hungary  
Taxation and Customs Union



NEELIE KROES - The  
Netherlands - Competition



MARIANN FISCHER BOEL  
Denmark - Agriculture and Rural  
Development



BENITA FERRERO-WALDNER  
Austria - External Relations and  
European Neighbourhood Policy



CHARLIE MCCREEVY - Ireland  
Internal Market and Services



VLADIMÍR ŠPIDLA - Czech  
Republic - Employment, Social  
Affairs and Equal Opportunities



PETER MANDELSON - United  
Kingdom - Trade



Andris Piebalgs - Latvia  
Energy

## INSURANCE

The minutes of the Insurance Committee meeting dated 1st December 2004 are available on the website:

[http://europa.eu.int/comm/internal\\_market/insurance/news/news-2004\\_en.htm](http://europa.eu.int/comm/internal_market/insurance/news/news-2004_en.htm)

## **CSR**

The increasing concern about the impact of business on society has resulted in an explosion of CSR instruments and initiatives, which range from codes of conduct setting out broad aspirational principles for corporate behaviour to complex management and communication tools. With no clear direction as to what all the instruments are and how they help improve CSR performance, their potential benefits remain largely untapped. The European Commission aims at promoting a greater coherence and transparency of CSR practices and tools. Today DG Employment publishes an ABC of CSR instruments which aims to serve as a practical handbook for companies and stakeholders to guide them through the complex world of CSR. The ABC of CSR instruments is available with other DG Employment CSR publications from <http://europa.eu.int/comm/csr>

The latest addition is "Paths to Corporate Responsibility", an article by Simon Zadek about Nike's CSR strategy. <http://www.accountability.org.uk/news/default.asp?id=136>

## **ICC – INTERNATIONAL CHAMBER OF COMMERCE**

ICC Publishing has issued a comprehensive guide to corporate governance best practices called "Corporate Governance Worldwide" (publication n° 654). The book is intended to help companies meet real-world expectations of good practices in corporate governance and is now available for sale through the ICC Business Bookstore at <http://www.iccbooks.com>

A press release, including an interview with Ms Güler Manisali Darman, can be accessed from the ICC website at:

[http://www.iccwbo.org/home/news\\_archives/2004/Book\\_of\\_the\\_month/BOTM\\_Sept.asp](http://www.iccwbo.org/home/news_archives/2004/Book_of_the_month/BOTM_Sept.asp)

## **UNICE - UNION OF INDUSTRIAL AND EMPLOYERS' CONFEDERATIONS OF EUROPE**

### **UNICE calls for a code of conduct for rating agencies**

Credit rating agencies (CRAs) play an important role in helping companies gain access to finance by helping investors assess the risks involved in purchasing securities and in lending. Accurate and reliable ratings of a company's creditworthiness can mitigate problems arising from information asymmetries between borrower and investor and reduce the premium investors demand for their commitment. Recently, however, some CRA decisions have become the issue of controversy not just with investors – CRA failed to predict important corporate failures such as Enron and Parmalat – but also with issuers. For example, unannounced changes in the methodology CRAs apply when determining a company's rating have led to serious downgrades of some of Europe's biggest listed companies in the past. In order to address these problems, the International Organisation of Securities Commissions (IOSCO), which groups over 100 national securities markets regulators, has published a draft code of conduct stating a number of conduct of business rules which rating agencies are encouraged to adopt and to comply with. UNICE has responded to IOSCO's call for consultation and has published comments welcoming the code while calling for more stringent rules, in particular those governing the relationship between CRAs and corporate issuers. Regarding enforcement of the code, UNICE gives clear preference to a self-regulatory approach to compliance monitoring over formal regulation. UNICE calls on CRAs to designate a senior officer to verify that the code is complied with. This officer should be accessible to companies wishing to appeal a rating decision. While trusting that a stringent code will have an important disciplinary effect on CRA behaviour, UNICE nevertheless believes that if compliance cannot be guaranteed in this way, regulatory action might be required. To this end, the procedures should be reviewed by IOSCO two years after entering into force.

UNICE COMMENTS ON THE INTERNATIONAL ORGANISATION OF SECURITIES COMMISSIONS (IOSCO) DRAFT CODE OF CONDUCT FOR RATING AGENCIES:

## **CEA – COMITE EUROPEEN DES ASSURANCES**

### **Reinsurance**

The EU Council and the EP are currently examining the European Commission's 21<sup>st</sup> April proposal for a directive on reinsurance. This proposal aims at creating a harmonised supervisory framework for reinsurance business. The industry supports this initiative since it should help boost cross-border operations and raise the international competitiveness of European reinsurers.

#### **CEA ACTION**

The reinsurance solvency margin remains one of the key issues under debate, particularly for life reinsurers. CEA is actively involved in these discussions, arguing that although it is crucial for the requirements to guarantee a reinsurance company meets its commitments, disproportionately high requirements should be avoided since they impose unnecessary costs on reinsurers, insurers and eventually policyholders. Unfortunately, the European Commission proposals do not meet the latter criteria.

#### **NEXT STEPS**

The directive could be adopted after a first reading in Spring 2005, although the precise EU Council and EP timetables are still uncertain. The issue of reinsurance solvency margins will be reviewed within the framework of the Solvency II project, expected to be fully implemented in 2009

### **Solvency II**

The EU project aiming at fundamentally reviewing European insurers' solvency requirements is a prime strategic project for the industry. CEA is reinforcing its structures in order to enhance its input to, and its dialogue with the project's key drivers, i.e. the European Commission and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS).

CEA's Solvency II Steering Group is composed of experts from national insurance associations and leading European insurance companies. It makes key decisions on the project's orientation.

#### **NEXT STEPS**

The first output of this pilot project will be a report, expected in early 2005, which should serve as a basis to identify emerging issues and principles amongst existing models susceptible of being of use at EU level in the context of Solvency II. As such, it will be a significant building block for CEA's contribution to the decision makers of this project. In parallel, a similar exercise is taking place for the project's Pillar II, which addresses supervisory review issues.

### **Corporate Governance/Audit Directive**

Review Scope should be limited to regulation of auditors On 21 May 2003, the Commission adopted an EU-wide Action Plan to modernise company law and enhance corporate governance. It has since taken a number of initiatives covering, among other things: shareholder rights, directors' remuneration, the role of non-executive directors, Board responsibilities, financial and corporate governance information, cross-border mergers and cross-border transfer of companies' registered offices.

#### **CEA ACTION**

European insurers support the Commission's efforts in the area of corporate governance to improve the transparency of information for shareholders, increase convergence of national corporate governance practices, contribute to an enhanced industry reputation and consequently boost its international competitiveness.

#### **NEXT STEPS**

The proposal for a directive on the review of the 8th Company Law Directive is currently being examined by the EU Council and the EP. At its ECOFIN meeting on 7<sup>th</sup> December, the Council agreed on the general approach of establishing minimum requirements for the audit of company accounts. The proposal will remain in the hands of the Legal Affairs and Economic and Monetary

Affairs Committees, but the Parliament's timetable is uncertain. The EU institutions aim at adopting the text in a single reading under the Luxembourg EU Presidency (January-June 2005)

### **FUEDI – THE EUROPEAN FEDERATION OF LOSS ADJUSTING EXPERTS**

On November 3<sup>rd</sup>, FERMA met the Fuedi Delegation: Tony Clack, Education Director of Chartered Institute of Loss Adjusters, Graham Cave, Executive Director of the Institute and Marketing Director of Fuedi, and Peter Hamerslag, executive Director of Fuedi.

Fuedi has expressed its wish to increase the links between Ferma and Fuedi members by delivering mutual educational programmes.

## **FURTHER NEWS**

### **STANDARD AND POOR'S**

#### **“Inside View”**

Do you want to understand what is intended when a rating is published? What is meant by an upgrade, a downgrade, and the “outlook” placed on the ratings? Without a basic understanding of these areas, users can act hastily in the way they react to the ratings actions. Subscribing to Inside View will give risk managers a good basic understanding of ratings and credit risk, explained in plain language and in an easily digested format. Standard and Poor's offers to all risk managers to subscribe to the free email service directly to ensure “Inside View” arrives directly in your inbox on the day it is published.. Inside View is published in French and German as well. Contact: [open\\_door@standardandpoors.com](mailto:open_door@standardandpoors.com)

### **PUBLICATIONS**

**“Bhopal: La pire catastrophe industrielle de tous les temps”** - Editions Préventique – Jacques Charbonnier. More info Contact : [contact@preventique.org](mailto:contact@preventique.org) or + 33 5 56 79 10 55

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