



Conference Report 16/18 June 2014

“This is a great time to be in your jobs. Take advantage of the opportunities from Airmic, FERMA and RIMS events. Become a risk guide for your company.”

Mike McGavick, CEO of XL Group.

Shaping the future of risk – Airmic 2014



There was a buzz of excitement about the Airmic 2014 conference (#airmic2014) even before the start of the formal programme. A capacity audience of about 150 women gathered for Airmic’s first ever ladies’ lunch in what FERMA President Julia Graham described as “an electric atmosphere”.

Julia has made enhancing gender-diversity in the risk community a key objective in her term of office as FERMA president, and she urged her women colleagues at the lunch to go “MAD and Make a Difference”. She said that with the support of fellow board members, FERMA is setting up a European team of people in the profession who will act as diversity champions, including risk managers, insurance managers, brokers, regulators and academics.

Following the lunch, Julia commented: “We have some great role models in our profession at all stages of their careers - and many of them were at the lunch and all those present have a ‘special place’ in being able to make a difference to their careers and those of their peers. We will be profiling some of them and celebrating their success and lessons learned.

Opening the formal programme for the conference, Airmic Chairman Chris McGloin kept the enthusiasm going with the announcement of an increase in membership numbers from 1193 to 1269 over the past year and record attendance at the conference of 970, including 475 members. Airmic CEO John Hurrell described it as “the greatest concentration of intellectual fire power we have ever had.”



The first keynote speech was an illustration of this intellectual firepower, a fascinating but sobering description of the current threat from cyber risks from Simon Moores, managing director of Zentelligence. “If you have anything of value, you can be sure that someone will try to steal it,” he warned. “Perhaps they have already stolen it.” This applies increasingly to intellectual property, not just personal data to turn into immediate financial gain. Stolen information is traded on what is known as the darknet or deep web, hidden websites beyond the reach of search engines where everything is for sale.

“The threats are more and more automated,” Moores advised. “Threats are being industrialised through clever algorithms. New hackers do not need to know very much about coding,” he warned. The problem for business is the cost of

combatting the threat. "There is no simple, easy solution. Industry has a range of solutions. Some are good and some bad, but it is increasingly unlikely to guarantee that industry can be protected," was Moores' sobering message.

Shaping the future of risk

The world is not becoming an easier place, it was clear. "Shaping the future of risk" was the theme of the conference, with a focus on getting risk management and insurance up the board agenda. Airmic fully demonstrated its intention to do so with the launch of its global insurance regulatory database, Insight Risk Manager, and new reports.

Several years ago, FERMA board members highlighted the growing difficulty of maintaining regulatory and tax compliance for global insurance programmes; relying on the brokers and insurers was not enough, they said. Airmic took the initiative and worked with Axco, the supplier of global insurance market information, and with the support of leading brokers, it has now launched Insight Risk Manager, the first compliance database designed specifically for risk managers. This first version covers regulations in 30 countries representing 93 per cent of the world's property-casualty insurance premiums. Access to Insight Risk Manager is an Airmic membership benefit, and according to Julia, FERMA will explore with Airmic ways of making it available to all member associations.

Airmic tackled the implications of the far reaching World Risk Report that is published every year in January ahead of the World Economic Forum in Davos. Working with the Institute of Directors, it has now produced *Responding to Global Risks: a practical guide for business leaders*. Global risks, such as fiscal crises, social instability and failure to adapt to climate change, are among the most dangerous an organisation can face, the report warns. Although these systems are for the board to address, risk managers provide information, create a catalyst for action and insure the necessary controls are in place as part of a risk leadership role, said John Hurrell.

Rethink the insurance buying process. Start the renewal process 60 days earlier, and take legal advice to ensure that policy wordings are appropriate to scenarios that are specific to the business. This advice came from John as Airmic launched its comprehensive *Insurance Efficiency Guide*. Over the past five years Airmic has produced a series of publications to avoid the pitfalls in the insurance-buying process. It has now brought together all these topics and other aspects of the commercial insurance buying process into a single guide.

Said John: "When talking to our friends in the market, including lawyers, brokers and loss adjusters, we have developed a pretty good idea of what can go wrong.

In almost every case, these problems can be avoided by undertaking a rigorous process to underpin coverage prior to inception.”

The biggest concern from risk managers today about insurance, however, is lack of innovation. It was cited by 26 per cent of those who took part in Airmic’s annual survey when they were asked which of 15 aspects of the market most concerned them. Seventeen per cent were most worried about claims issues, while for 14 per cent it was the compliance of international insurance programmes.

Challenge to insurers

The innovation challenge was put to senior figures from the insurance market during the conference insurance panel. For their part, the insurers stressed their constraints, especially regulation and low interest rates. Mike McGavick, CEO of XL Group, admitted that industry was not famous for its speed of response. “Many product lines address yesterday’s problems. Today, the pace of change is such that we will not be able to innovate if we insist on 10 years of longitudinal data sets. Whole industries will come and go before we produce a new product.”

His recommendations to make insurers more responsive to business needs are:

1. Do not put your best people on your most profitable lines. Put them where your challenges are;
2. Accept that there will be failures, just contain them so they do not threaten the whole firm;
3. Look for proxies for the traditional 10-year time series, and accept that you will need to have partnerships outside the insurance industry to create the necessary intellectual horsepower.

Following the insurance panel, Julia addressed the whole conference. As a member of Airmic and former chairman, she thanked her colleagues for their support in allowing her to become president of FERMA. FERMA, she said, gives risk managers a seat at the European Commission table. “We have that voice which can represent your interests as well as other member associations.” Julia also expressed gratitude on behalf of FERMA’s other members for work which Airmic does and shares with them.

Not for the first time but perhaps most appropriately this year, the new chairman of Airmic is a woman, Helen Pope. In her first remarks as chairman, Helen picked up the diversity challenge. She said that increased attention to Airmic’s women members and encouraging young people into the profession would be among principle objectives during her year in office, along with deepening the relationship with Airmic’s partners.



The event concluded with a keynote address by Michael Woodward, whose unveiling of a €1.25bn corporate fraud at the Japanese industrial giant Olympus in 2011 led to his dismissal as CEO of the company and a major scandal. Woodward now lectures on whistleblowing, human rights and corporate governance. His talk illustrated clearly how boards composed of people who all think the same way, in this case entirely male with overwhelming loyalty to corporate Japan, can lead to behaviour that a more diverse group might not accept.

Julia added: “Between the main sessions, there was an excellent range of workshops. I moderated one of them on managing weather risks and it was well attended and well received. I thought the quality of the exhibition reached new heights - well laid out and supported by delegates- with a real buzz.

“My take-away from the Airmic conference? Reinforcement of feeling of pride in my profession and a mind full of new knowledge and practical ideas to help me and my board at a strategic and operational level in managing risk and insurance!”