FERMA
Federation of European Risk Management Associations

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Top Italian insurer sponsors Forum

GENERALI

Italy's largest insurer Generali Assicurazioni, is to be the diamond sponsor for the 2015 FERMA Forum in Venice on 4 to 7 October. Diamond sponsorship is a new category this year open only to a partner from the host country.

Generali, which is one of the world's largest insurers, was founded in Trieste in 1831 when the city was the most important seaport of the Austro-Hungarian Empire. The city was booming; about 20 insurance companies were already active mainly in marine insurance. Generali's founder Giuseppe Lazzano Morpurgo brought together a group of Trieste financiers and merchants in November 1831 to start a company with sufficient capital to expand beyond the geographical territory reached by other Trieste houses and into other classes of insurance. Almost immediately after the statutes of the new company had been approved, Morpurgo left Trieste to establish the company's Venice headquarters, so the company's connection with Venice is nearly as old as the business itself. **p.2**

More Forum news:

- Platinum, gold and silver sponsorship opportunities are still available;
- Only a limited number of exhibition stands remain;
- Applications are also open for speakers.

For more information on all of these items, contact FERMA's Project Manager Véronique De Hertogh at veronique.dehertogh@ferma.eu or +32 2 761 94 35.

The March edition of the FERMA newsletter will have a full focus on the Forum with the launch of registration, the Forum website and the draft programme.

Board approves strategic actions setting directions in 2015

The FERMA Board has approved 14 strategic actions for 2015 and ensured that they are aligned with FERMA's strategic objectives: to be a significant stakeholder at EU level, to coordinate and support the development of risk management, and to be sustainable.

Europe: We will continue to monitor developments affecting risk managers and position ourselves on major regulatory issues. These are the regulatory issues on top of the risk managers' agenda according to the 2014 FERMA European Risk and Insurance Survey.

- Solvency II: 2015 is the last year of preparation before the entry into force of the Solvency II regime for the insurance sector on 1 January 2016. Captives benefit from a simplified treatment, but the implementing measures define captives in a restrictive manner. FERMA will follow the European Commission's work on the Level 2 implementing measures and monitor the Solvency II equivalence assessment for non-European captive domiciles. (More on Solvency II below.) **p.4**

Also in this Issue...

Solvency II

The Delegated Act for the Solvency II Directive was finally published on 17 January 2015 on the EU Official Journal.
The definition and simplifications for the calculation of provisions for captives have remained constantly the same since the versions of July and October 2014; they are treated in the articles 89, 90, 103, 105 and 106 of the new Delegated Act. Eligible captives are still limited to the type of captives which do not have compulsory third party liability business and which provide cover only to undertakings belonging to the group. **p.6**

Top Italian insurer sponsors Forum

(Continued from front page)

Registration for enthusiasts

One risk manager is so enthusiastic about the 2015 Forum that he sent his application – in writing – to FERMA before the New Year. **Online applications will open around the end of March**.

2015: FERMA looks ahead

FERMA has started 2015 with a new executive structure and ambitious plans for the year. Here the executive team give us their views and personal objectives.

Julia Graham, President and board member

Julia Graham

One of my objectives as FERMA president was to agree and implement a management succession plan for the FERMA leadership that built upon the achievements of the past and positioned FERMA for even greater achievements in the future.

Now, for the first time, FERMA has selected its next president well ahead of the end of the current president's term of office - allowing for a smooth and informed transition. Jo Willaert, who is one of three vice presidents, has taken on the position of deputy president and will follow me as president at the end of the 2015 Forum in Venice on 7 October.

We have our new executive committee, and the positions of secretary general (company secretary) and treasurer are now held by board members following the retirement of Pierre Sonigo and Fernand De Winter. We have role profiles for the new executive, so there is clarity on what is expected from each of us. There is more work to do in this area but we have made promising progress.

I also want to use this opportunity to acknowledge the work of Pierre and Fernand. Pierre has been an architect of the FERMA we have today, and Fernand helped us to manage our financial and operational affairs - both have worked in harmony with several presidents, including me, and with our Executive Director Florence Bindelle. We have grown and come a long way over this period and we owe them a debt of gratitude.

My priorities for this second year in office are consistent and remain "the profession, innovation and diversity" - and you will see continuation of our delivery against each of these objectives during the year and especially at our Forum.

Have a great 2015!

Jo Willaert, Deputy President and board member

Jo Willaert

My primary goals for 2015 fall under three main headings: supporting the launch of Certification, learning the new job and contributing to the success of the Forum.

As part of the Certification working group under the chairmanship of Michel Dennery and with Julia's very active coaching, getting Certification off to a running start is one of my personal goals this year. I believe that through Certification we will be supporting our members in the development of the profession, because we will have a clearer definition of risk management and the skills and experience that are expected of a risk management professional.

Secondly, I am spending the next nine months learning the job of president and familiarising myself with the organisation of FERMA's activities. As a vice president and board member, I am not a stranger to FERMA, but as president I will need a wider overview. In the past, the new president may only have had days between the election and changeover. Instead, I will be able to get off to an immediate start in Venice with my preparation done

I will take advantage of the geographical proximity of my office near the motorway in Antwerp to spend time with the FERMA team, because I am often in Brussels for work.

Finally, the Forum is a very important event in the FERMA calendar and programme, and as a member of the executive committee, and in organising a workshop and discussions, I want to contribute to its success.

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Michel Dennery, Vice President and board member, chairman of the Certification working group

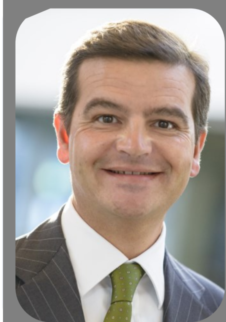
Michel Dennery

At the Forum in Maastricht in 2013, we said that our goal was the launch Certification this year and to announce the first wave of certified risk managers at the 2015 Forum. We are now working on details of the business model, the marketing and communications, and we have appointed MCI as a marketing agency to help us with to launch of Certification. This is one of the most important projects which FERMA has ever undertaken and with European Certification we can move risk management from a discipline to a profession.

Diversity is also important to me. Our 2014 European Risk and Insurance Survey showed that only 27 % of the 850 risk managers who responded are women; I would have expected more. There really is no reason why women should not be as well represented as men in risk and insurance management, so I will support any opportunity FERMA has for action on diversity.

That diversity also needs to encompass our young risk professionals and the most experienced risk managers so that we are able to provide the range of views that organisations need to get a balanced view of the complex risks they have to manage.

Alessandro De Felice, Vice President and board member



Alessandro De Felice

For me as FERMA vice president and board member for Italy, creating a successful Forum is my principle goal this year. From 4-7 October, I will join other members of ANRA to welcome more than 1500 risk professionals to the Venice Lido for the 2015 FERMA Forum, and we want participants to come away believing they have gained professionally and personally from being there.

I am delighted that Generali, one of Europe's most important companies in the commercial insurance market, will be our diamond sponsor. Trieste, where Generali has its historic headquarters, Genoa and Venice have been the cradle of European insurance and risk management from the 14th century thanks to their maritime and trading activities, so this is a very appropriate partnership for the most pan-European risk and insurance management event. Today, Venice is also a symbol for risk management as the huge project of mobile dams called MOSE works to mitigate the effects of global warming and rising sea levels on its historic buildings and keeps alive an entire area.

I am also proud that FERMA intends to award its first Certifications at the Forum whose key themes are "educate, inspire and influence." I believe professional education is crucial to our taking risk management from a skilled discipline into a true profession.

Edwin V Meyer, Secretary General and board member

Edwin V. Meyer

FERMA's governance, risk and compliance (GRC) is the responsibility of the secretary general under Belgian law. We need to make sure that we have proper GRC measures in place and that we comply with our own byelaws and with all the legal requirements. Now that a board member is fulfilling this role, it has become an oversight function and the treasurer and I will assist the Executive Director, Florence Bindelle, as needed on issues related to administration, law, finance and human resources as non-executive directors.

I also remain a board member and my primary responsibility in 2015 is as chairman of the programme committee for the Forum. I am working with my colleagues on the committee to put the weight of the programme behind FERMA's core activities, representing the views of its members with European institutions and acting as the voice of risk managers at European level. In this way, we make their collective views carry more weight.

Anders Esbjörnsson, Treasurer and board member

Anders Esbjörnsson

The job of treasurer was previously part of the operational team and now it is a board level responsibility. As such I have a supervisory and oversight role, in the way that the job of a finance director in companies today is more about leadership than operational matters.

We have two very important projects this year for FERMA and for me as treasurer in terms of FERMA's financial control and security: the Forum which is the main source of our income and the launch of Certification.

In terms of what FERMA can do for its members this year, we will continue with our core objectives, and we can do more to spread knowledge of those activities to all our members and individual risk managers. I am not sure our members realise all the initiatives FERMA is doing on their behalf.

Board approves strategic actions setting directions in 2015

(Continued from front page)

- Environmental Liability Directive (ELD): Our goal is to ensure that the revision of the ELD planned for 2015 takes into account FERMA's position against mandatory financial security, the extension of strict liability to all operators and the addition of new damages under the ELD regime. We will follow the Commission's work on the effectiveness, scope and exceptions to the ELD and continue to be part of the ELD task force of Insurance Europe. In addition, we envisage delivering EU funded training in member associations.

- Directive on Non-Financial Reporting (NFR): Following the recent adoption of the new directive, the European Commission will develop some specific guidelines within the next two years on non-financial reporting elements, such as environmental risks, social and employee matters, anti-corruption and bribery policies. FERMA's joint working group with the internal auditors through the European Confederation of Institutes of Internal Auditing (ECIIA) will keep working in 2015 to develop a consistent message to the European Commission to ensure that reporting is efficient and meaningful.

- Regulation on information and data protection: We continue to follow developments associated with confidentiality, data protection, cyber risk management, and associated insurance and risk financing solutions. We will monitor the future impact of mandatory notification and reporting for cyber incidents proposed in the Directive on Network and Information Security. We will keep the European Commission up to date with information on the cyber insurance market from the corporate buyer's perspective and the feasibility of standards regarding cybersecurity.

- Insurance Block Exemption Regulation (IBER): The Commission launched the consultation in August 2014 to begin the assessment of the IBER and determine whether the claimed benefits of insurance pooling still justify the special treatment they receive from EU competition authorities. FERMA will express its views in the consultation to ensure the renewal of the IBER in 2017.

Certification of Risk Managers: With this initiative, we continue to promote professional risk management professional development with the objective of providing a framework reference on risk management education and certification of risk and insurance managers from 2015.

FERMA Risk Management Forum 2015: The next conference will take place in Venice from 4-7 October, and aims at gathering 2000 delegates. Our objective is to deliver a high quality event that attracts even more risk managers than before.

FERMA Seminar 2016 and European Risk and Insurance Survey: Later in 2015, we will launch the team which will conduct FERMA's European Risk and Insurance Survey 2016. We are already working on the next 2016 FERMA Seminar for risk managers, to be held in Malta, where we will present the results of this survey.

Duty of Care Guidance: European organisations' duty of care applies to workers on cross-border assignments. With the International SOS Foundation, we plan to issue a white paper on "Safety, health and security risks management for work-related international travel and assignments – The European risk managers' perspective".

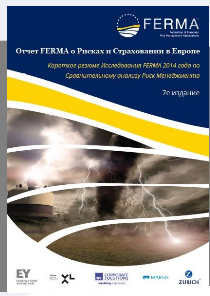
Corporate Governance : A joint guidance prepared by EcoDa, AIG and FERMA will bring the expertise of the three participants (board members, insurers and risk managers) to the issue and practice of risk committees within companies. It will focus on the dialogue between risk managers and board members to better position the risk management profession at board level.

Diversity: This project aims at increasing diversity in the risk management community through activities such as the development of an international women's network and the creation of opportunities for networking and mentoring.

Business Model: In 2015, we will rework the business model to ensure future financial sustainability and deliver value on the initiatives in the coming years.

Marketing and Communications: Our marketing and communications programme continues to support our strategic objectives. In 2015, we also aim at aligning our marketing and communications with those of our national association members through increased coordination of our initiatives.

European Risk and Insurance Report now in Russian



The FERMA European Risk and Insurance Report 2014 is now available in Russian thanks to our member RusRisk who has made a translation. **Отчет FERMA о Рисках и Страховании в Европе** can be downloaded here:
http://www.ferma.eu/app/uploads/2015/01/FERMA-European-Risk-and-Insurance-Report-Russian.pdf

Letter from Brussels


Florence Bindelle

This will be a year of change for FERMA. You may be aware that during the last board meeting in December, we elected a new Secretary General Edwin V. Meyer, General Manager Risk and Insurance for Arcelormittal based in Luxembourg, and a new Treasurer, Anders Esbjörnsson who is Group Risk Manager NCC in Sweden.

Both Edwin and Anders are key opinion leaders of the risk management community, and already very familiar with FERMA's organisation. I look forward to their innovative input and insight into our future developments. Their predecessors Pierre Sonigo and Fernand De Winter gave us immense support, and we are currently in a period of transition.

Most important, the board approved the strategic plan for 2015. It identifies 14 major initiatives that will be developed during 2015, which are linked to our strategic objectives. A number of working groups have been established to move these projects forward. We also aim at developing synergies on common fields with our members. One of those projects is Certification, and two major gatherings took place to advance the CPD framework and the general process maps for Certification.

This project demonstrates that the future of the profession is in our hands, and the teams of volunteers among our members that are involved are just fantastic. They dedicate time and we are thankful for their commitment.

On the communication side, we organised our first communication day meeting discussing and coordinating actions at European scale. We welcomed two German representatives, Miriam Metzmacher and Stephanie Speyrer, and Simona Miele from Italy, who shared and helped shape the marketing plan and ideas. This meeting is the outcome of regular conference calls with the communication officers of the risk management associations. Together, we create the risk management online community.

The Forum in Venice is on track. Most of our trusted partners have already confirmed their presence, and the programme committee has launched the call for speakers. The deadline for applications is coming soon; don't miss the opportunity to share your views. The committee will soon review the proposals to set up and produce high quality sessions.

To give the latest European news in a nutshell, we have responded to the EIOPA consultation about the equivalence assessment of the Bermudian supervisory system in relation to the Solvency II Directive. Following consultation with our members, we have supported the Zurich Insurance initiative on the insurance of international programmes and will have to bring it to the level of the International Risk and Insurance Management Association (IFRIMA), where FERMA has three representatives.
We are also in the membership renewal period. We welcome applications from individuals or companies with an interest in European risk management if they are established in a country without a FERMA member association, whether they are inside or outside Europe.

Terrorism in Paris and elsewhere

The horrific terrorism attacks in Paris during the week of January 5th are a clear reminder to risk managers of the growth in risks which are intangible and hard to manage, according to FERMA President Julia Graham. Others that have come onto the scene in the last year are the conflict and sanctions related to Russia and the Ukraine, and the Ebola outbreak in West Africa.

"The risks are rare events and almost impossible to manage specifically, so they tend to get put into the category of 'too difficult', but we must not ignore the potential for catastrophic risks like these. Although the same thing may never happen again, other events could be equally devastating and have long term consequences. Ebola, for example, is an epidemic. The possibility of an influenza pandemic remains, even though the last outbreak was ultimately less serious than feared. Our role needs to be one of helping our organisations identify vulnerabilities and build resilience to serious threats whatever they are," says Julia.

FERMA joined AMRAE in expressing solidarity and condolences with the victims of the terrorist attack in Paris on the magazine Charlie Hebdo and others. Other FERMA members have also experienced terrorism in their cities. "Freedom of opinion and expression are fundamental values which should be protected without fail and with the greatest determination," states FERMA.

AMRAE says…


Gilbert Canameras

Gilbert Canameras, President of AMRAE, quotes the words the 18th century French Enlightenment writer, historian and philosopher Voltaire: *"Je ne suis pas d'accord avec ce que vous dites, mais je me battrai jusqu'à la mort pour que vous ayez le droit de le dire."* (I do not agree with what you say but I shall fight to the death to retain your right to say it.)

Says Gilbert, "As President of AMRAE, in the name of the French community of risk managers, I thank very much all those throughout the world who sent us messages of sympathy during those terrible days of terror. Liberty to think and freedom to express our views are fundamental republican and democratic values, and we must protect them with the highest determination and without failure.

"Risk managers are aware and worried about the increase of terrorism risks, but this is a risk already integrated into companies' policies. Many companies are used to working in countries where this risk is present, not only in the Middle East, but also in many other places. It is the role of risk managers to be aware of the strength of the security measures taken by companies and ensure they are appropriate for the level of threat."

From the President

Julia Graham

As we started 2015, our thoughts turned towards New Year resolutions.

One of my resolutions is to keep up to date with my reading - which will have the added value in the future years of contributing to my continuing professional development needs as a Certified Risk Manager. (Look out for an in-depth report about Certification in a coming FERMA Newsletter).

My thinking about managing risk is informed by a number of excellent reports, especially by the FERMA European Risk and Insurance Report and the annual World Economic Forum Global Risks Report.

I found it interesting to see that risks associated with the global financial crisis have moved down the list of risk priorities in the 2015 Global Risks Report, published in January. While they are still there, other serious matters have now eclipsed them.

The report canvasses the knowledge of more than 900 experts and decision makers from across the globe to assess, in its own words, "the perceived impact and likelihood of 28 prevalent global risks over a 10-year time frame". It says that the most pressing threat to the stability of our world in the next 10 years comes from the risk of international conflict. The consequences of interstate conflicts are also likely to lead to severe water crises across the planet, and the report concludes that environmental risks are far graver than any economic ones.

Never have the three themes of my term in office as FERMA President – Our Profession, Innovation and Diversity - been more relevant. If we are to become risk leaders and support top management in their role of managing risk, as risk professionals we must find practical and innovative ways to help them fulfil this responsibility in such a challenging world as part of business strategy and management.

These risks can emerge and change at speed, and some more "traditional" approaches to developing and using risk registers can be too slow to trigger a reaction. The modern organisation must be adaptable and responsive using risk radars supported by horizon scanning and scenario modelling.

Horizon scanning and scenario modelling demand specific knowledge and skills. To what extent risk managers need to master and use their complexities is a question of judgement - a facilitated round-table discussion with the "right" people can be very effective. These techniques belong in the modern risk professional's tool kit. FERMA recognises this and will feature both in future papers and at our Venice Forum in October.

European Affairs

Solvency II: one step further towards legal certainty despite a restrictive definition of captives

(Continued from front page)

This is a restrictive interpretation of Article 13 of Solvency II (2), which also speaks about the coverage of "group risks" to define the business of a captive and not only the criteria of a strict legal ownership of insured entities by the group to designate captives eligible to simplified treatment. This has been an important subject of discussion within the risk management community for several years and a source of concern regarding the impact of the new regime on captives.

The dialogue between the captive industry and national regulators will continue well beyond the entry into force of the Solvency II regime on 1 January 2016. For FERMA, the combination of the EU Presidency of Luxembourg from June to December 2015 and the FERMA Forum in October 2015 will be the occasion to refresh this dialogue.

The European Commission finally released the Delegated Act on 10 October 2014 with the detailed provisions implementing the principles set in the Solvency II Directive. Both sets of legislators, the European Parliament and the Council, had an initial scrutiny period of three months that could have been doubled if required.

The Delegated Act for Solvency II was the last legal instrument that needed to be approved in order to guarantee a detailed implementation of the Solvency II Directive on 1 January 2016. It empowers the European Commission to add new provisions or modify some non-essential elements of the original Solvency II Directive that was voted in 2009.

It also provides for all the necessary details for the insurance industry to identify more accurately the investments that will match with their risk profile and capital requirements. Olav Jones, Deputy Director General of Insurance Europe, expressed its satisfaction to see the Delegated Act finally published in a statement on 19 January, although he made clear that "further refinements regarding unnecessarily high capital charges for long-term investments" would be necessary in years to come during the review process of the Directive.

However it was adopted without objections by both the Council of the EU (Member States) on 28 November and the European Parliament, despite a last minute blocking motion by the Green Party. A letter sent on 19 December 2015 by the Chair of the Economic and Financial Affairs (ECON), nevertheless, warned the Commission there are still some concerns about the way Solvency II will be implemented through the Delegated Act. These concerns were expressed in a letter rather than in a negative vote that would have put implementation of Solvency II in a very difficult position. Mr. Jonathan Hill, Commissioner for Financial Stability, Financial Services and Capital Markets Union, replied on 27 January on each of the issues raised in the Parliament letter.

US terrorism insurance - the new TRIA

Nathan Bacchus

As any business or organisation with assets in the United States knows, 2014 and the first few days of 2015 were a period of extreme uncertainty related to the future of the US Terrorism Risk Insurance Act, or TRIA.

This programme, created in the aftermath of the 9/11 attacks, established a mechanism for a public-private share of terrorism insurance losses. It has proved critical to ensuring that commercial consumers of insurance, with assets in the United States, are able to obtain adequate terrorism coverage at affordable prices.

Before the 9/11 attacks, losses from terrorist events were typically included in general insurance policies. The risk was considered negligible and, therefore, did not come with a specific cost to the insured; however, this all changed following 9/11. Insurers re-assessed the risk of terrorism and concluded that such coverage would be excluded from general insurance policies in future. Terrorism coverage became available only through specialised policies that came at a very high, and often unaffordable, cost to insureds. This lack of coverage posed a very real threat to the US and global economies, as many real estate and development projects were postponed or canceled due to problems securing loans without adequate terrorism coverage.

« Another critical component is its requirement that insurers offer terrorism coverage that does not differ materially from non-terrorism related coverage»

The TRIA response

The TRIA programme, established in 2002, was meant to address this issue in several ways. First, it created a public-private cost sharing mechanism for acts of terrorism. The programme established a $100 million “trigger” that had to be reached before the programme would be set into motion. This first $100 million in losses was to be covered solely by the private industry. Once the trigger was reached, the private industry would have a further 20% deductible. After that deductible was met, the US government would then pay 85% of losses while the private industry would pay 15%.

Another critical component of the TRIA programme is its requirement that insurers offer terrorism coverage that does not differ materially from non-terrorism related coverage. This ensured that insureds could find adequate coverage at affordable prices. The third major component of the TRIA programme is meant to protect the American taxpayer by the creation of a recoupment mechanism for the private industry to repay, over time, any TRIA losses paid by the government.

Since its creation, TRIA has proved to be an unequivocal success. Coverage is widely available for nearly any organisation doing business within the United States. This is critical as nearly all lenders require proof of terrorism coverage before entering into any lending agreement. Additionally, rates have gone down significantly since the days immediately following 9/11 and have stabilised at levels that are affordable for the vast majority of insureds. This is true even in the most high-risk areas, such as New York City or Los Angeles.

The most recent six-year extension of TRIA, signed by President Obama on 12 January 2015 does make a few changes to the programme. The trigger will increase from $100 million to $200 million by 2020. The US government’s share of losses will decrease from 85% to 80%, and the amount the government will recoup from the industry in the event of a government payout will increase from $27.5 billion to $37.5 billion. These changes were largely expected and are unlikely to cause significant increases in terrorism insurance rates or decrease in overall capacity.

If your organisation has assets within the United States, it is important to discuss with your broker and/or insurer any potential impacts the changes to the TRIA programme could have on your coverage. If you have any questions about the programme itself, please feel free to contact me directly at nbacchus@rims.org.

Nathan Bacchus is Senior Government Affairs Manager at RIMS, the US-based risk management society.

Edwin V. Meyer

FERMA Secretary General Edwin V Meyer, General Manager Risk and Insurance for Arcelormittal based in Luxembourg, commented:
“As an insurance risk manager for a company having significant assets in the United States, we have followed the pending renewal of TRIA with great interest. The ability to provide broad and affordable coverage against a disastrous terrorism event is crucial and given today’s environment, this must be a shared responsibility involving companies and the government. It is not one that insurers and insureds can bear alone.

With an ever increasing geopolitical risk landscape and rise in terrorism, the United States Congress decision to extend TRIA for a period of six years, will be viewed favourably by the governments of other countries to continue supporting similar arrangements.”

Expert Views

Talvivaara Mining Company bankruptcy - financing the environmental risk

Matti Sjögren

This case from Finland explains the issues under Environmental Liability Directive (ELD) legislation of financing remediation of the environmental damage caused by an industrial operator which has become bankrupt.

Talvivaara Mining Company

Talvivaara Mining Company was established in 2004 and started production in 2008. It operates an open pit nickel mine in Sotkamo in Eastern Finland with an annual production capacity of more than 10 million tonnes of ore. The metals are extracted by bioheap leaching, a method where natural bacteria living in the rock accelerate metal leaching by oxidation.

Financial status of the company

The company landed into financial problems for several reasons, among them lower than estimated productivity, nickel price change and environmental investments. Talvivaara applied for a debt restructuring programme, but it was not possible to find a viable solution, and the company filed for bankruptcy in November 2014.

The Finnish Government is the biggest single owner of the company's shares. The Office of the Bankruptcy Ombudsman has taken the estate into the public bankruptcy process.

Environmental impacts

There are numerous environmental impacts from the company. They include the permitted release of effluent and chemicals into the environment. The partly unsuccessful production process has led to the collection of excessive amounts of water on the site. However, there have been also accidental individual larger releases. The excessive water balance led to releases in 2008 and 2010, but neither the company nor the authorities were able to intervene. In 2012, the water had to be pumped out of the pit and temporarily the gypsum pond was used for this purpose. This led to a breakdown of the pond and a major leak.

The environmental impacts are not regarded as a catastrophe. The chemicals in the environment are mostly those permitted by the environmental permit. However, there are more chemicals than permitted.

The authorities have stated that the production process must be maintained for years to prevent further environmental impacts. The state is financing the current operation for "stabilising both the environmental situation and mining operations".

Liabilities

According to the environmental permit and legislation, the operator must operate without causing damage to the environment, which applies also to the bankruptcy estate.

It is too early to define the liabilities at this stage. According to the Act on Compensation for Environmental Damage (EDCA), the civil liability for environmental damage is based on strict liability. Some land or cabin owners from the surrounding area have presented liability claims to Talvivaara based on decreased water quality in the lakes and other damage.

Under this ELD legislation, the authorities have the right to require or order remedial measures of the environment in case of damage caused to the environment in certain situations. The basic rule is that if a company's operation continues by some other operator the environmental liabilities follow. This is under legal discussion as there has never been a case of this magnitude.

All claims presented so far by individual claimants or the authorities related to the environmental impacts amount to less than €20m, while total investments into the operation have exceeded €1bn.

Financial guarantees and insurance

The company may have general liability insurance to cover the environmental damage. The standard policy would cover only sudden and accidental damage, not the expected and permitted damage or any gradual pollution.

The company has also some collateral guarantee to cover damage or restoration activities if its operation is closed down. These costs may be quite high, but hardly unexpected.

Finland has a statutory environmental impairment insurance scheme. It is a secondary financial guarantee in case of an unknown or insolvent polluter. It is financed by premiums from about 1300 mainly industrial companies which need an environmental permit from the state. The maximum coverage per claim is €5m and €8,5 million in annual aggregate. The insurance covers only civil liability compensation under the EDCA. This insurance has not been triggered yet.

Conclusion

There are many unclear issues concerning the liabilities and responsibilities. The operation is still running with the financial support of the state and the state authorities are in charge of it. We can, however, say that this is rather a financial catastrophe for the company itself and its investors than for the environment. The environment has suffered and needs time to recover, and the future impacts need to be managed.

Matti Sjögren is Chairman of the Board of the Finnish Environmental Insurance Centre

Tapio Huovinen

"As Mr. Sjögren suggests, the bankruptcy of the Talvivaara Mining Company is first of all a financial catastrophe rather than an environmental one. At this point, it is very complex for the risk management community to draw any conclusions on the Talvivaara case, but we will remain attentive as to how this incident will be understood by the European authorities in their current revision of the ELD. FinnRima will raise these environmental issues in one of our quarterly mini seminars in 2015, and we will be pleased to share our conclusions with FERMA to support its action in Brussels." said Tapio Huovinen, FinnRimma President

Knowledge Corner

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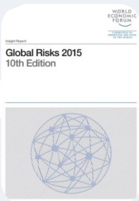
FERMA's selection of recently published useful reports for risk managers.

BELRIM: Liber Amicorum
BELRIM 40th anniversary book (English, Flemish, French)
http://bit.ly/belrim-40-anniversary-report

Corporate governance
Developments in Corporate Governance and Stewardship, UK Financial Reporting Council (English)
http://bit.ly/developments-in-corporate-governance-and-stewardship

Cyberrisks
Cyberrisk measurement and assessment, World Economic Forum (English)
http://bit.ly/cyber-risk-world-economic-forum

Global Risks
Allianz Risk Barometer 2015 (English and German)
http://bit.ly/allianz-risk-barometer



Global Risks Report 2015
World Economic Forum annual study (English)
http://bit.ly/world-economic-forum-2015-report
Executive summary also available in French, German, Portuguese and Spanish
http://bit.ly/1C0ylBi

Die Versicherungspraxis
Monthly magazine of FERMA member DVS (German)
http://bit.ly/18NoRjd

NARIM Magazine
Magazine of FERMA member NARIM (Dutch)
http://bit.ly/1CvbQr2

Supply chain
FM Global interactive resilience index (English)
http://bit.ly/18Np7yF

Workplace safety
EU-OHSA safety days report – a FERMA partnership (English)
http://bit.ly/1LQp4kZ

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This newsletter is produced by FERMA. If you have any questions concerning this Newsletter, please contact Florence Bindelle at FERMA on +32 2 761 94 32 – email: florence.bindelle@ferma.eu