FERMA Risk Management Benchmarking Survey 2012

6th Edition

Keys to Understanding the Diversity of Risk Management in a Riskier World

In partnership with Ernst & Young and AXA Corporate Solutions




FERMA
Federation of European Risk Management Associations

AXA CORPORATE SOLUTIONS
redefining / standards

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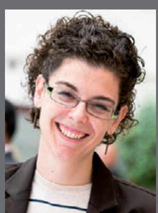
Quality In Everything We Do

“I am delighted that the survey shows that mature Risk Management practices are linked to sustainable growth in revenue and profit.

Jorge Luzzi,
President, FERMA
and Director of Corporate Risk Management, Pirelli

“This report is a valuable source of information for companies across Europe. They will be able to compare the maturity of their Risk Management policies and processes against others in their own business sector and in other countries.



Cristina Martinez,
FERMA board member with responsibility for the survey and Corporate Risk Management Director, Campofrio Food Group

“Now more than ever, in a more and more risky and regulated world, companies need to integrate the risk dimension in their major corporate decisions and demonstrate the robustness of their Risk Management to maintain sustainable relations of trust with the diverse stakeholders (partners, investors, administrators, bankers,...).

Jean-Pierre Letartre,
Chairman Ernst & Young FraMaLux

“In the current economic turmoil, with fast moving risks and regulations, the role of the insurers is to help the Risk Managers to overcome their challenges. An efficient partnership is essential to successfully share the expectations which, as seen in the FERMA survey, could be different according to countries and build innovative solutions with each and every Risk Manager.

Philippe Rocard,
CEO, AXA Corporate Solutions

Summary

What's new in the 6th Edition of the FERMA Risk Management Benchmarking Survey 2012?

This 6th Edition of the FERMA Risk Management Benchmarking Survey fits the first strategic objective of FERMA to coordinate, promote and support the development and application of Risk Management in Europe by organising surveys and benchmarks to identify and share current practices.

The number of participants has risen steadily since the first survey in 2000. In 2012, we received a record number of **809 responses** to our questionnaire representing 20 countries!

This year, FERMA conducted the survey with the same multi-criteria analysis as that implemented in 2010. This approach allows us to highlight the developments that have impacted Risk Management practices, and assess the evolution in Risk Management maturity.

Indeed, **FERMA decided to repeat the Risk Management maturity analysis performed in 2010** in order to analyse the evolution of maturity within European companies and enable Risk Managers to compare the maturity of their Risk Management practices against others.

In addition, FERMA wanted to answer **four new questions in this 2012 survey**:

- **What are the impacts of the European 8th Company Law Directive on companies' Risk Management policy and Executive Committee operations?**

  This regulation perceived as a regulatory cornerstone in terms of Risk Management is not new. However, nearly four years after its elaboration and gradual transposition into law in European Union Member States, we considered we could step back and assess its actual impact on Risk Management practices.

- **What is the influence of the recent financial and economic situation on Risk Management?**

  For four years European companies have been struggling with a prolonged economic downturn. We wished to have the 2012 survey offer a vision of the evolution of Risk Management practices in this tough economic environment.

- **Is there a link between companies' performance and Risk Management maturity level?**

  Events of the last decade have fundamentally shifted how organisations think about risk and how they want to invest in Risk Management. In the 2012 survey, we wanted to analyse if mature Risk Management practices were linked to sustainable growth in terms of profit and revenue.

- **How are Risk Managers responding to the pressures posed by the continuing economic and financial crisis in terms of their insurance?**

  Companies are having to make adjustments to the economic and financial crisis which is now clearly a long term phenomenon. We wanted to find out specifically how they are changing their insurance programmes and their treatment of insurable risk in response.

Key Findings

1. As in the 2010 and 2008 studies, **business compliance and legal requirements are the main external factors triggering Risk Management** within companies. However shareholders requirements are now the second.

2. The **impacts of the European 8th Company Law Directive** are **still poorly understood by a large number of Risk and Insurance Managers and poorly integrated by Executive Committees.**

3. Risk Managers consider **Top Management and Board/ Audit Committees have more or less aligned expections and the same three main objectives regarding Risk Management**:
   - provide a reasonable assurance that major risks are identified and managed;
   - minimise operational surprises and losses;
   - integrate the risk dimension within the decision making process.

4. **Market competition and business/regulation are still considered as the main two risk priorities**, consistent with 2010. Comparing the risk importance assessment between 2010 and 2012, we note that only **reputation risk and market volatility impact** are regarded as emerging topics.

5. The **difficult economic and financial situation has led to increased reporting to Executive/Audit Committees and to a modification of the Risk Governance/Risk Management mandate.**

6. **Overall, the Risk Management maturity analysis reveals little progress in comparison with 2010. However**, behind this general finding, a closer analysis shows that progress has been made mainly in governance area:
   - **a.** The Risk Management function reports more and more to Top Management level;
   - **b.** The Internal Audit function is playing an increasing role in the process of providing an independent assurance on the quality/efficiency of the Risk Management system.

7. **In terms of risk appetite,** a closer analysis of the results shows that the declared risk appetite is mostly triggered by the risk category, rather than the risk assessment. Consequently, it appears that companies mainly adopt risk-taking strategies when it comes to external risks (competition, political, market risks, M&A), or, especially for complex companies, for planning and execution decisions.

8. Finally, the survey reveals a **correlation between the level of Risk Management maturity of a company and its performance**, in terms of EBITDA and growth or a long term basis.

9. In the current economic climate, most respondents are planning to **strengthen their loss prevention activity** rather than increase their use of insurance.

10. Risk Professionals are looking **for long term relationships** with robust industry partners.

11. There is a strong demand for **improvement in claims efficiency**.

12. Where **risks have been identified and mapped**, it does **not necessarily** mean that they are **adequately insured**. Either the Risk Manager has made an **informed "cost-benefit"** decision or the coverage is not available.

13. **Claims trends and Solvency II** are the main areas of concerns for the Risk Management community.

14. The **search for compliance** is greatly impacting the structure of insurance programmes.

Risk Management fundamentals:
Where do we stand and what's new?

Between 2008-2012, one major regulation came into force (EU 8th Directive) and several Risk Management standards (ISO 31000) were created or updated.

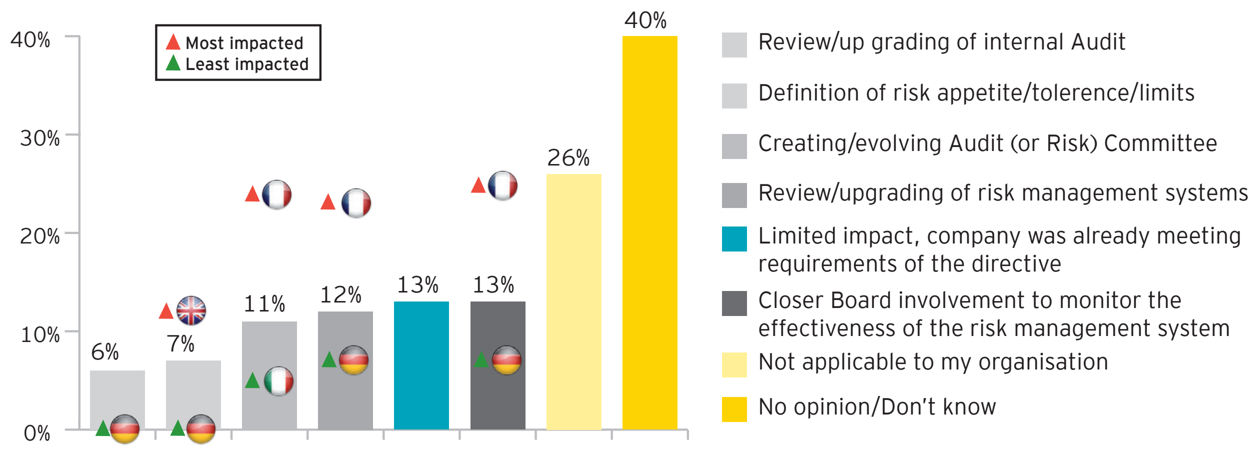
Regulation: still a limited impact of the EU 8th Directive

Thus, we could have anticipated that this period would be dedicated to a massive deployment of the EU 8th Directive within companies, and notably listed companies. However, the survey shows that the impacts of the EU 8th Directive are still poorly integrated and understood by a large number of respondents (including in listed companies).

Nearly half (44%) of the listed companies' respondents have no opinion or no idea regarding the effect of the EU 8th Directive (in line with 2010 results); 26% consider that it is not applicable to their organisation (vs. 12% in 2010).

The results show that France has been the most impacted by the EU 8th Directive, whereas Germany had already a strong level of awareness.

Impacts of the EU 8th Directive on companies' Risk Management policy



Impacts of the EU 8th Directive on Executive Committee operations

In addition a deeper analysis of the results shows that the impacts of the EU 8th Directive are still not integrated enough by Executive Committees:

- 45% of respondents consider that their Executive Committee does not devote enough time to review Risk Management topics;
- Only 52% of Executive Committees are informed of both corporate and division major risks;
- Furthermore, only 39% of Executive Committees define the risk appetite of their organisation, which tends to show that Top Management still does not spread the tone at the top throughout the organisation.

Still no leading Risk Management standard of reference

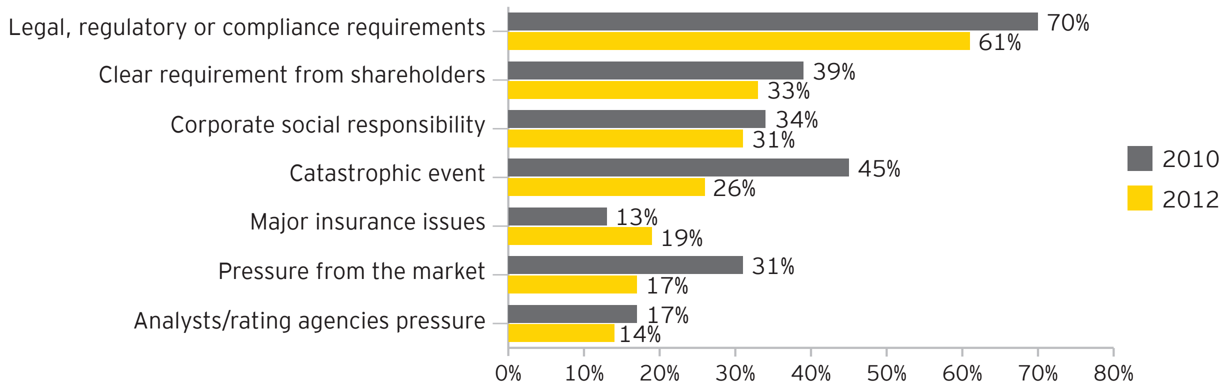
In the course of the last two years, the number of companies using the ISO 31000 Standard has increased, from 13% in 2010 to 25% in 2012. The ISO 31000 framework now closely follows the COSO 2 framework (29% of EU companies). However, despite this evolution, the 2012 survey shows that 37% of EU companies still rely on internal frameworks rather than on external standards, and even 23% of EU companies do not use any standard.

Risk Management fundamentals:
Where do we stand and what's new?

Legal, regulatory or compliance requirements are still considered as the main external factors triggering Risk Management within companies

As in the 2010 and 2008 surveys, business compliance and legal requirements remain the major factor triggering of Risk Management within companies (61%), although somewhat diminishing. Overall, however, there is a perception of decreasing external triggers. Conversely, European companies acknowledge that clear requirements from shareholders are now the second trigger.

Main external factors triggering Risk Management within your company



Risk Management objectives: traditional expectations are still on the top of the list, but a better link between strategic decisions and Risk Management is a rising expectation

According to Risk Managers, both Top Management and Board/Audit Committees share the top two objectives for Risk Management:

- provide a reasonable assurance that major risks are identified and managed,
- minimise operational surprises and losses.

According to Risk Managers, the integration of risk appetite within the decision making process is considered as the 3rd main expectation (5th in 2010) for both Top Management and Board/Audit Committees. This evolution demonstrates the willingness of companies to use Risk Management as a performance driver. Further investigations show that this trend is widely shared across European countries, although less common in France and Italy.

Economic and financial crisis: what influence on Risk Management practices?

More than three-quarters of respondents consider that the difficult economic and financial situation has influenced their company's Risk Management practices.

This tough environment has led Risk Management to increase its level of reporting to Executive/Audit Committees (46% of the respondents), which testifies to the rising interest of these committees in risk matters and a growing awareness of risk issues.

The second impact identified is the modification of the risk governance or the Risk Management mandate (34% of the respondents).

Maturity of Risk Management practices: few developments despite a more complex environment

In order to illustrate companies' different maturity levels with regard to Risk Management practices, we defined a multi-criteria approach based on four categories (Risk governance, Risk practices and tools, Risk reporting and communication, Risk Management functions alignment) and four maturity levels (Emerging, Moderate, Mature and Advanced) depending on respondents' answers to 16 relevant questions.

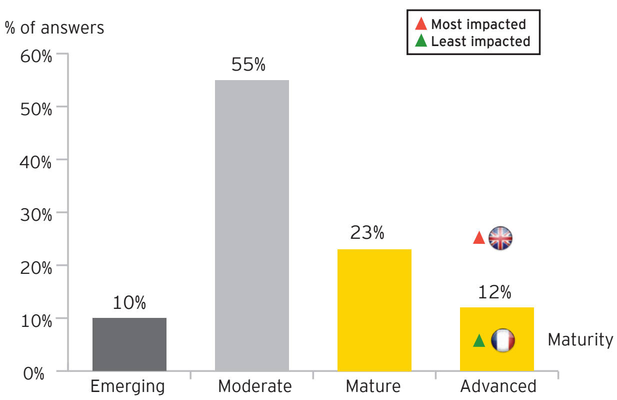
Based on this approach, we have assessed the maturity level of each respondent.

Risk governance: towards more reporting at Top Management level, and an increased role for Internal Audit

The mandate assigned to the Board, Audit and/or Risk Committee remains limited to specific areas; for 55% of the respondents, the mandate is limited to only one or two of the five issues highlighted in the survey.

Compared to 2010, risk governance maturity has significantly improved regarding reporting at Top Management level and involvement of Internal Audit as an independent player in Risk Management

Mandate of the Board, Audit and/or Risk Committee: a limited scope and a mandate to be clarified



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Mandate of the Board, Audit and/or Risk Committee:

1. Monitor the effectiveness of the Risk Management system
2. Monitor and ensure the compliance of Risk Management framework with respect to standards/local regulations
3. Challenge the company's risk appetite
4. Challenge the company's Risk Management strategy
5. Challenge residual risk exposure and relevance of existing mitigation actions

Emerging: no criteria included
Moderate: 1 or 2 criteria included
Mature: 3 or 4 criteria included
Advanced: all criteria included

Risk Management activity is globally interacted with the Board (79%). The level of maturity did not really evolve between 2010 and 2012 (79% of at least mature practices in 2012 vs 78% in 2010).

The Risk Management function is increasingly reporting at Top Management level: 53% (8% more than 2010) of European companies have a mature or advanced maturity. If reporting at CFO level (36%) remains widespread, this choice of organisation structure varies with countries: it is more common in Italy (59%) or Germany (55%) than in France (22%).

Internal Audit is increasingly fully or at least partially involved in the process of providing an independent assurance on the quality/efficiency of the Risk Management system (78% of the respondents compared to 61% in 2010).

Further investigations show that listed companies present overall a stronger assurance independence of the Internal Audit department over the Risk Management system than non-listed companies (75% vs. 68%). This highlights the fact that the 8th EU Directive strengthens the role of Internal Audit and provides more independent assurance over the Risk Management system. However, this positive development does not hide the room for improvement (only 27% of advanced companies).

Maturity of Risk Management practices: few developments despite a more complex environment

Risk practices and tools: basics are in place

A widespread use of risk mapping...

After a significant increase in 2010 of EU companies performing risk mapping, the 2012 survey reveals that the trend has flattened out at a high level. (79% of European companies are now performing regularly risk mapping). Further analysis demonstrates that listed companies (64%) have a more advanced maturity than not listed (58%). This discrepancy can be understood as a logical outcome of the 8th EU Directive implementation.

No evolution in comparison to 2010: mature and advanced level of maturity for 47% of companies

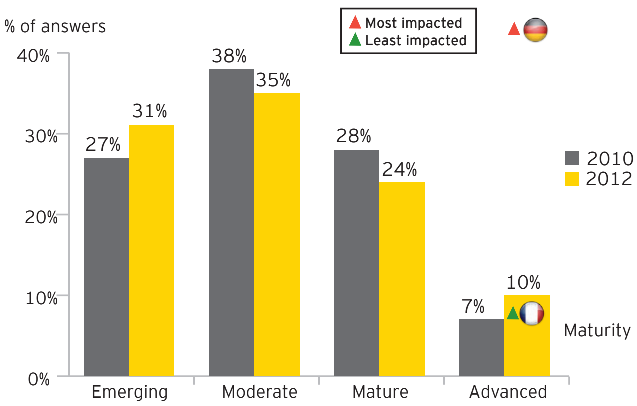
... but still a poor use of advanced quantification tools

Regarding **risk assessments and quantification**, basic methodologies are in place, risk assessment workshops (60% of the EU companies) and internal/external databases (44% of the EU companies) are the most widespread practices. However, advanced quantification tools, such as stochastic aggregation models or value at risk simulation models, are still rarely used.

Risk analysis is not yet sufficiently integrated in the decision making process. Even though the link between Risk Management and strategic decisions has become one of the 3 highest expectations of Top Management (see above), the survey shows that practices do yet not allow this expectation to be met. Two-thirds (66%) of the companies do not systematically perform a risk analysis (emerging and moderate levels) prior to major corporate decisions.

When performed, risk analyses essentially deal with major projects (66%) and investment decisions (46%). German companies present outstandingly advanced maturity in this regard compared to other European businesses (38% of respondents).

Decision making process: risk analysis and major corporate decisions are not yet fully embedded



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Six categories of strategic decisions identified:

1. Major projects
2. Strategic planning
3. Investment decisions
4. Contracts/bids
5. Acquisitions/transfers decisions
6. Budget decisions

Emerging: risk analysis and decision making are linked for 0 or 1 criteria
Moderate: risk analysis and decision making are linked for 2 or 3 criteria
Mature: risk analysis and decision making are linked for 4 or 5 criteria
Advanced: risk analysis and decision making are linked for the 6 criteria

Maturity of Risk Management practices: few developments despite a more complex environment

Risk reporting and communication: a stable trend

A mature internal communication

The role of Risk Management is now clearly defined, or in the process of being defined in a Risk Management policy or charter (78% of the respondents in 2012). We see that this practice is now widespread among both listed and not listed companies and no significant variation can be observed since 2010. The results demonstrate that the bigger the company, the more formal the Risk Management documentation. This practice is particularly widespread in Finland, Germany, Russia, Sweden and Switzerland.

Very slight increase in comparison to 2010: mature and advanced level of maturity for 64% of respondents

... but still a diversity of external communication practices

The external risk reporting remains very diverse from one company to another and encompasses a large array of practices. Indeed, the number of advanced companies has decreased between 2010 and 2012 (from 27% to 20%). Nearly two-thirds (64%) of the companies communicate the major risks they face, whereas 36% still have only a very limited level of external communication, if not minimal or inexistent communication.

Board use and perception of risk information: towards an embedded mechanism

The reported risk information is considered by the Board at least on an annual basis for 75% of the companies. Furthermore, for one-third of EU companies, Risk Management appears to be now completely embedded at Board level. Behind this result, we observe a wide range of variations among European countries: only 11% of the French respondents believe that Risk Management is completely embedded at Board level, whereas 55% of the German respondents consider it to be so.

Risk Management functions alignment

The two most widespread organisational models make the Risk Management function independent from Internal Control and Internal Audit...

Survey results indicate that one type of organisation tends to be more common than others among European companies: Risk and Insurance Management together but separated from Internal Control and from Internal Audit (39% of respondents). The second most common type of organisation consists of a split of the four functions into four different departments (22% of respondents).

A good level of maturity (55% of mature and advanced companies), but still room for improvement

... but advanced maturity practices require a close coordination between risk functions, which is not yet in place

A minimum level of coordination of the different risk functions is now largely widespread (64%). However, if the different risk functions do not work "in silos" any more (only 13%), full coordination of the different risk functions appears more as a best practice (22%) than a "usual standard". This trend is observed among all industries and is not correlated with the size of the company.

Maturity of Risk Management practices: few developments despite a more complex environment

Risk Management and Internal Audit functions: limited synergies

A minimum level of coordination between Risk Management and Internal Audit functions is now in place for 59% of the respondents. However, there is still no particular relationship between the two functions for more than a third of the respondents (41%) which remains quite high.

Cooperation between Risk Management and other functions: coordinated but not sufficiently integrated.

Only 18% of the respondents consider there is a very close integration of the Risk Management function with other functions within companies. This level of integration is actually different from one function to the other. Satisfactory levels of function interactions are observed in areas such as insurance management, ethics/compliance, treasury/finance, internal audit/internal control, business continuity and legal.

More generally, functions/partners working with the Risk Management function can be split into three categories:

1. *First-rank partners with whom the Risk Management function holds a close or very close relationship. These functions include insurance, legal, business continuity, internal audit/internal control, treasury/finance and ethics/ compliance;*
2. *Second-rank partners with whom the Risk Management function has a growing relationship. These functions include corporate social responsibility, supply chain/ quality, and IT;*
3. *Third-rank partners with whom the Risk Management function does not have any specific relationship. These functions include sustainable development, investor relations, and mergers and acquisitions.*

Risk priorities and risk appetite triggers
Riskier world: what does it mean?

What are the risk priorities?

Competition and compliance/regulation are still considered as the main two risk priorities as they were in 2010.

Comparing risk importance assessments between 2010 and 2012, we note that only one change occurred in the Top 5 risks. That is the risk linked to "production, quality, cost cutting", ranked 4th in 2010, has been replaced by the risk linked to reputation (social media, communication) in 2012.

Results also reveal that market risks are becoming more important for respondents (15% between 2010 and 2012). However, four risks are assessed as significantly less important: social and economic issues (-13%); production, quality, cost cutting (-8%); product design, safety and liability (-8%); compliance, legislation, policy, regulations (-8%).

Top ten risks

	2012	2010	Variation
Competition, clients, partnerships, market strategy, market	53%	53%	0%
Compliance, legislation, policy, regulations (national and international)	37%	45%	-8%
Financial: interest rate & foreign exchange, debt, cash flow, sovereign debt	36%	31%	5%
Reputation (social media, communication)	33%	New 2012	New 2012
Planning and execution	29%	33%	-4%
Market risks (commodity price shocks, real estate market volatility)	29%	14%	15%
Supply chain, business continuity	26%	31%	-5%
Production, quality, cost cutting	24%	32%	-8%
Human resources/key people, social security (labour)	21%	15%	6%
Political, expansion of government's role	21%	New 2012	New 2012

What level of risk acceptability?

Companies' risk appetite relies on risk category rather than risk significance

Our analysis reveals that companies' definition of risk appetite (e.g. "zero tolerance" stance vs. "risk taker" position) only partly depends on their assessment of the significance of each risk.

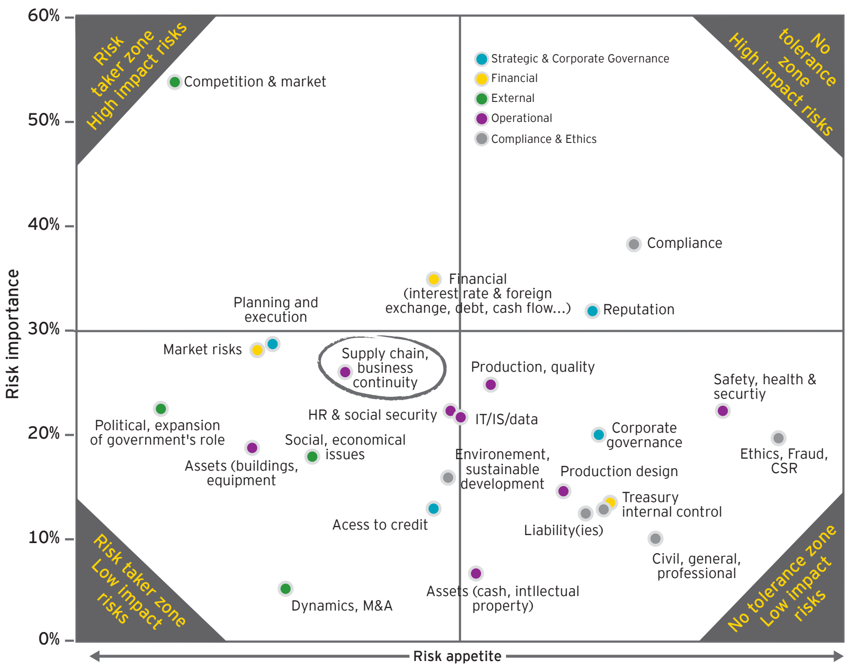
In fact, a closer analysis of the results shows that the declared risk appetite is mostly triggered by the risk category, rather than the risk assessment.

Consequently, it appears that companies mainly adopt risk-taking strategies when it comes to external risks (competition and market, political, market risks, M&A), or, especially for complex companies, for planning and execution decisions.

Conversely, companies appear to be totally averse to risks for regulatory and safety issues (risks related to compliance, ethics, fraud, internal control, corporate governance, health and safety), treasury and reputation.

In comparison to 2010, risk appetite for operational risks seems to be stronger in 2012 especially for the "supply chain, business continuity" risk.

Risk appetite by risk category



How do leading companies use Risk Management to fuel better performance?

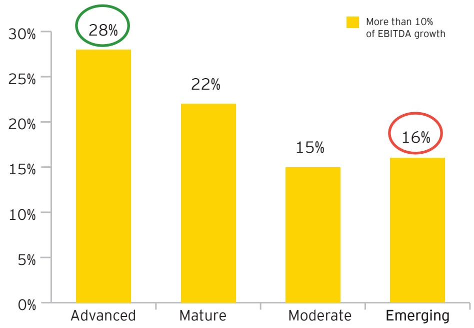
Link between Risk Management maturity and performance

Companies with more mature Risk Management practices seem to generate the highest growth.

The study reveals that companies with advanced risk management practices generated a stronger growth (over the last 5 years) both in EBITDA* and revenue.

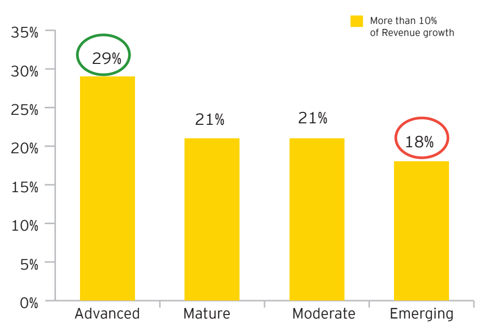
** Earnings Before Interest, Taxes, Depreciation and Amortisation*

Risk Management maturity and EBITDA growth



"28% of companies with Risk Management advanced practices have an EBITDA growth over 10% whereas only 16% of companies with emerging practices present such a growth."

Risk Management maturity and REVENUE growth



"29% of companies with Risk Management advanced practices have a Revenue growth over 10% whereas only 18% companies with emerging practices present such a growth."

What differentiates the top performers?

A recent Ernst & Young survey "Turn Risks into Results" found that while most organisations perform the basic elements of Risk Management, the top performers do more. We found specific risk practices that were consistently present in the top performers (i.e., top 20% based on risk maturity) that were not present in the bottom 20%. These risk practices can be organised into five domains.

The risk Agenda: Research study leading practices

Enhance risk strategy

- Two-way open communications about risk with external stakeholders
- Communication is transparent and timely, providing stakeholders with the relevant information that conveys the decisions and values of the organization
- The Board or Management Committee plays a leading role in defining risk management objectives
- A common risk framework has been adopted and implemented across the organization

Embed risk management

- There is a formal method for defining acceptable levels of risk within the organization
- Stress tests are used to validate risk tolerances
- Leadership has put in place an effective risk management program
- Planning and risk reporting cycles are coordinated so that current information about risk issues is incorporated into business planning

Turning risk into results

Improve controls and processes

- Lines of business have established key risk indicators (KRIs) that predict and model risk assessment
- Self-assessment and other reporting tools are standardized across the business
- Controls have been optimized to improve effectiveness, reduce costs and support increased business performance
- Key risk and control metrics have been established and updated to address impacts on the business

Optimise risk management functions

- Completion of risk-related training is incorporated into individual performance
- Risk monitoring and reporting tools are standardized across the organization
- Integrated technology enables the organization to manage risk and eliminates/prevents redundancy and lack of coverage
- The reporting system notifies all stakeholders affected by a risk, not just those in the function or area where the risk was identified

Enable risk management | **Communicate** risk coverage

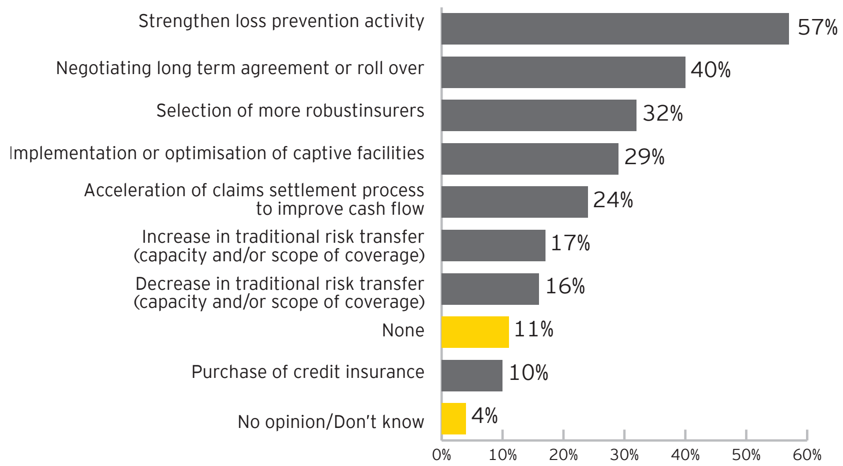
- Issue tracking, monitoring, and reporting are regularly performed using GRC software
- Risk identification and assessment are regularly performed using GRC software
- Organizations talk about their risk management and control framework in their annual report
- Provide assurance to their customers and other stakeholders using independent reports (e.g., SOCR)

Insurance market and management: back to basics?

Which of the following changes to your insurance programme will you consider as a result of the current financial and economic climate?

With their resources being stretched to breaking point Risk Managers are concentrating on efficient use of time, energy and capital. Whilst making value judgements regarding where to focus this finite resource in respect of insurance coverage, risk engineering support and the use of captives, risk professionals are also demanding long term relationships with robust industry partners able to offer pertinent and efficient global services.

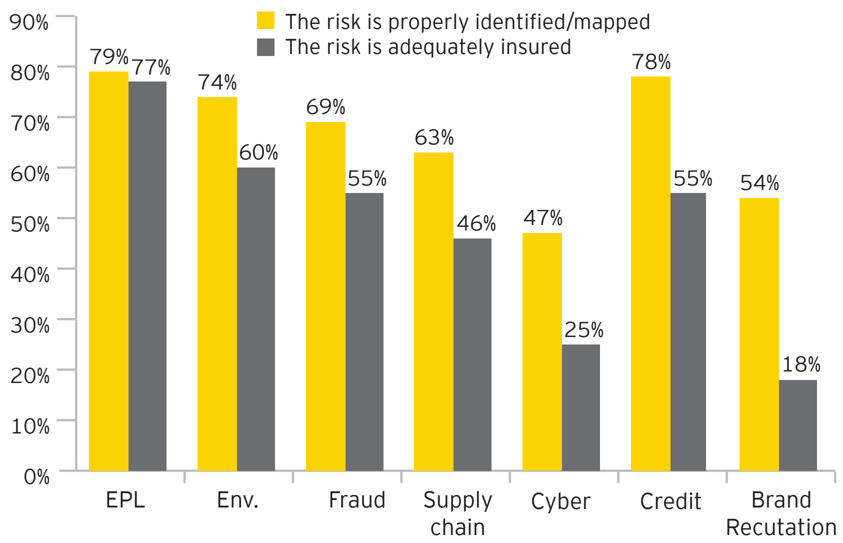
There appears to be an acceptance by Risk Managers that the financial crisis is not a short term problem. Evidence for this is their focus on long term solutions that the crisis forces on them, such as the strengthening of loss prevention activity and long term partnerships with secure, stable insurance partners.



Risk Managers identified no particular problems in respect of the availability of capacity and the geographical breadth of global coverage. However, at a time when Risk Management resources are coming under pressure, there does appear to be a general call for improved efficiency in respect of claims settlement (a priority for 43% of insureds). At the same time insurers are reminded not to ignore innovation and the bespoke and individual needs of clients (tailor-made policy wording and new insurance coverage should be insurers' priority for 36% and 30% respectively of respondents).

As would be expected a high proportion of respondents has properly identified and subsequently mapped the more readily quantifiable risks such as employments practices, credit and environmental. Not unsurprisingly it is a different story when we turn to emerging and evolving risks such as cyber, brand reputation and suppliers with lower levels of identification and mapping highlighted by the study's results.

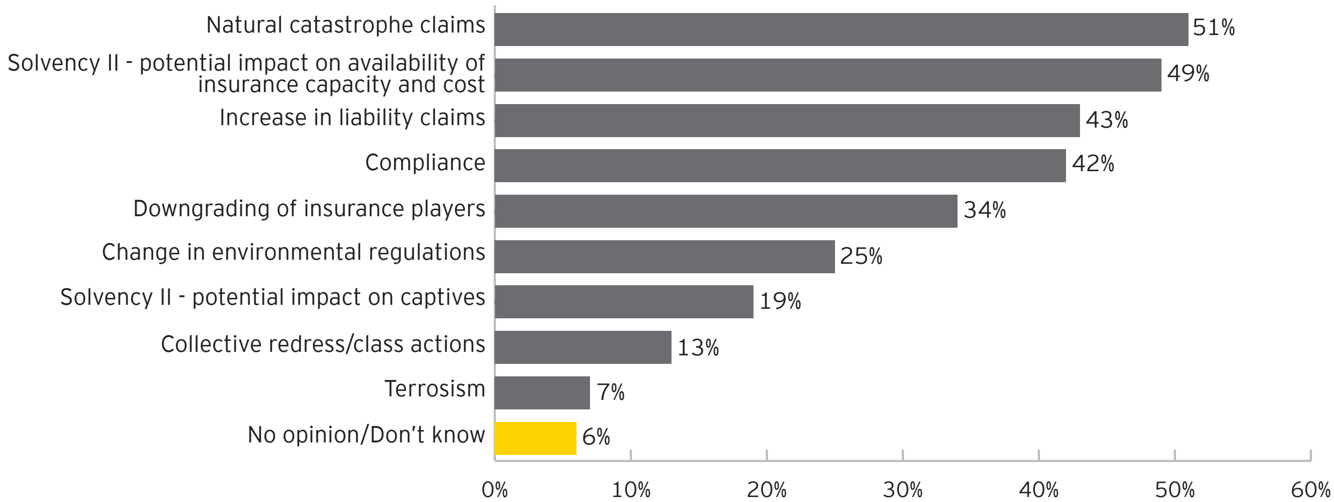
The study illustrates that where risks have been identified and mapped it does not necessarily follow that they are adequately insured. This is likely to be for one of two reasons; either the Risk Manager has made an informed "cost/benefit" decision to insure or not or cover is not available. Those risks that are neither properly mapped nor adequately insured (e.g. Cyber) pose a challenge to the risk management and insurance community that requires immediate attention.



Insurance market and management: back to basics?

Further evidence of the increasing pressure placed on risk management resources is the increased provision of risk engineering services by in-house teams at the expense of consultants. Both brokers and insurers, however, have maintained their traditional share of this market.

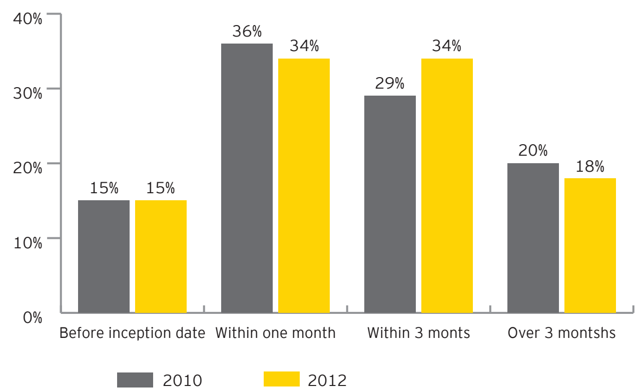
Identify the top three issues that you believe are likely in the next two years to have the greatest effect on insurance terms and conditions :



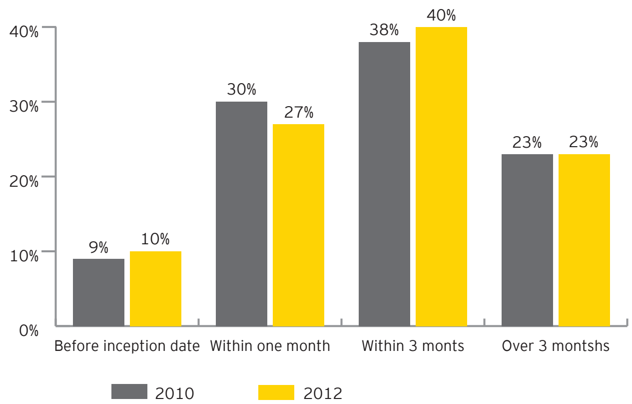
Two factors are identified as being the most likely to have the greatest effect on insurance terms and conditions. Claims trends, specifically in relation to natural catastrophes and liability, are highlighted as one area of concern. The second is evolving legislation and regulation, notably the potential impact of Solvency II. A third issue exercising Risk Managers' minds is the financial stability of insurers.

On average, at last renewal, when were your policy documents issued in relation to the policy inception date?

Master policy issuing



Local policy issuing



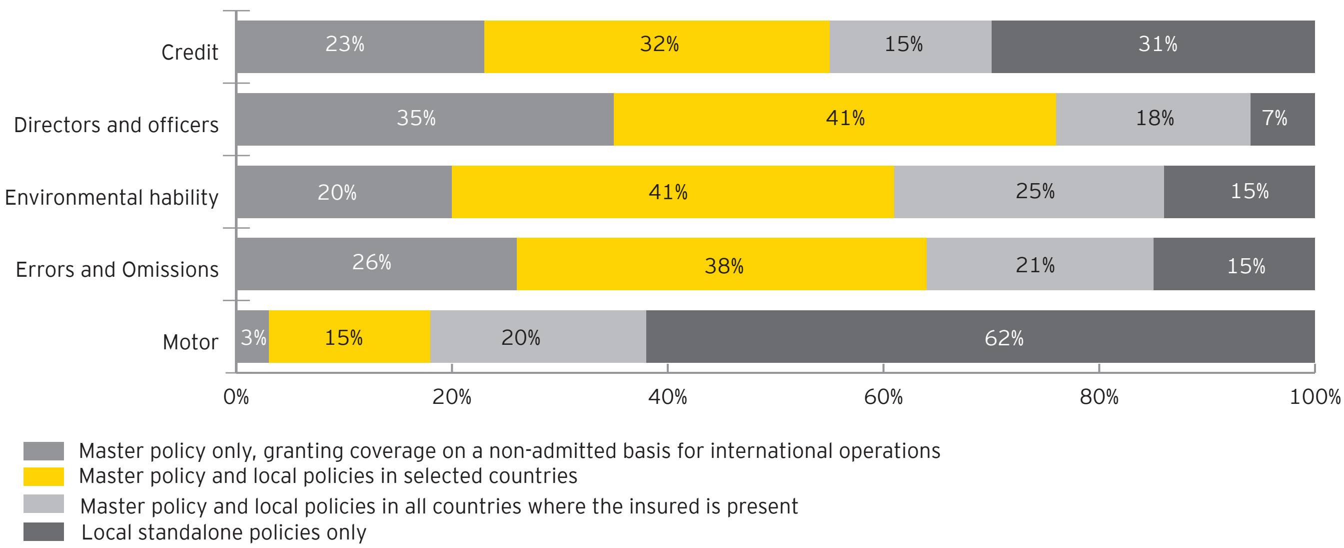
Is perception reality? Apparently not when it comes to improvement in the timeliness of policy issue. While a good proportion of respondents perceive there has been some improvement the figures tell a different story with the speed of policy issue stagnating at 2010 levels.

Insurance market and management: back to basics?

Work remains to be done in respect of the transparency of broker remuneration with one in four respondents stating they have moderate, poor or no knowledge of the total remuneration their broker receives for the business they transact on the client's behalf.

Insurers, brokers and Risk Managers have vital roles to play in the establishment of overseas subsidiaries' support for global programmes. According to 49% of respondents the success of a global programme depends on the assurance that brokers and insurers will provide full support locally. This emphasises the importance of an accurate selection of reliable and efficient network partners. For the Risk Manager, his or her prime responsibility is to facilitate efficient internal communication in the promotion of the programme, including terms and conditions.

In your opinion what is commonly the most efficient international insurance structure for the following risks?



Global programmes are viewed as the most efficient international insurance structure for all risks with the notable exception of motor insurance for which stand-alone policies are preferred. Where global programmes are seen as the preferred option the most efficient structure identified is a master policy supported by local policies in selected countries.

While it is interesting to note that nearly 50% of respondents operate a captive (the vast majority of which are domiciled in the European Economic Area), the question of readiness for Solvency II is perhaps more notable. With just 67%, 56% and 49% of all respondents stating their captives are compliant with the quantitative (Pillar 1), qualitative (Pillar 2) and disclosure (Pillar 3) requirements respectively, it is clear that a significant proportion of captives has a great deal of work to do prior to the introduction of the Solvency II regulations. There may be also a need for some clarity from regulators regarding the fate of captives under Solvency II.

Contacts

FERMA, the Federation of European Risk Management Associations, brings together the national Risk Management associations of 20 countries. FERMA exists to widen understanding of Risk Management and raise its standing throughout Europe with its members and with the Risk Management and insurance community. It achieves these aims by working with other European organisations, promoting awareness of Risk Management through the media, information sharing and supporting educational and research projects.

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Methodology

The Federation of European Risk Management Associations (FERMA) in collaboration with AXA Corporate Solutions and Ernst & Young conducted its Risk Management Benchmarking Survey of European companies between March and June 2012. This is the sixth survey, which has taken place every other year since 2002.

For a rounded perspective on Risk Management in European organisations, FERMA also encouraged replies not only from risk and insurance managers but also from people in a wide range of business positions with an interest in risk.

The result is a record response: 809 completed replies from 20 countries, compared to 782 for the previous survey in 2010, 555 in 2008, 460 in 2006, 269 in 2004 and 49 in 2002.

FERMA has 22 national Risk Management association members in 20 European countries. The results are broadly representative of organisation and industry sectors across Europe.

Respondents work mainly in large or very large companies most with significant international operations. More than half have a turnover of at least €2bn per year; 25% have more than €10bn; 59% employ over 5,000 people; 20% have more than 50,000 employees. More than half – 54% - are stock exchange listed.

An independent consulting organization was responsible for managing the survey and analysing the results.