



FERMA

FERMA European Risk Manager Report

2018



in partnership with



pwc

Introduction



FERMA is delighted to present the results of the ninth European Risk Manager Survey carried out in cooperation with PwC. This survey has taken place every other year since 2002 and it provides a unique insight into the views and the roles of risk managers across Europe.

In this edition, we have changed the emphasis slightly to better explore the work of risk managers in supporting the success and sustainability of their organisations. We see that over the 16 years of the FERMA European Survey, the role of the risk manager has, indeed, become more strategic and ERM is more deeply embedded into European organisations. Enterprise risk managers have a growing role as risk advisers on future corporate activities with governance, risk culture and risk appetite increasingly being part of the missions of the risk manager.

Collaboration with other departments in the organisation is another key aspect of the risk manager's role, acting as a risk conductor consolidating information from other risk-related functions to give a clear and comprehensive view to top management. We see a clear strengthening of the connection with IT and information security as cyber risks are seen as the number one threat to future growth.

Professionalism is increasing and there is a clearer division of expertise into enterprise risk management and insurance management. The risk manager has never been closer to innovation. Ensuring a good flow of risk information through the organisation, risk mapping, scenario analysis and skilled use of risk transfer are all part of risk and insurance managers' portfolio.

We believe that demands for sustainability, good corporate conduct and rapid digitalisation are leading to profound changes in organisations. This survey shows that the role of the risk manager is evolving. He or she is well equipped to be a co-pilot for the board and top management in this transformation.

My thanks go to Charlotte Hedemark Hancke as FERMA leader on this project, our partner PwC and the 22 national FERMA association members for their participation. I believe you will find this report interesting and useful.

Jo Willaert, President of FERMA



In recent years, the risk management function has been heavily solicited to facilitate both the implementation and coordination of risk management in relation to new regulations on compliance and data protection and the analysis of high profile strategic risks related to new technologies and artificial intelligence.

Risk managers play their role when collaborating with other functions within the organisation to provide comprehensive analysis of the risks to the top management and the board.

This report helps to understand the current responsibilities and challenge of the European risk managers and to identify emerging good practices.

Françoise Bergé, Partner Risk Assurance and Advisory Services, PwC



Key findings

Risk managers' activities

The principal activities of risk managers in charge of Enterprise Risk Management (ERM) and of Insurance Management (IM) are:



Operational activities	Strategic activities	Insurance activities
<ul style="list-style-type: none"> - 86% Risk identification, analysis, evaluation, prioritisation and reporting - 78% Development and implementation of ERM governance, framework, processes and/or tools - 63% Design and implementation of risk controls/prevention 	<ul style="list-style-type: none"> - 77% Development, implementation, and assessment of risk culture across the organisation - 75% Alignment and integration of risk management as part of the business strategy - 57% Development of the risk appetite strategy/statement 	<ul style="list-style-type: none"> - 82% Insurance policy management - 76% Development and implementation of insurance management governance, framework, process, and/or tools - 74% Claims handling - 62% Insurable loss prevention



The trend of risk managers taking more strategic responsibilities, as noted in previous FERMA surveys, continues, and ERM is increasingly gaining traction in organisations. In 2018, there is a **21%** increase in the proportion of risk managers who have responsibility for aligning and integrating risk management in the business strategy compared to 2016 and a **13%** rise in the number who are responsible for the development and implementation of risk culture across the organisation. Operational risk activities remain high on the agenda for the risk profession.

The main activities of risk managers in charge of insurance management are unchanged since 2016, when **86%** of respondents oversaw insurance management and claims handling/insurable loss prevention.



RECOGNITION

53% of risk managers say that **internal recognition of their function is increasing**, which may reinforce their position as a risk conductor.

AN INTERCONNECTED FUNCTION

65% of respondents said that they are acting as a **risk conductor within their organisation**, consolidating information from other risk-related functions to give a clear and comprehensive view to the top management.

Risk managers have reinforced their link with the IT department. **IT has gone from a 3rd to a 1st rank partner, with more than 93%** of respondents collaborating with it. Risk managers continue to work closely with the finance and legal teams, as well as business units, and there is a strengthening of relationships with ethics and compliance functions.

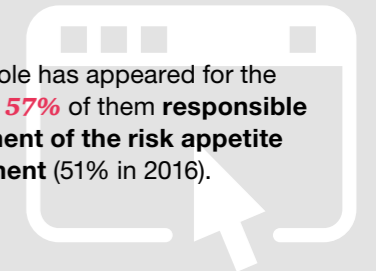
Apart from the traditional functions of risk managers, **20% are responsible for internal control** within their organisation, and generally, there is a close relationship between risk management and internal audit.



IN SUPPORT OF THE STRATEGY OF THE COMPANY

76% of risk managers assess risks that could affect the **relevance and viability of the organisation's strategy and objectives**. 83% of risk managers' report to the board or top management level (67% in 2016). Their role of strategic advisor is consolidated.

Above all, a new role has appeared for the risk manager with **57%** of them **responsible for the development of the risk appetite strategy / statement** (51% in 2016).



EMBRACING THE DIGITAL TRANSFORMATION OF THE COMPANY

37% of risk managers identify and assess risks prior to the adoption of new technologies by the business.

Risk managers themselves are users of new technologies allowing them to be more predictive and proactive. **49% are using web-based applications and 44% are using data analytics** to perform their risk and insurance activities. This year, artificial intelligence, blockchain and robotic process automation (RPA) are entering the list of tools used by risk managers.



RISK MANAGEMENT PRACTICES

57% of risk managers prepare a risk map that **consolidates top down and bottom-up approaches**.

Furthermore, some organisations are focusing on specific risks. For example, **16%** have a risk map dedicated to risk of corruption and **13%** have one dedicated to security risks.

What is keeping risk managers awake?

2018 TOP RISKS TO GROWTH

37% of respondents identify **cyber threats** as the main risk to growth prospects for their organisations while it was at the 7th position in 2016.

The 2018 survey confirms the trend observed in the 2016 survey with uncertain economic growth (**31%**) and geopolitical uncertainty (**30%**) as the other top 3 risks identified by risk managers.



Top 3 in 2018

- Cyber threats
- Uncertain economic growth
- Geopolitical uncertainty



Top 3 in 2016

- Economic conditions
- Business continuity disruption
- Political, country instability

3 new risks have entered the top 10:

- Speed of technological change
- Availability of key skills
- Climate change and environmental damage

THE EVOLUTION OF METHODOLOGIES TO ADAPT TO THE CHALLENGING ENVIRONMENT



Limits and exclusions within insurance contracts for emerging / specific risks (85%) and **new insurance-related regulations (80%)** are the insurance market topics about which a majority of risk managers feel concerned.

67% Risk retention appears to be the main strategy for emerging / specific risks.

The number of companies using **captives is stable between 2016 (34%) and 2018 (37%)**, but many expect to use them more.

INSURANCE BROKERAGE PRACTICES

36% of the risk managers interviewed use **different brokers according to the line of cover**, while 32% use only one external broker.

Profile of the risk manager

RESPONDENTS' ORGANISATIONS

81% of respondents come from organisation with a turnover of more than €50 million and more than 250 employees¹.

Moreover, **50%** of respondents' companies are listed.

The most commonly represented sector of activity is **industry** with **55%** of respondents. **84%** of respondents work at head office or corporate level of their organisation.

ERM AND INSURANCE MANAGEMENT

39% of respondents are solely dedicated to ERM activities.

33% perform both ERM and insurance management activities.

28% are specifically dedicated to insurance activities.

AGE AND GENDER

There are **4% more women risk managers than in 2016**, although men remain the majority. Risk management is a field of experience. **70% of risk managers are between 36 and 55 years old**, and **54% of them have more than 10 years of experience** in risk management.

CERTIFICATION

80% of respondents indicate that a recognised certification in practicing risk management would be beneficial.

In addition, interviewed respondents underlined the importance of certification, such as FERMA's RIMAP, to gain credibility when they were applying for risk management responsibilities.

REMUNERATION

55% of respondents have an annual remuneration (including bonus and all compensation) **between €60,000 and €150,000**, in line with previous years.

¹ The European Commission defines small enterprises as companies with less than 50 staff headcount and a turnover of € 10 m or less and medium enterprises as companies with less than 250 staff headcount and a turnover of € 50 m or less. In this survey, companies with higher figures are considered as large companies.

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France (20% of respondents including Monaco)	36
Benelux (Belgium, Netherlands, and Luxembourg: 14% of respondents)	38
Nordic countries (Denmark, Finland, Norway, and Sweden: 13% of respondents)	40
Italy (12% of respondents)	42
Mediterranean countries (Greece, Malta, Portugal, Spain and Turkey: 12% of respondents)	44
Central and Eastern Europe (Bulgaria, Czech Republic, Germany, Poland, and Slovenia: 8% of respondents)	46
United Kingdom and Ireland (8% of respondents)	48
Russia (7% of respondents)	50
Switzerland (3% of respondents)	52

Methodology

The data in this report came from an anonymous web-based survey distributed through FERMA's 22 members associations and the PwC European network between May and July 2018. It received responses from **734 respondents in 29 countries**.

The survey was composed of **40 questions divided into 4 categories**:

- **European Risk Management Profile:**
Q1 ->Q13;

- **Insurance Management and Captives:**
Q14 -> Q23;

- **Risk Management and Strategy:**
Q24 -> Q31;

- **Risk Management and Innovation:**
Q32-> Q40.

Respondents were not obliged to answer all the questions, so the size of the sample can vary from one question to another. In addition, some questions allowed multiple choices so the responses do not necessarily add up to 100%.

In order to compare the results, **the 29 countries were geographically aggregated into larger groups**: Northern Europe, Western Europe and Central and Eastern Europe.

In appendix, countries files **summarize the data per country or per cluster for countries with risk management association's members of FERMA**:

- **France and Monaco** (20% of respondents)

- **Benelux** (Belgium, Netherlands, and Luxembourg: 14% of respondents)

- **Nordic countries** (Denmark, Finland, Norway, and Sweden: 13% of respondents)

- **Italy** (12% of respondents)

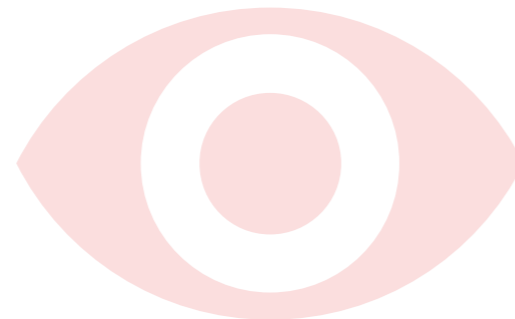
- **Mediterranean countries** (Greece, Malta, Portugal, Spain and Turkey: 12% of respondents)

- **Central and Eastern Europe** (Bulgaria, Czech Republic, Germany, Poland, and Slovenia: 8% of respondents)

- **United Kingdom and Ireland** (8% of respondents)

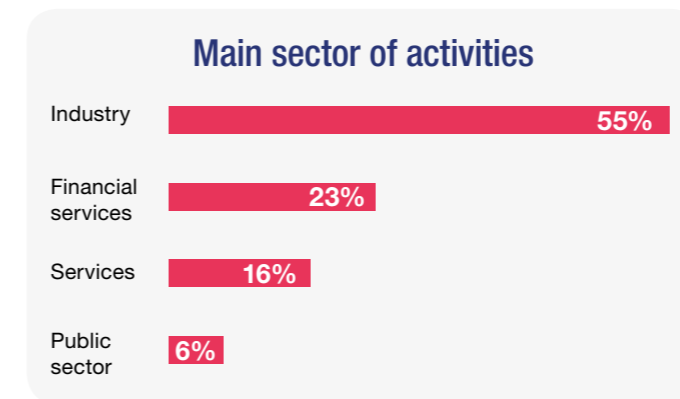
- **Russia** (7% of respondents)

- **Switzerland** (3% of respondents).

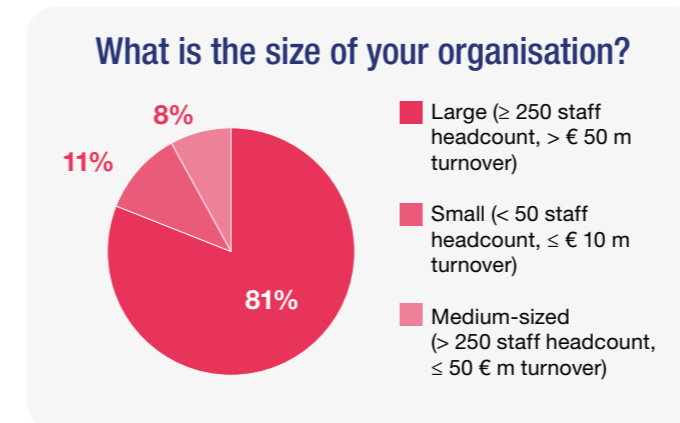


Part I: European Risk Manager Profile

Organisation



In Northern Europe, 73% of respondents work in the industrial sector compared to an average of 50% for the other two geographical areas. Financial services are more strongly represented in Central and Eastern Europe (33%) and in Western Europe (25%) than in Northern Europe (6%).



50% of risk managers interviewed work in a listed entity or a branch of a listed company.

The risk manager position exists mainly in large and listed firms. Indeed, in small companies, a manager who has other responsibilities, for example the CFO in small and medium sized organisations, usually conducts risk management.

Risk management teams consists of 1 full time equivalent people for 31% of ERM departments and 30% for insurance management departments and 2 to 3 full time equivalent people for 35% of ERM departments and 32% of insurance management departments.

The number of FTE people working in ERM departments is very similar in Western Europe and Central and Eastern

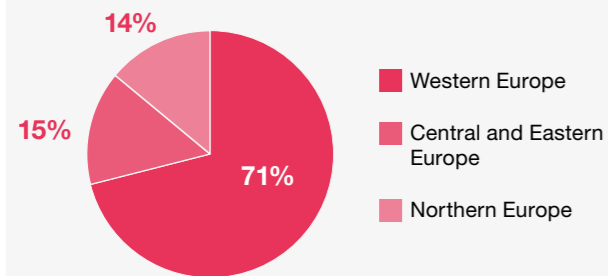
Europe. However, in Northern Europe, 51% of the ERM department consists of only one risk manager. In Northern Europe, 42% of insurance management departments are composed of one risk manager, 38% are composed of 2 or 3 FTE and 19% are composed at least of 4 FTE.

84% of risk managers interviewed work at a head office / corporate level.

The risk management function is usually located at head office level. This situation not only enables risk managers to have a global vision of the whole organisation, but also allows them to have access and interaction with other functions as required.

Geographical distribution

Respondents by region

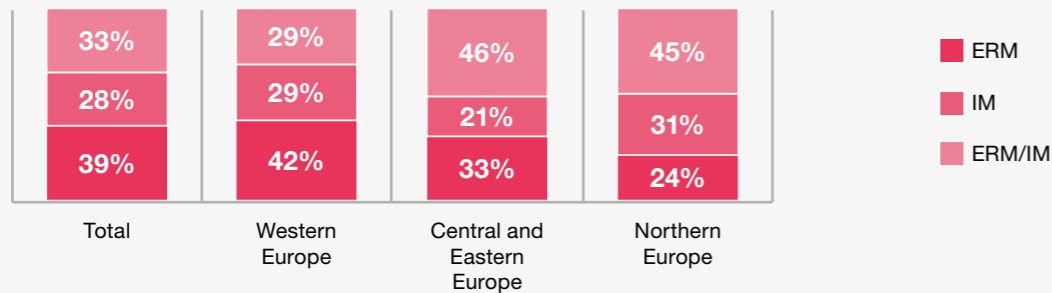


734 risk managers from 29 countries answered the survey.

80% of respondents (or their organisation) are members of a FERMA risk management association.



ERM / IM Breakdown



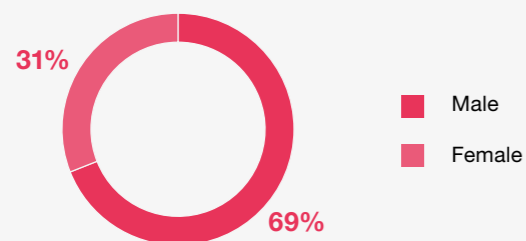
There are three types of risk management practiced within organisations:

- **An ERM profile:** oriented towards overall risk management of the organisation. Business risks are identified, analysed, engineered and reduced;
- **An IM profile:** oriented towards insurable risks, including loss prevention and risk transfer;
- **A mixed ERM / IM profile:** working on insurance, loss prevention and wider risk management issues.

ERM is gaining prominence. More risk managers define their work as ERM and their day-to-day responsibilities are changing.

In the 2016 FERMA Survey, « *insurance management and claims handling / insurable loss prevention* » were quoted as the primary day-to-day responsibilities and « *development of risk map: risk identification, analysis and evaluation, prioritisation and reporting* » was in second position.

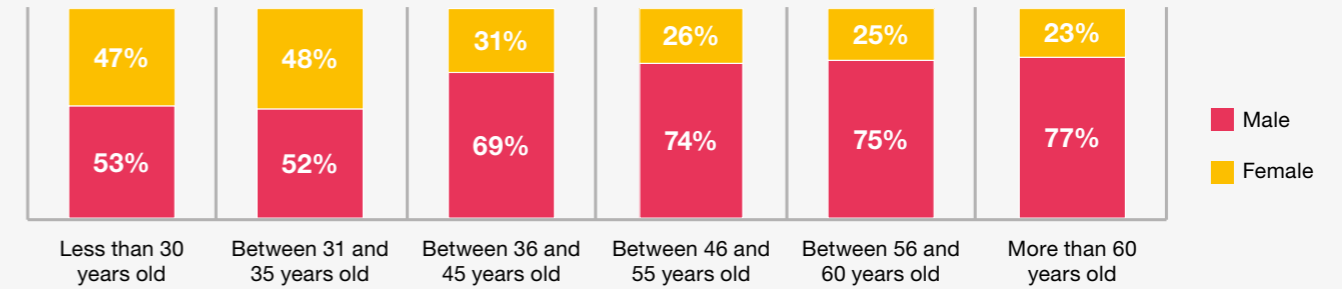
Age and gender



The number of women risk managers has increased since 2016 (31% in 2018 versus 27% in 2016).

Women risk managers are slightly more common in Northern Europe with 37% of respondents against 31% in the rest of Europe.

Gender breakdown by age



70% of risk managers interviewed are between 36 and 55 years old (72% in 2016).

Risk management is still a profession for the experienced.

Risk managers are particularly young in Central and Eastern Europe with 76% of them who have less than 45 years old.

Background

Do you have a specific qualification in risk and/or insurance management from any of the following?



The responses to the question above are similar from one geographical area to another, and there are no significant differences from an age perspective.

7% of respondents have a certification, which will include FERMA's RIMAP.

Recognition of the importance of certification



80% say that a recognised certification matters in practicing risk management, even though 36% of the risk managers do not currently have a specific qualification. They agree that being trained in this field is important to their job.



Education is important as it allows you to learn and develop your skills and knowledge. It helps you to stay relevant in our changing world where things are evolving quickly because of the digital transformation. Unless you keep pace, you will not be able to handle the risks your organisation is facing.

Formal education and certification open doors. A certificate confirms your level of knowledge and senior executives are more likely to see you as an expert and bring you into conversations. Even though you do not have to go through formal study and certification to get knowledge, you hold a key if you do.

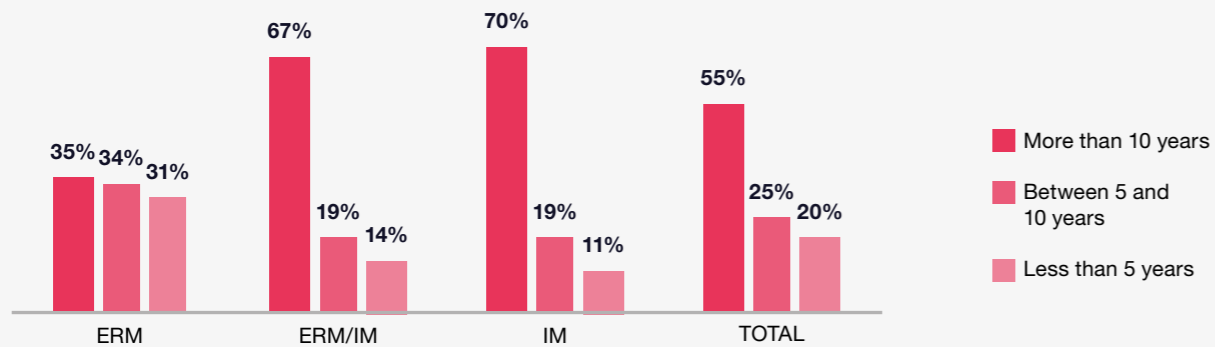
Additionally, certification gives you confidence, as it is an external confirmation of the level of your knowledge. I was promoted a couple of months after I completed the Chartered Insurance Institute (CII) Advanced Diploma. I had the knowledge earlier, but the confidence came after completing the studies.

Technical skills are not sufficient to become a risk leader. Interpersonal skills and the way you connect with people and deliver your messages are very important, too. »

Nataliya Todorova BA ACII, Head of Insurance for Save the Children International

Professional experience in risk management

How many years of relevant professional experience in risk and/or insurance management do you have?



55%

of respondents have more than 10 years of experience in risk management.

The most experienced risk managers are the IM and ERM / IM profiles. For both, almost 70% of respondents have more than 10 years' experience. In 2016, 12% of respondents had less than 5 years of experience against 20% today.

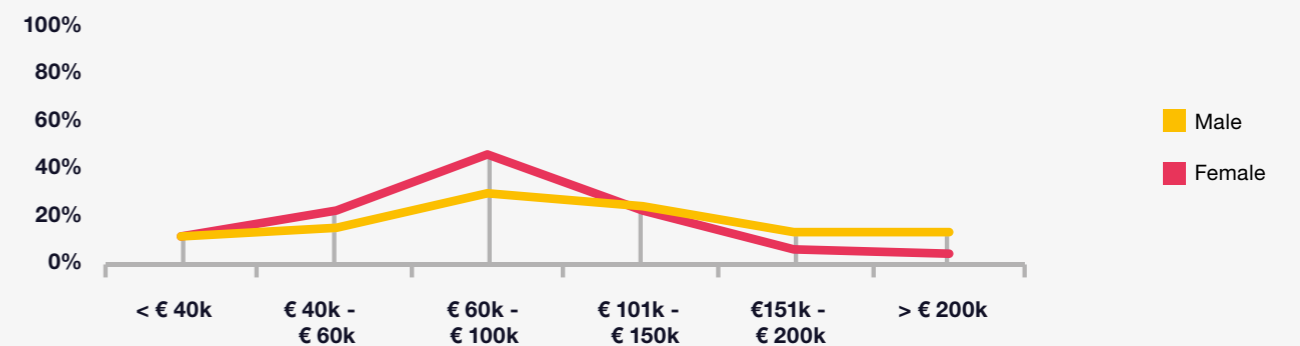
Risk and Insurance Managers' remuneration



A cross-analysis of remuneration with the risk manager's activities, years of experience and sector of activity does not show any significant correlation. In 2016, the survey stated that salaries were 65% higher for men than women. Today, the gap between men's and women's remuneration is narrowing but there is still a difference in favour of men. In Western and Northern Europe, risk managers' remuneration follows almost the same trend and breakdown. Most of respondents earn between € 60k and € 150k. However, in Central and Eastern Europe, risk managers' remuneration is, on average, lower than in the other areas. This observation is consistent with the fact that respondents from those countries are younger and less experienced in risk management.



Breakdown of remuneration by gender



Part II: The risk conductor

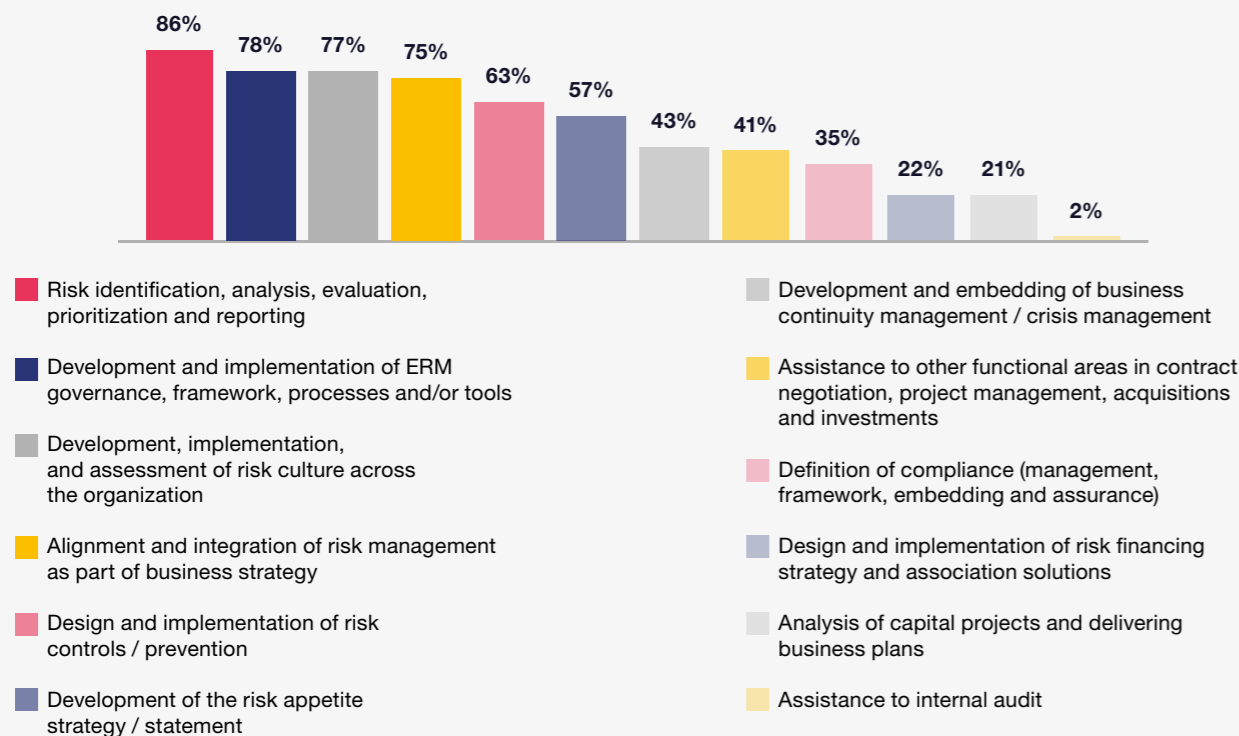
ERM and insurance management, two different but related practices with one goal: managing risks



of risk managers say that the internal recognition of their function is increasing.

ERM activities

Which of the following activities are under your responsibility?



Embedding risk management in the strategy and culture of organisations is an increasing role of risk managers.

The principal activities of risk managers in charge of ERM are:

Operational activities

- Risk identification, analysis, evaluation, prioritisation and reporting (86%);
- Development and implementation of ERM governance, framework, processes and/or tools (78%);
- Design and implementation of risk controls/prevention (63%).

Strategic activities

- Development, implementation, and assessment of risk culture across the organisation (77%);
- Alignment and integration of risk management as part of business strategy (75%);
- Development of the risk appetite strategy/statement (57%).

There has been a steady development of strategic activities of the risk managers in charge of ERM. Only 68% of them were in charge of the development and implementation of the risk culture across their

organisations in 2016. This figure is now 77%. In 2016, 62% were in charge of the alignment and integration of risk management as part of business strategy. Today, it is 75%.

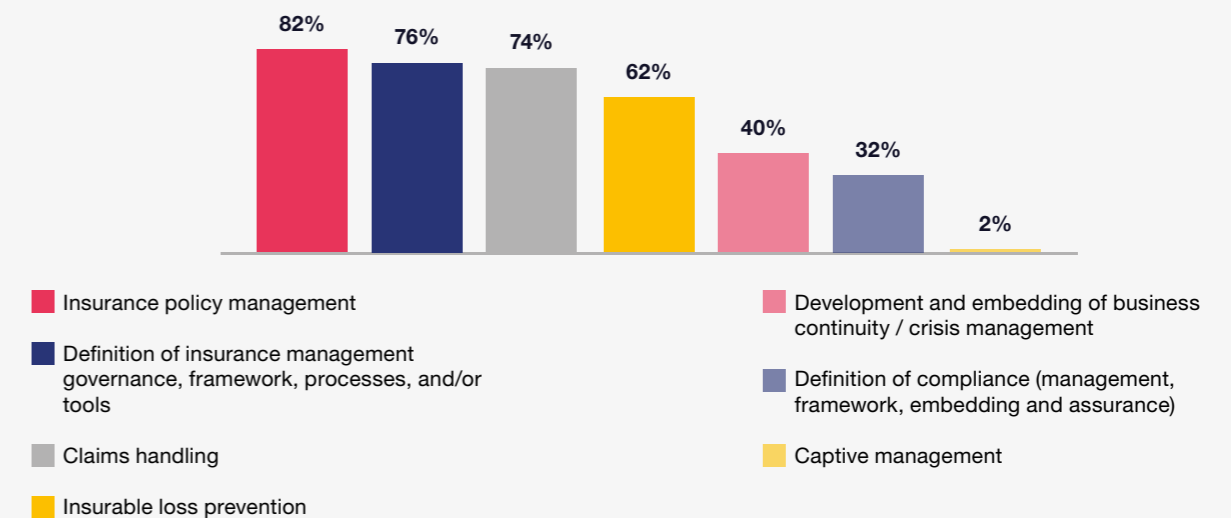
Risk managers are taking on more strategic responsibilities.

Three main differences on the scope of responsibilities are noticeable among geographical areas. They are mainly due to the position of the risk management function within the organisations but also to specificities in each country.

- In Western Europe, 70% of risk managers have risk controls and prevention as part of their activities while only 38% of Central and Eastern Europe risk managers are in charge of this activity;
- 60% of risk managers in Northern Europe are in charge of business continuity/crisis management but they are only 21% of risk managers from Central and Eastern Europe to perform this activity.

IM activities

Which of the following activities are under your responsibility?



Risk managers in charge of insurance management had a continuity of responsibilities in comparison with 2016, when 86% of respondents were in charge of insurance management.

The risk manager, a strategic and interconnected position within the organisation

Risk managers' reporting lines within governance

The risk manager is becoming more collaborative across the 3 Lines of Defence.

Guidance on the 8th EU Company Law Directive article 41 (FERMA/ECIIA)

Three Lines of Defence Model



« The board is responsible for the oversight of the company's risk management and control framework. Everyone in the company plays a role in effectively managing risks, but the primary responsibility for risk management, and control is delegated to the appropriate management level within the company.

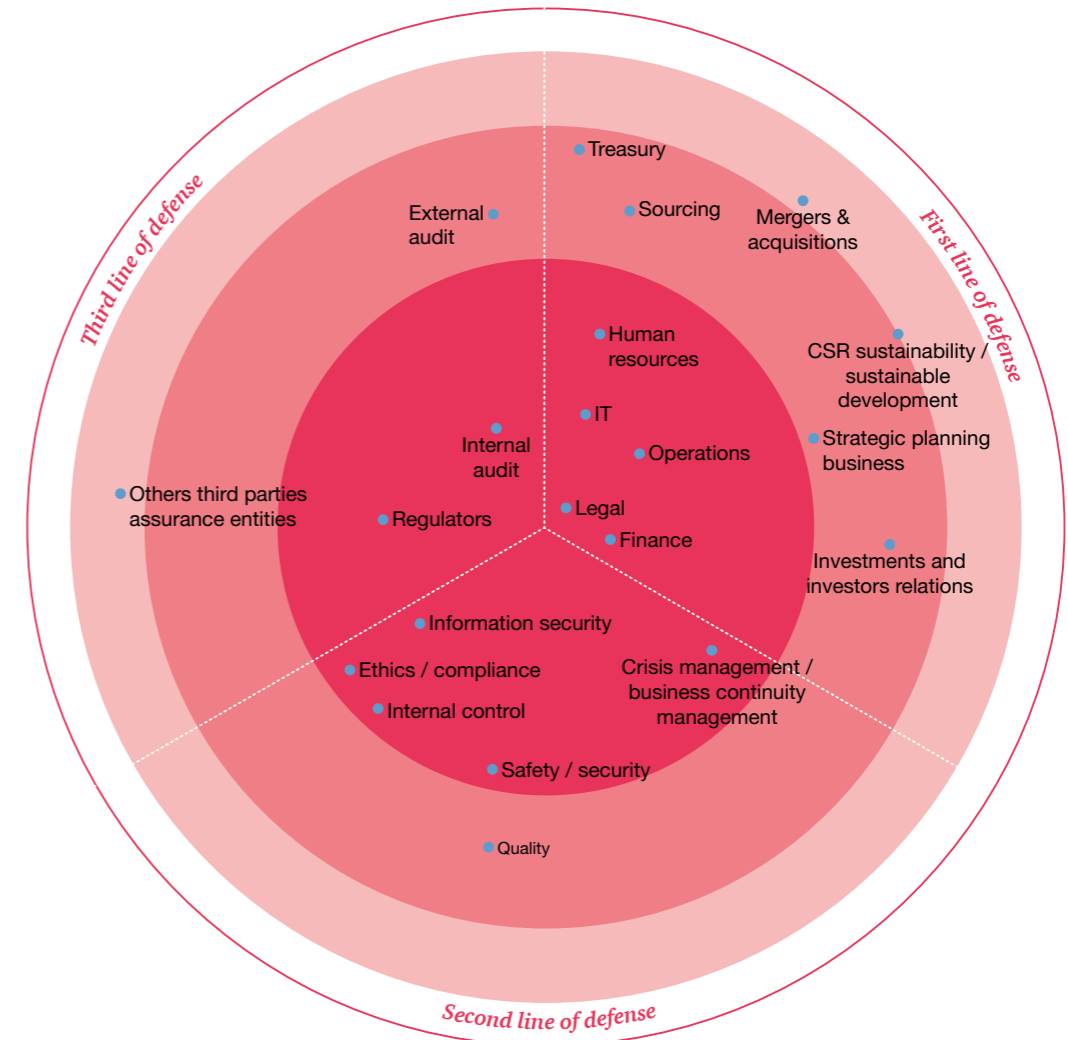
The CEO and the CFO have the final responsibility to the board for the risk management and control framework. To fulfil these duties effectively, they seek assurance from various sources within the organisation. FERMA and ECIIA support the « three lines of defence » model as a benchmark for future regulatory guidance. »

Source: <http://www.ferma.eu/blog/2014/10/ferma-ecii-a-respond-corporate-transparency-requirements-launch-new-guidance-document/>

Different levels of interactions

Different levels of interactions between various functions remain:

- First rank partners – with whom the risk management function has a regular or very close relationship, based on a clear mandate;
- Second rank partners – with whom the risk management function has a more distant relationship and occasional collaboration;
- Third rank partners – with whom relationships can be improved as there is little or no relationship or involvement.



Development of the impact of other risk related functions on the risk manager's role

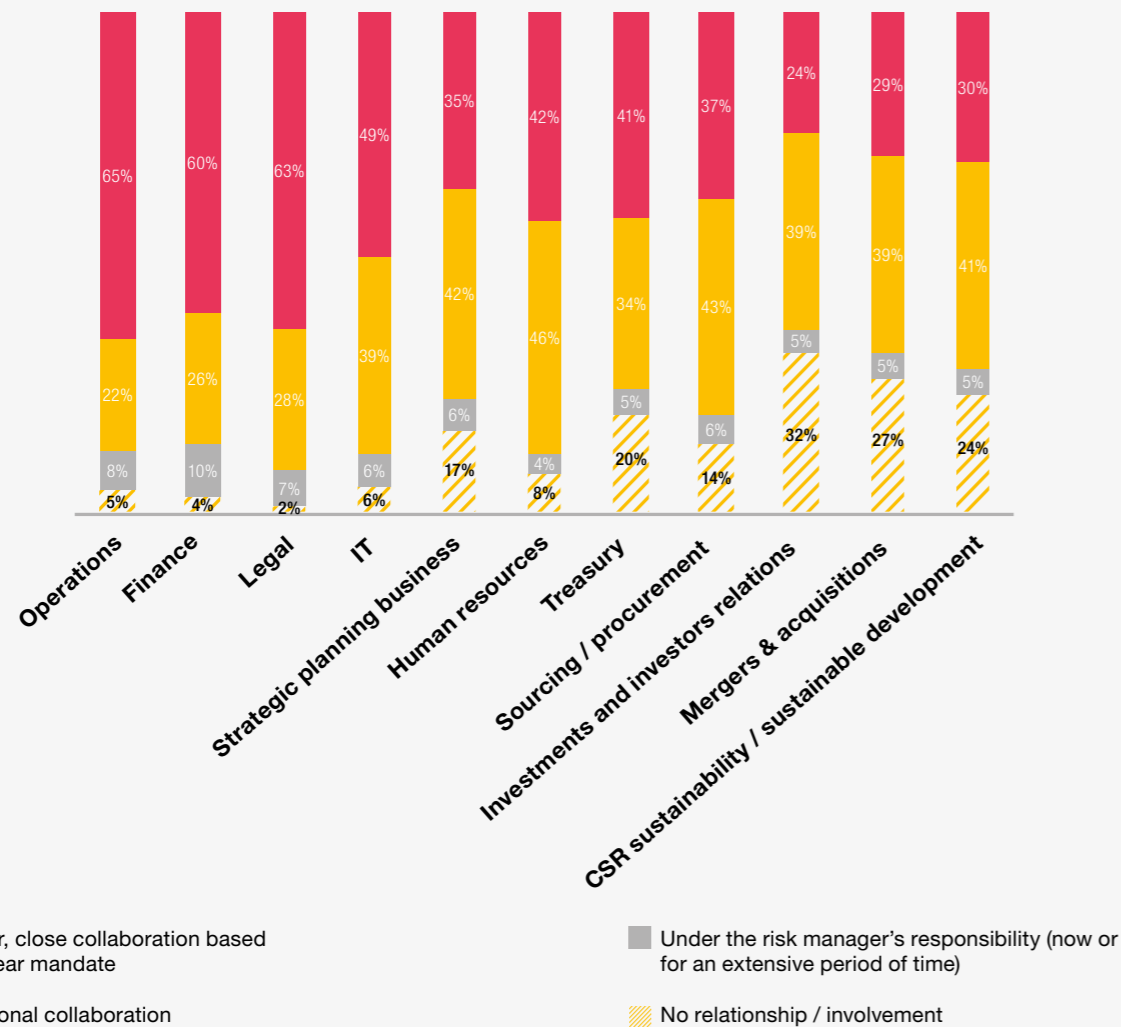
65%

of risk managers interviewed act as a risk conductor within their company consolidating information from other risk-related functions to give a clear and comprehensive view to the top management.

Even if the development of other functions across the organisation can affect the extent of the risk manager's role, he/she is reinforcing the connections and collaboration with all lines of defence. The risk manager's role as a risk conductor has then been emphasised. Only 15% of respondents indicate that the risk manager is losing control over specific areas of risk.

1

The first line of defence



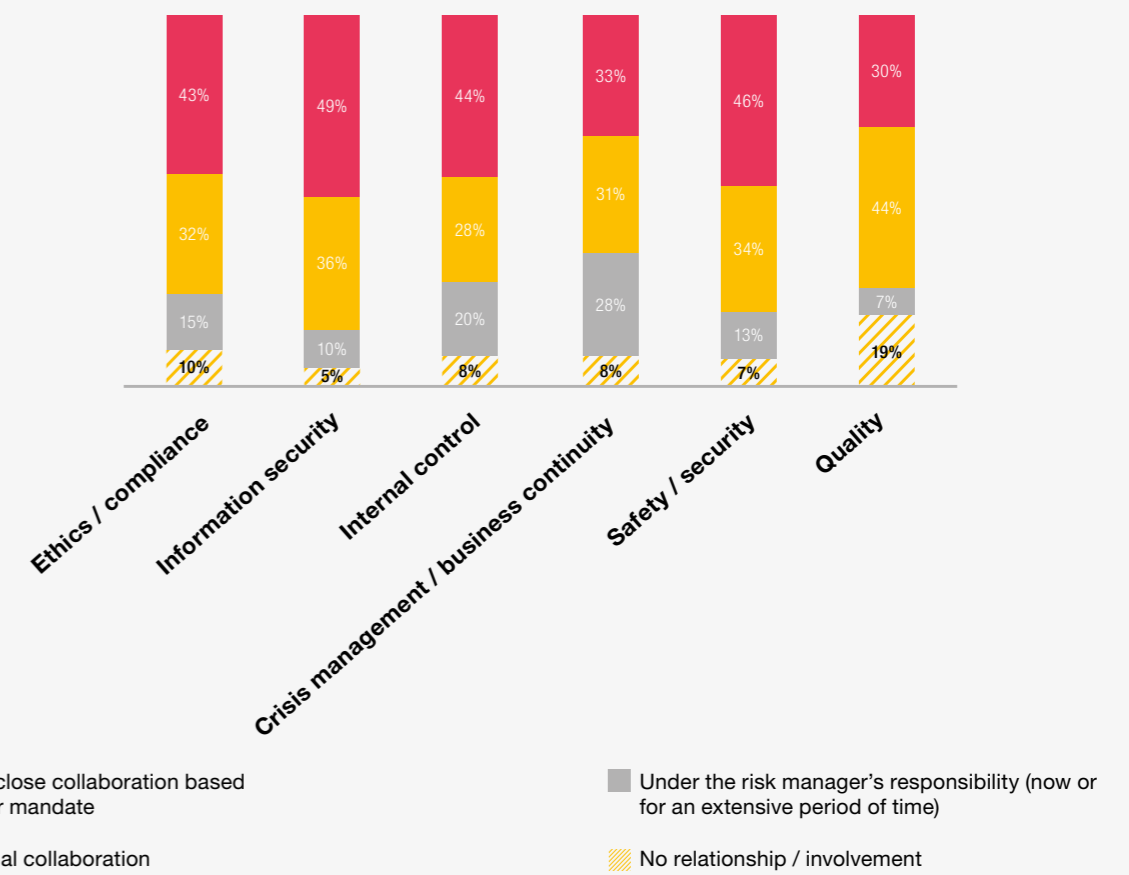
Collaboration with operations, finance and legal remain important, while it has intensified with IT.

Overall, collaborations between risk managers and the first line of defence are close and strengthening. Risk managers are improving their understanding of operational issues and, therefore, can better support business units.

The 2016 FERMA Survey showed weak communication between IT departments and risk management, despite the rise of IT-related risks, but this has changed. Strengthening this relationship has become essential to building good knowledge of technological risks and adapting risk management strategy. In 2018, more than half said they had a close, regular collaboration with IT, and a strong relationship with information security as shown below.

2

The second line of defence



Risk managers have a particularly close relationship with the 2nd line of defence. We expect a reinforcement of the relationships with ethics and compliance and information security due to recent

regulations such as the Non-Financial Reporting Directive and the General Data Protection Regulation (GDPR).

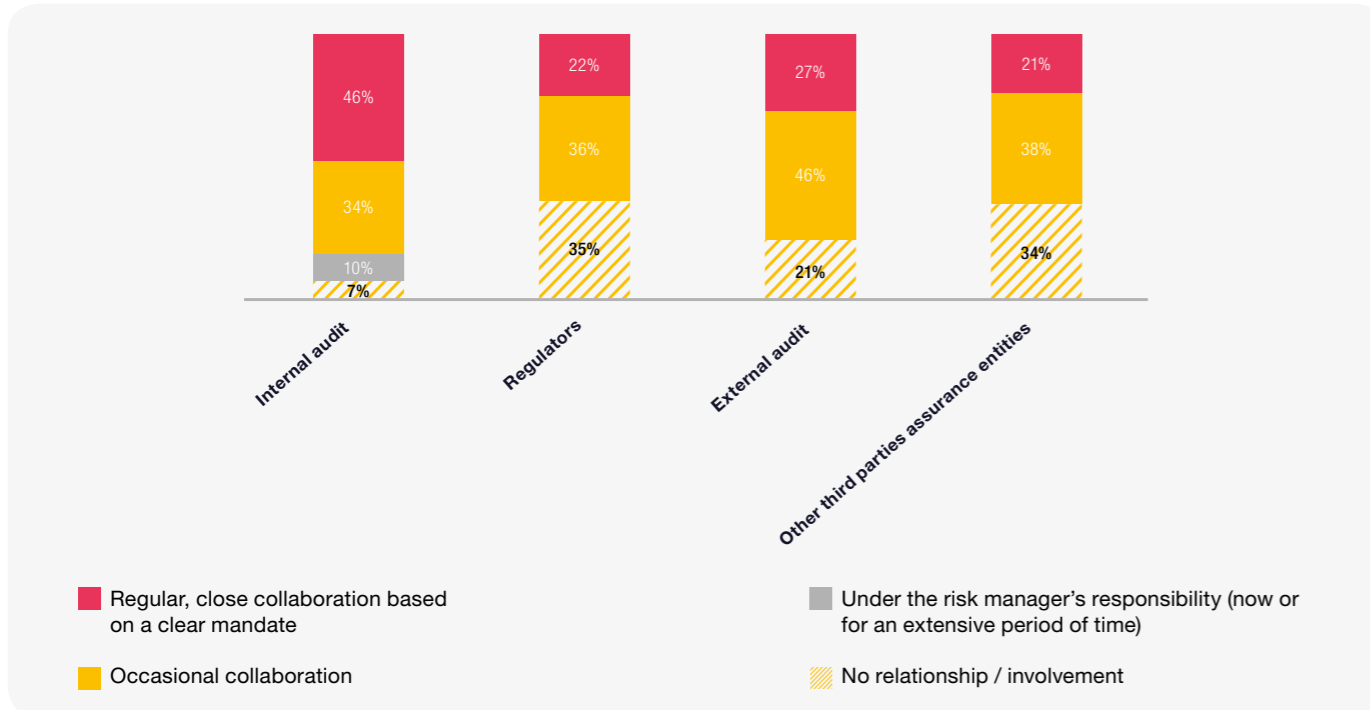
28% of risk managers have crisis management as part of their responsibilities.

The PwC survey *CEO Pulse on Crisis*² indicates that 65% of CEOs experienced a crisis in the past three years and 40% of them believe they will face at least one crisis in the next three years.

² <https://www.pwc.com/gx/en/ceo-agenda/pulse/crisis.html>

3

The third line of defence



Internal audit remains an important partner for the risk manager to provide a reasonable assurance on the effectiveness of the mitigation plans.



« The risk manager can be in the driver seat of risk management for the organisation. However, to achieve this goal and to being considered as a business partner by the top management to the operations, he or she needs to win its credibility.

For this purpose, the risk manager needs a clear understanding of the company's business, organisation and more important, of its daily operations difficulties.

Nevertheless, coming from operation is not sufficient. An appropriate qualification / certification is mandatory. Risk management is a technical function with a proper methodology.

Today, I can confirm that I am in a position of risk conductor by analysing and assessing group risks and by receiving recognition from both operations and top management.

Regarding operations, I am able to help with technical issues and the future difficulties of the organisation.

The senior management should not view risk management with complacency as we can help organisations prevent major issues and spot opportunities by implementing a concrete and precise risk appetite.

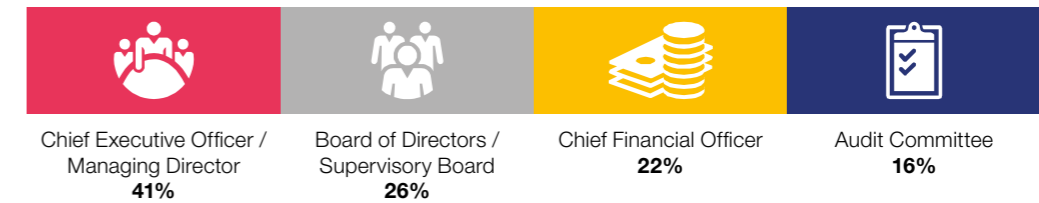
From my perspective, I definitely became a risk conductor with my appointment as the risk coordinator of the crisis management team. »

Yves Brants, Head of Risk Management, NRB

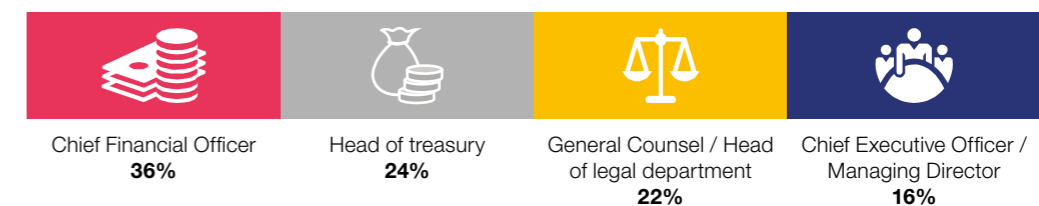
The risk manager, a strategic adviser for the organisation

In 2018, 83% of risk managers said they report to the board or top level, compared with 67% in 2016.

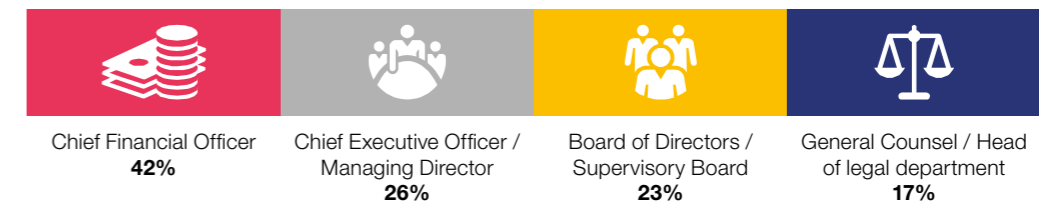
ERM managers' reporting line



IM managers' reporting line



ERM/IM managers' reporting line



Risk management within the strategic process

Risk managers are taking more strategic responsibilities with the development of ERM:

76%

of risk managers assess risks that could affect the relevance and viability of their organisation's strategy and objectives.

47%

of risk managers assess risks related to the different strategies considered by their organisation during its strategy definition.

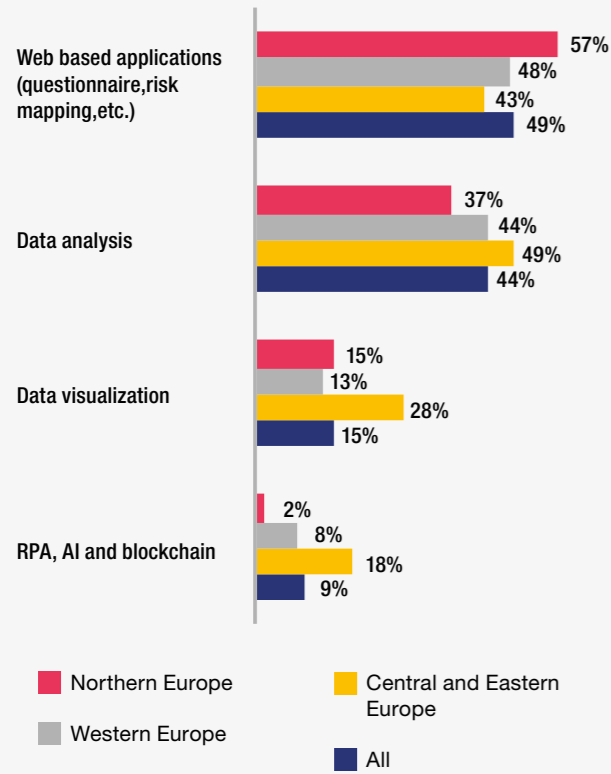
41%

of risk managers assess risks related to the non-alignment of their organisation's strategy with its mission, vision and core values.

² <https://www.pwc.com/gx/en/ceo-agenda/pulse/crisis.html>

Risk management and innovation

Technology used to perform risk / insurance activities



Previously, many risk managers used locally based IT tools such as governance, risk management and compliance software mainly for reporting activities (risk registers, mapping and dashboards). Today, these applications are still dominant but increasingly newer technologies, such as data analysis, data visualisation, robotic process automation (RPA), artificial intelligence (AI) and blockchain, are allowing risk managers to improve their capabilities to identify, assess, treat and monitor risks.

Even if **20%** of the risk managers do not use any technological tools to perform their risk / insurance activities, since 2014.

Such innovations make it possible for risk managers to manipulate large amount of data, perform more analyses with larger samples and bring out increasingly useful information. Therefore, they can better appreciate how risks are interconnected and be more proactive and predictive.

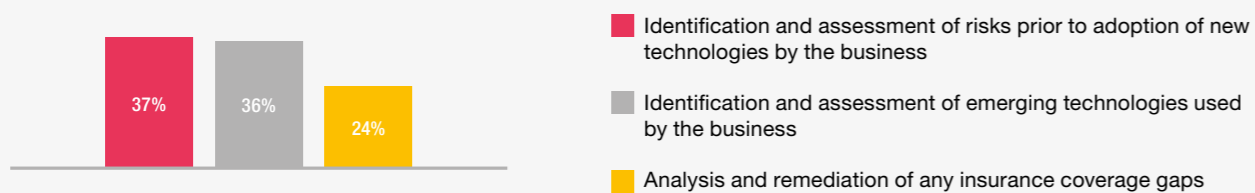
18% of risk managers in Central and Eastern Europe use robotic process automation, artificial intelligence and blockchain to perform risk and insurance activities.



Central and Eastern Europe seem to be a step ahead of other regions in terms of the use of new technologies to perform risk and insurance activities.

Help understand risks arising from emerging technologies

How do you deal with risks arising from emerging technologies?



As organisations face pressure to innovate, a considerable proportion of risk managers are helping them manage risk

exposures from new initiatives before adoption and strike the right risk-reward balance.



PwC 2018 Risk in Review study
Managing risks and enabling growth in the age of innovation:

From October 2017 to December 2017, PwC surveyed 1 535 risk executives at organisations headquartered in 76 countries. Key findings clearly indicate the importance of the risk management within the innovation process of organisations.

As organisations increasingly face pressure to innovate, risk executives need to help their organisations strike the right risk-reward balance to succeed.

- An average of 71% of the most advanced risk practitioners have a high degree of confidence in the ability of their risk management program to effectively manage artificial intelligence, internet of things and robotics risks.

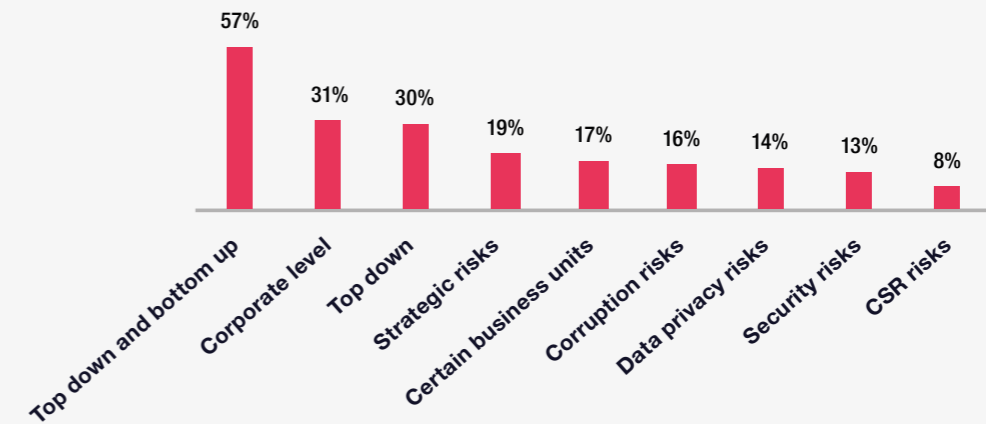
- 57% of the most advanced risk practitioners declare that their risk management program is able to influence decisions related to the implementation of new technologies to materially improve existing products or customer experience

- The risk management function proposes risk-assessed alternatives to specific activities for 58% of the most advanced risk practitioners.

Source: <https://www.pwc.com/us/en/services/risk-assurance/library/risk-in-reviewstudy.html>

ERM is diversifying risk mapping

To what extent does your organisation prioritise risks by mapping them?



Risk mapping remains one of the most important activities on the risk manager's agenda and is part of his/her role as a risk conductor. At the same time, it is evolving.

Until now, risk maps have been conducted at corporate level or at division level. Henceforth, risk managers are also developing specific risk maps, linked to new regulations or requirements, such as data protection in Europe.



FERMA / ECIIA report: At the junction of corporate governance & cybersecurity:

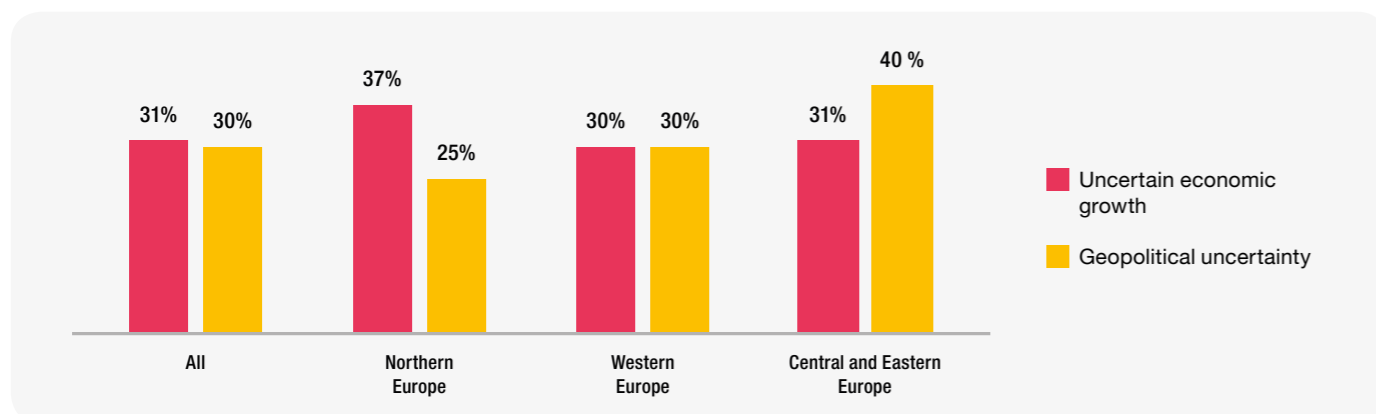
FERMA and the European internal auditors' organisation ECIIA have published a new edition of their guidance for corporate governance and cyber security. The report offers European companies a cyber-governance model and the latest edition includes a case study showing the model in operation.



Source: <https://www.ferma.eu/update-ferma-eciia-cyber-risk-governance-report>

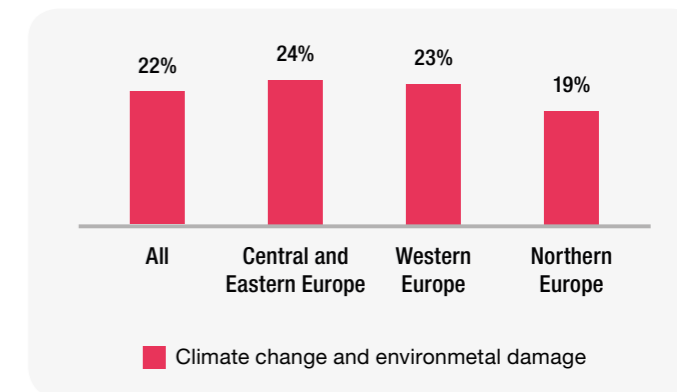
Focus on economic and geopolitical risks

Sector of activity	Uncertain economic growth ranking	Geopolitical uncertainty ranking
Industry	4	2
Financial services	3	6
Services	5	4
Public sector	1	8



Focus on the environmental challenge – a fast growing concern

Environmental risk is becoming one of top concerns for European risk managers, a trend also reflected by the Global Risks Report 2018 from the World Economic Forum⁴.



Sector of activity	Climate change and environmental damage ranking
Industry	5
Financial services	11
Services	9
Public sector	5

The destructiveness of natural disasters is rising. It is widely linked to climate change. In addition to managing the financial risk caused by natural catastrophes, risk managers can play a role in building sustainability within their organisations. The European Non-Financial Reporting Directive and corporate social responsibility requirements are among the drivers of this trend. The FERMA Survey highlights a need for risk managers to collaborate closely with the CSR department, which is currently only a second rank partner.



During the past few years, risk managers have gained a real influence within organisations, especially by closely collaborating with other functions.

First stage of development of an ERM framework within an organisation is the identification and assessment of operational and strategic risks at short / medium term. Once the organisation has gained sufficient maturity it would work on the longer term or more intangible risks like the CSR ones.

There are mutual benefits to developing relationships between risk management and CSR.

CSR can benefit from risk assessment techniques and tools developed by risk management to implement a risk based approach within CSR. Risk management can benefit from the CSR approach to develop a more holistic view on the risks that the organisation is facing.

The requirements for the disclosure of non-financial information represent a real asset to achieve this objective by implementing risk-oriented reporting. »

Lene Ritz, Head of Risk Management, Energinet

⁴ <https://www.weforum.org/reports/the-global-risks-report-2018>

Part IV: Insurance management and emerging risks

The evolution of insurance methodologies to adapt to the challenging environment

Intend to negotiate long-term or roll-over agreements with their insurers



Limits and exclusions of emerging / specific risks (85%) in insurance contracts and new insurance-related regulations (80%) are insurance market topics about which the majority of risk managers feel concerned.

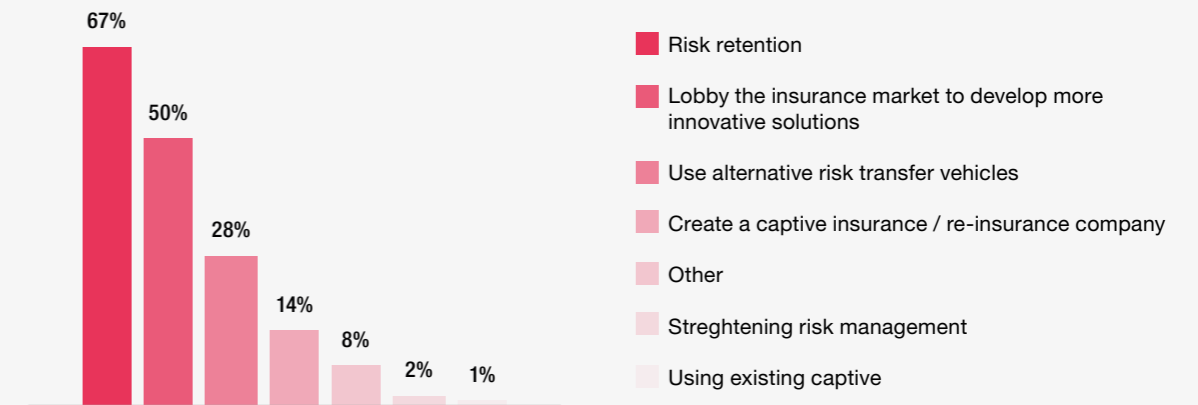
The top 3 changes expected to insurance programmes because of the current financial and economic climate have not changed over three latest FERMA surveys:

- **52%** Negotiate long-term agreement or roll-over
- **44%** Strengthen loss prevention activity
- **36%** Insurance buying decisions

Against this trend, 30% are considering implementing or further using their captive as an alternative solution.

Risk retention and lobbying the insurance market to develop new solutions appear to be the main strategies for emerging / specific risks.

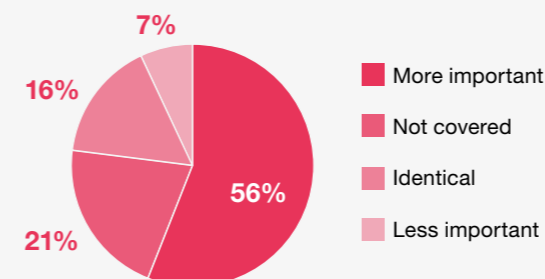
Over the next 2 years, what will be your strategy with regards to risks which are difficult to place on the insurance market?



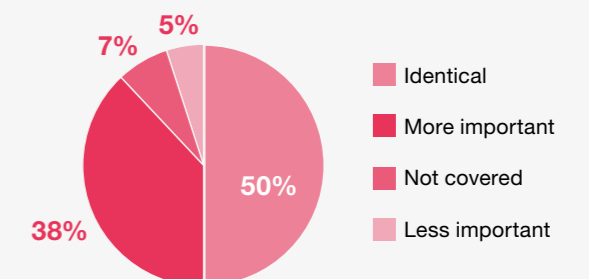
Despite global pressures resulting from the OECD BEPS recommendations, when insurance markets do not satisfactorily respond to certain risks, using a captive remains an attractive alternative risk management solution. This finding reinforces FERMA's emphasis on the value of captives

as a genuine risk management tool for multi-national organisations. Risk managers continue to have confidence in this type of solution; the number of companies using captives is stable between 2016 (34%) and 2018 (37%). Moreover, 58% of respondents use a third party to manage their captives.

Use of captives for non-traditional lines of cover (e.g. cyber threats, employee benefits, etc.)



Use of captives for traditional lines of cover (e.g. general liability, property damage, etc.)



Insurance management in the front line for emerging risks

The analysis of the risks and events threatening European companies highlighted the growing concerns of risk managers regarding emerging risks.



The captive, a collaboration between ERM and insurance management?

A captive is an efficient risk management tool that can bring together ERM and insurance management methodologies. It can give the entire organisation a way to expand and mutualise group risks, build relevant experience data, leverage discussions with traditional insurance markets and offer added value to customers.

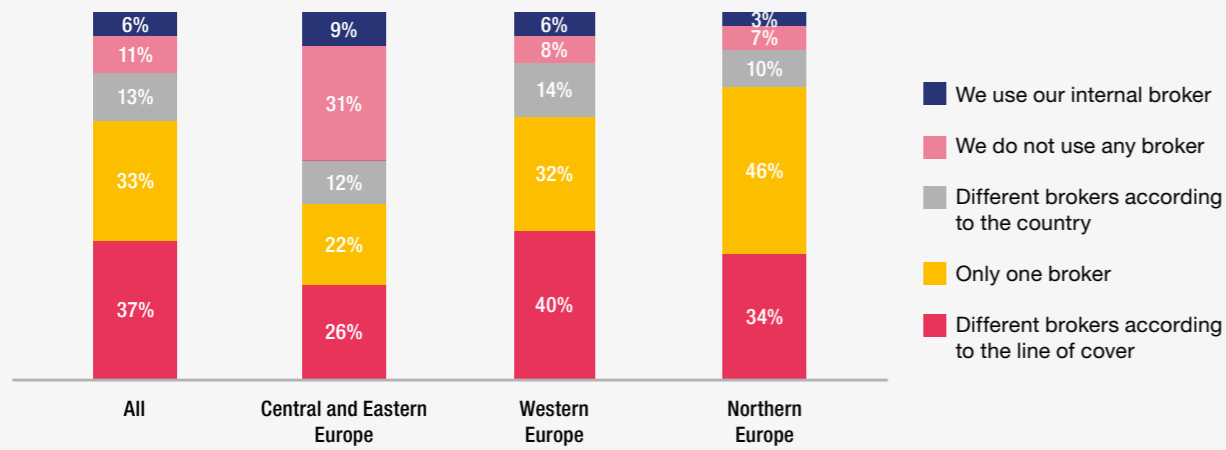


FERMA Perspectives: Captives in a Post-BEPS World explains how multi-national organisations can use captives effectively for their risk management programme in a modern regulatory environment.

Source: https://www.ferma.eu/sites/default/files/2017-11/FERMA_Perspectives_01_Captives_in_post_BEPS_world.pdf

Insurance brokers

What are your insurance brokerage practices?



Using external or internal brokers is relatively common. Central and Eastern Europe remain an exception as 31% of risk managers do not use any broker.



Countries files

1. France (20% of respondents including Monaco)
2. Benelux (Belgium, Netherlands, and Luxembourg: 14% of respondents)
3. Nordic countries (Denmark, Finland, Norway, and Sweden: 13% of respondents)
4. Italy (12% of respondents)
5. Mediterranean countries (Greece, Malta, Portugal, Spain and Turkey: 12% of respondents)
6. Central and Eastern Europe (Bulgaria, Czech Republic, Germany, Poland, and Slovenia: 8% of respondents)
7. United Kingdom and Ireland (8% of respondents)
8. Russia (7% of respondents)
9. Switzerland (3% of respondents)

2% of respondents did not respond to the question of countries of origin.

France

(20% of respondents including Monaco)



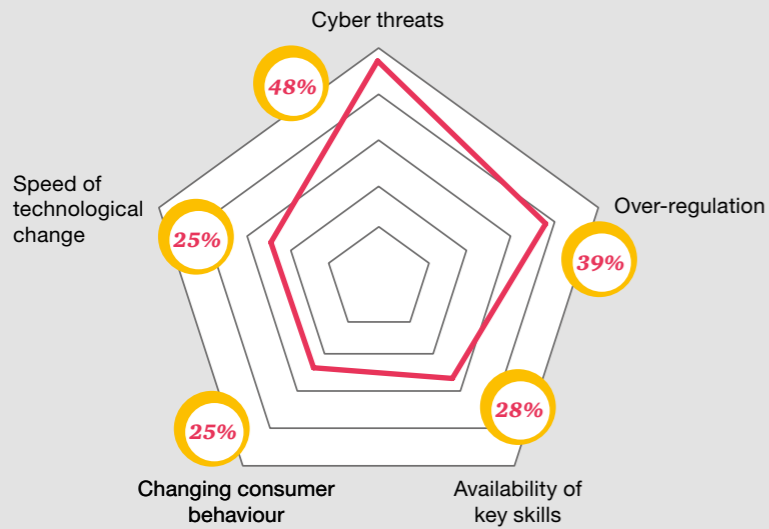
70%

of respondents think risk managers are becoming risk conductors by consolidating risk information to give a clear and comprehensive view to the senior management



Risk Management's stakes in 2018

Top 5 risks for growth prospects



39%

of respondents are using data analysis to perform their risk / insurance activities

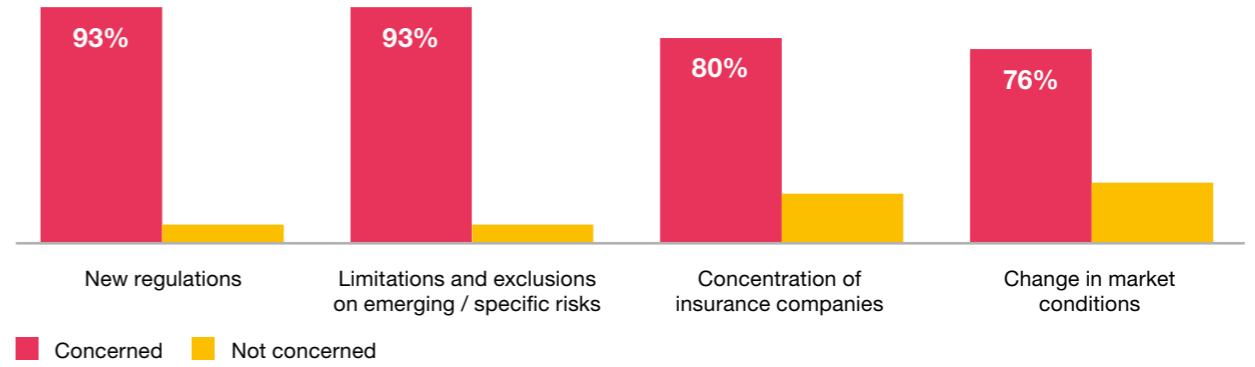
Implications for insurance management

47%

of respondents estimate that the involvement of their captive over the next 2 years will be more important in non-traditional lines of cover (examples: employee benefits, medical stop-loss, crime, political risk, trade credit, surety, intellectual property, supply chain risks, cyber risks)



Top concerns regarding the insurance market



AMRAE, the French risk management and insurance association conducted their own survey report which they publish every two years to provide insight into the risk management profession and gauge changes over time to French risk managers and their stakeholders.

The profile and activities of French risk managers are detailed in the 2017 Risk Manager Barometer Survey that can be consulted at the following link: <https://amrae.fr/barom%C3%A8tre-du-risk-manager>

This country file gives specific information on French risk managers which is not addressed in the AMRAE Barometer Survey.



Benelux

(Belgium, Netherlands, and Luxembourg: 14% of respondents)

Who is the risk manager?

Male: 71%
Female: 29%

Typically between 36 and 55 years

35% earned between €101 and €150 k per year

Usually has more than 10 years of professional experience

Organisation

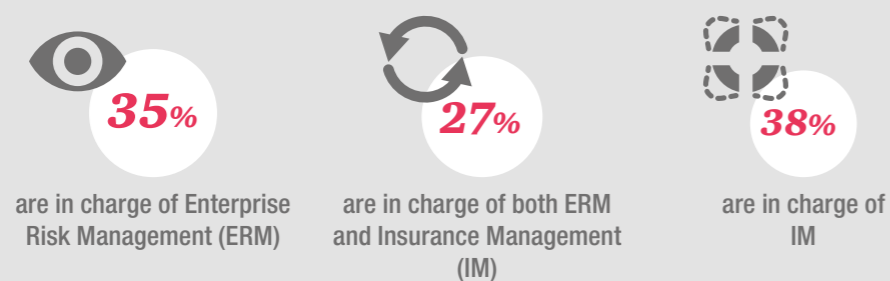
80% of respondents work within large companies (>250 staff headcount, >€50 m turnover)

33% of respondents come from banking and financial services

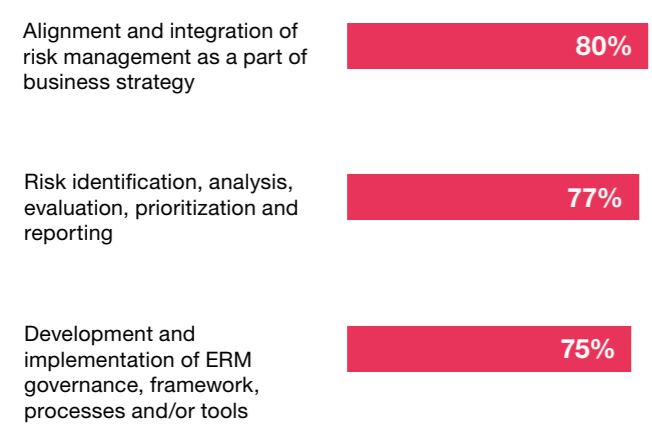
51% of respondents can contact the CEO directly. Moreover, **48%** of respondents believe their role is increasingly recognised internally

62% of respondents think that the risk manager is becoming the risk conductor by consolidating risk information to give a clear and comprehensive view to the senior management

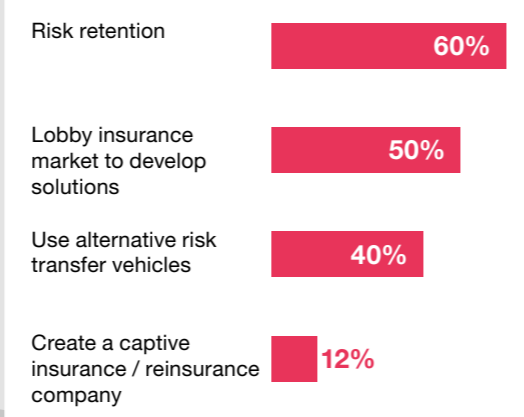
Activities of the risk manager



Top 3 ERM activities

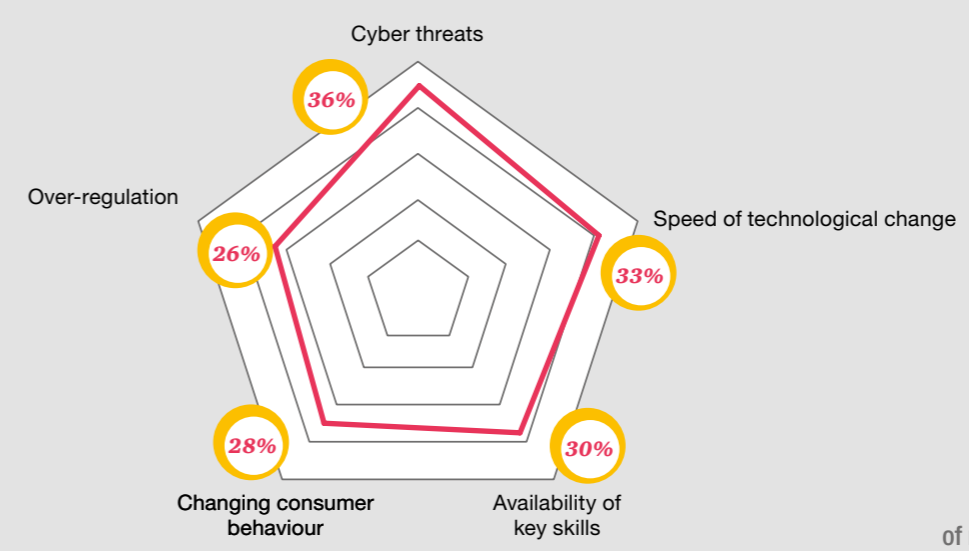


2 year insurance management strategy for difficult-to-insure risks



Risk Management's stakes in 2018

Top 5 risks for growth prospects



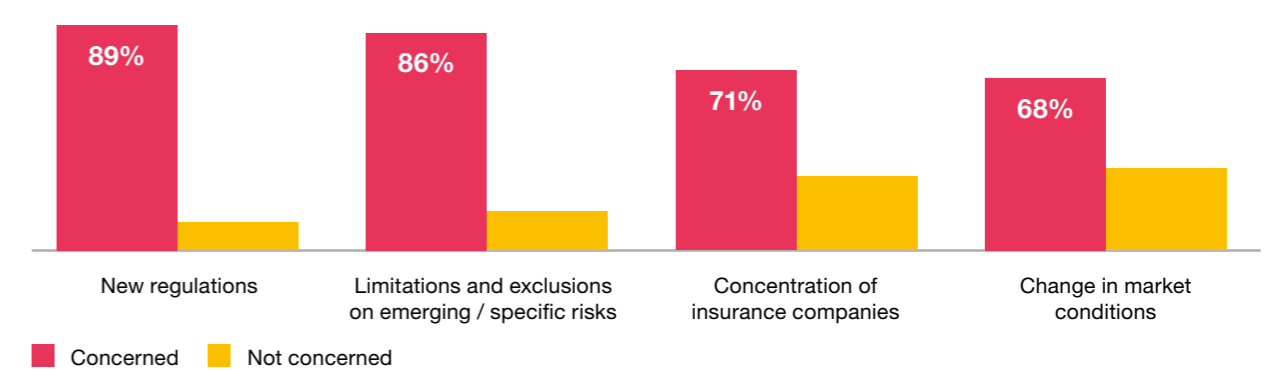
43% of respondents are using data analysis to perform their risk / insurance activities

72% of respondents assess risks that could affect the relevance and viability of their organisation's strategy and objectives

Implications for insurance management

55% of respondents estimate that the involvement of their captive over the next 2 years will be more important in non-traditional lines of cover (examples: employee benefits, medical stop-loss, crime, political risk, trade credit, surety, intellectual property, supply chain risks, cyber risks)

Top concerns regarding the insurance market



>> The first results confirm what we thought: a risk / insurance manager is someone with a lot of experience (more than 10 years) and we find them working in large companies.

What is interesting is the fact that risk managers are gaining importance in the organisation and are more and more tackling risks that could affect the relevance and viability of their organisation strategy and objectives. We also see that a number of important risks are common to all organisations: cyber threats, speed of technological change and over-regulation to name a few.

Sabine Desantoine, President of BELRIM

Nordic countries

(Denmark, Finland, Norway, and Sweden: 13% of respondents)

Who is the risk manager?

Male: 63%
Female: 37%

Typically between
36 and 55 years

Usually has more than 10 years
of professional experience

41% earned between
€101 and €150 k
per year

Organisation

90% of respondents work within
large companies (>250 staff
headcount, >€50 m turnover)

27% of respondents come from
manufacturing

65%

of respondents think that the risk
manager is becoming the risk
conductor by consolidating risk
information to give a clear and
comprehensive view to the senior
management

50%

of respondents can contact the CEO directly.
Moreover,

59%

of respondents believe their role is
increasingly recognised internally

Activities of the risk manager

24%

are in charge of Enterprise
Risk Management (ERM)

45%

are in charge of both ERM
and Insurance Management
(IM)

31%

are in charge of
IM

Top 3 ERM activities

Risk identification, analysis,
valuation, prioritization and
reporting **86%**

Development, implementation
and assessment of
risk culture across the
organization **85%**

Development and
implementation of ERM
governance, framework,
processes and/or tools **85%**

2 year insurance management strategy for difficult-to-insure risks

Risk retention **76%**

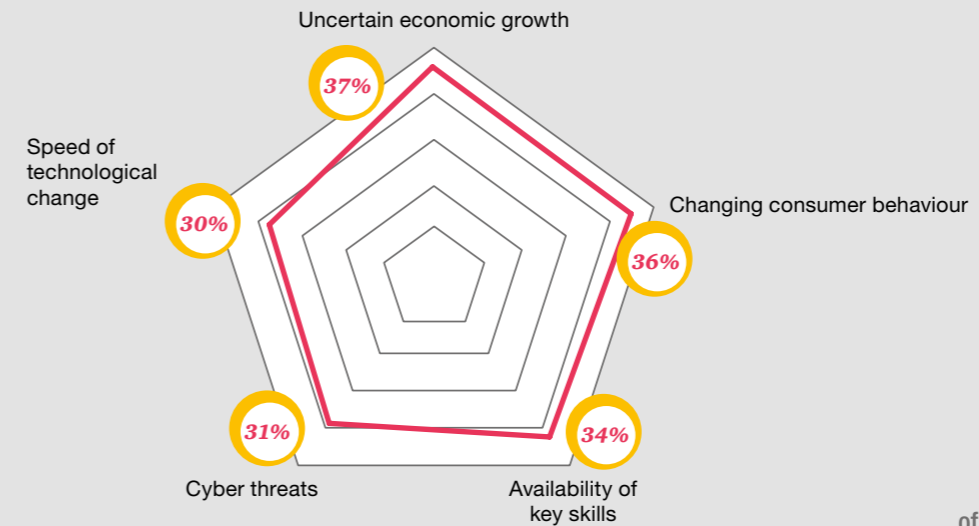
Lobby insurance
market to develop
solutions **43%**

Use alternative risk
transfer vehicles **21%**

Create a captive
insurance / reinsurance
company **14%**

Risk Management's stakes in 2018

Top 5 risks for growth prospects



37%

of respondents are using data
analysis to perform their risk /
insurance activities

82%

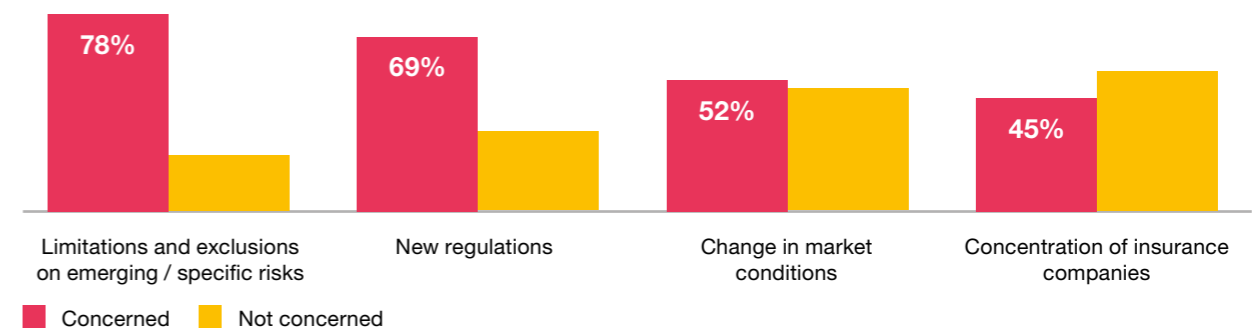
of respondents assess risks that could
affect the relevance and viability of their
organisation's strategy and objectives

Implications for insurance management

59%

of respondents estimate that the involvement of their captive over the next 2 years
will be more important in non-traditional lines of cover (examples: employee
benefits, medical stop-loss, crime, political risk, trade credit, surety, intellectual
property, supply chain risks, cyber risks)

Top concerns regarding the insurance market



During meetings with DARIM members, we have discussed and experienced the trend that risk managers are seeing an increase in the recognition of their role internally in their organization. The role of compiling accurate information and comprehensive risk assessment to the senior level and corporate functions is becoming ever more important.

Charlotte Enggaard, President of DARIM

Italy

(12% of respondents)

Who is the risk manager?

Male: 73%
Female: 27%

Typically between
36 and 55 years

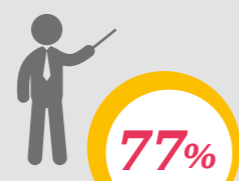
Usually has more than 10 years
of professional experience

35% earned between
€60 and €100 k
per year

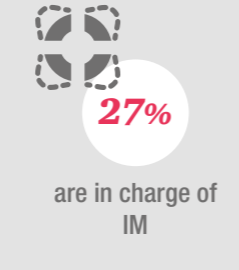
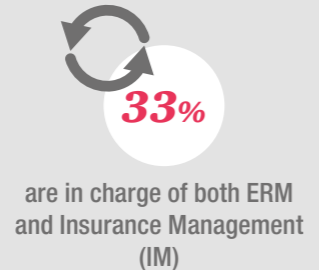
Organisation

68% of respondents work within
large companies (>250 staff
headcount, >€50 m turnover)

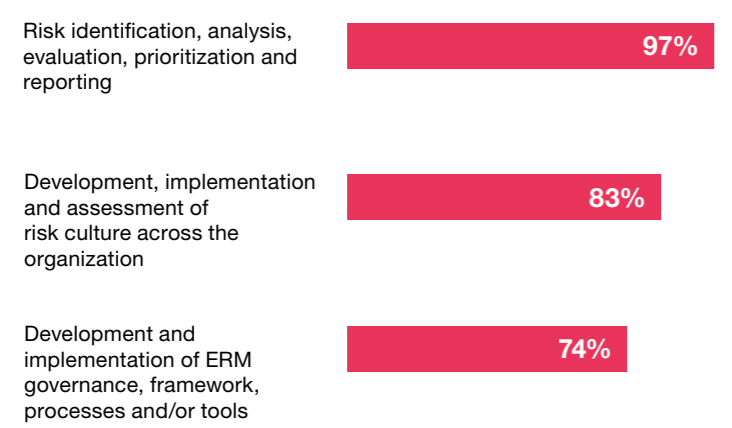
15% of respondents come from
transport



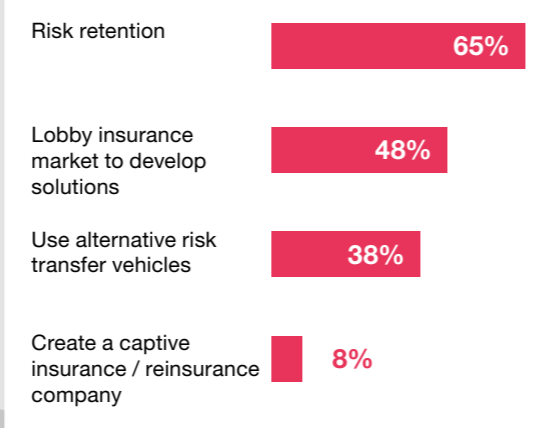
Activities of the risk manager



Top 3 ERM activities

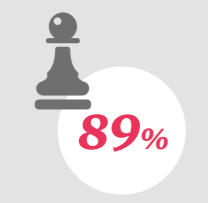
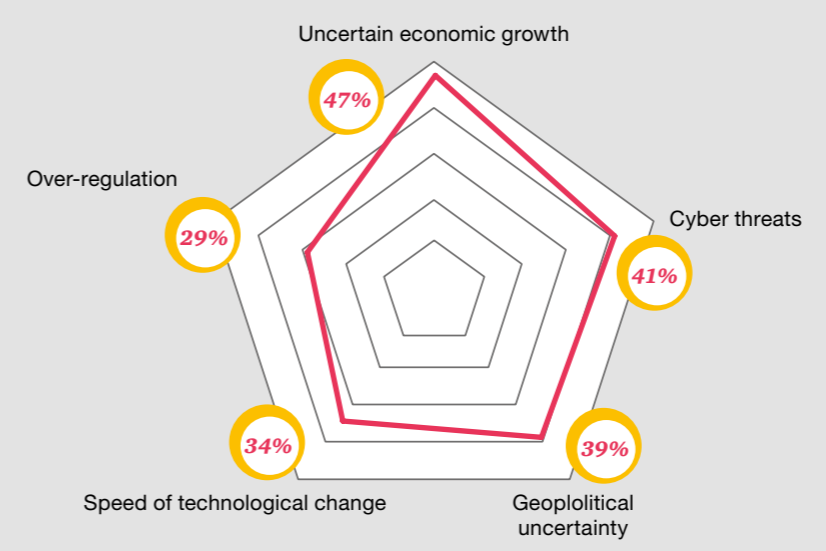


2 year insurance management strategy for difficult-to-insure risks

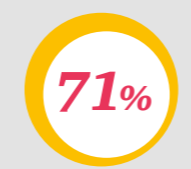


Risk Management's stakes in 2018

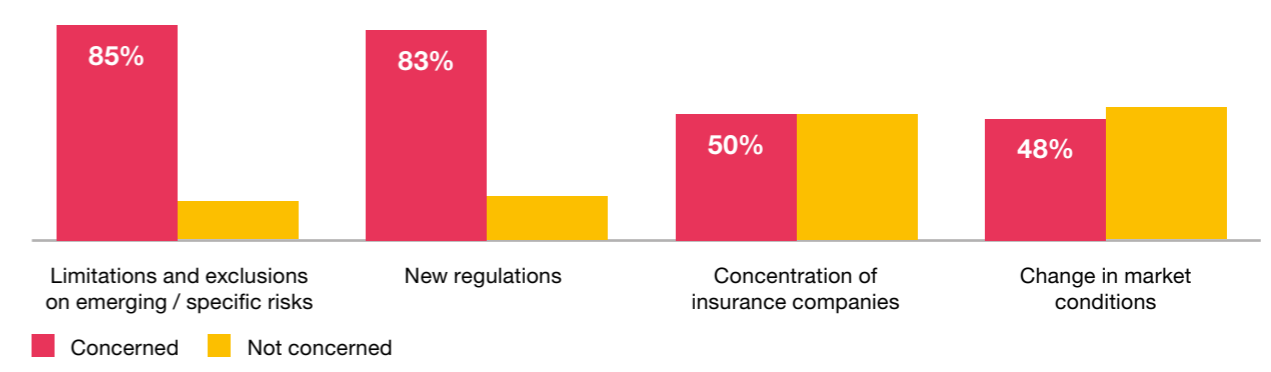
Top 5 risks for growth prospects



Implications for insurance management



Top concerns regarding the insurance market



The survey shows an increasing development of the function in Italy. The major part of respondents believe they are becoming a key role for the business, giving a clear and comprehensive view of the future prospective to the senior management. In addition to the Risk Managers employed within large companies, we have to consider that in Italy we have a lot of Risk and Insurance Management Consultants that work as an external support for Small and Medium Enterprises, that still represent a significant part of Italian business, and contribute to the development of the profession.

Alessandro De Felice, President of ANRA

Mediterranean countries

(Greece, Malta, Portugal, Spain and Turkey: 12% of respondents)

Who is the risk manager?

Male: 73%
Female: 27%

Typically between
36 and 55 years

Usually has more than 10 years
of professional experience

43% earned between
€60 and €100 k
per year

Organisation

76% of respondents work within
large companies (>250 staff
headcount, >€50 m turnover)

16% of respondents come from
banking and financial services

35% of respondents can contact the CEO directly.
Moreover,

58% of respondents believe their role is
increasingly recognised internally

52% of respondents think that the risk
manager is becoming the risk
conductor by consolidating risk
information to give a clear and
comprehensive view to the senior
management

Activities of the risk manager

40%

are in charge of Enterprise
Risk Management (ERM)

34%

are in charge of both ERM
and Insurance Management
(IM)

26%

are in charge of
IM

Top 3 ERM activities

Development, implementation
and assessment of
risk culture across the
organization

80%

Risk identification, analysis,
evaluation, prioritization and
reporting

78%

Alignment and integration of
risk management as part of
business strategy

73%

2 year insurance management strategy for difficult-to-insure risks

Risk retention

69%

Lobby insurance
market to develop
solutions

58%

Use alternative risk
transfer vehicles

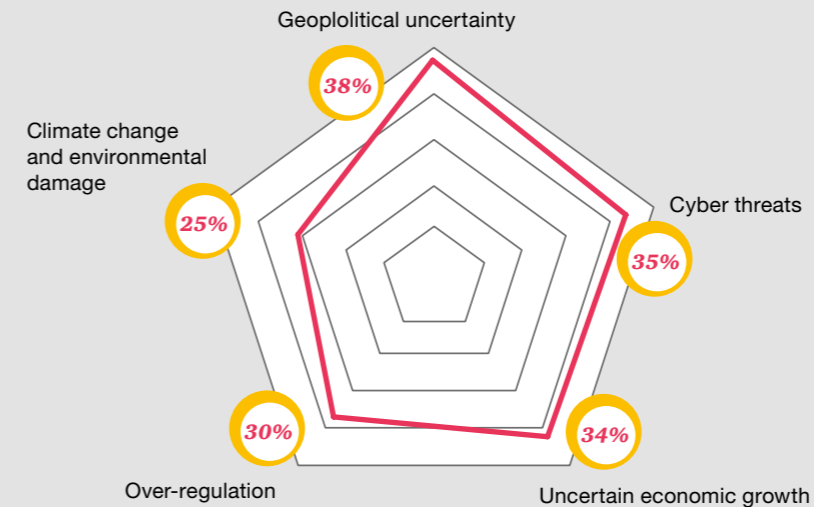
42%

Create a captive
insurance / reinsurance
company

9%

Risk Management's stakes in 2018

Top 5 risks for growth prospects



34%

of respondents are using data
analysis to perform their risk /
insurance activities

74%

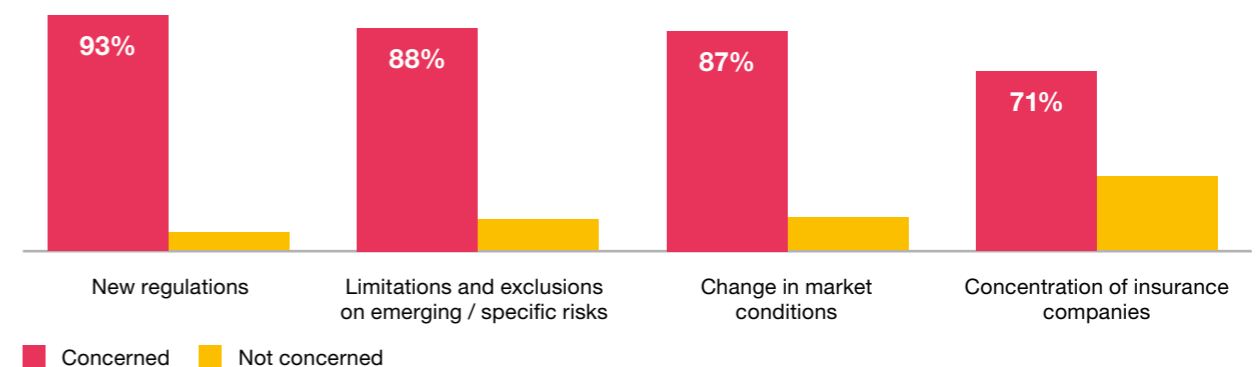
of respondents assess risks that could
affect the relevance and viability of their
organisation's strategy and objectives

Implications for insurance management

50%

of respondents estimate that the involvement of their captive over the next 2 years
will be more important in non-traditional lines of cover (examples: employee
benefits, medical stop-loss, crime, political risk, trade credit, surety, intellectual
property, supply chain risks, cyber risks)

Top concerns regarding the insurance market



Results show that Risk Management is now a solid profession that has already taken its rightful place in the strategy of the company, protecting the core business. It is remarkable how "State of the art" appears as one of the parameters frequently used by the community of risk managers, where, according to the figures obtained, experience is a must, but it is also an attractive field for new generations. This Survey is a key tool that allows us, the Risk Managers, to receive interesting conclusions and thoughtful considerations regarding the development of our discipline and to move forward with new measures to be implemented in order to reach a really fruitful and rewarding success for our companies.

Regarding the local results, it is also noticeable how, in the Mediterranean countries, we still have to work to improve the communication between the risk management departments with the directive team, since 50% of "Mediterranean" Risk Managers cannot directly contact their CEO's. On the other hand, it appears that our risk management professionals are working towards this goal, since 80% of them admit that "development, implementation and assessment of risk culture (in their companies)" is within their TOP priorities. It is also positive that more of 90% of Spanish Risk Managers answered that they consider an official Risk Management Certification, such as the RIMAP Certification offered by FERMA to be necessary.

Juan Carlos López-Porcel, President of AGERS

Central and Eastern Europe

(Bulgaria, Czech Republic, Germany, Poland, and Slovenia: 8% of respondents)

Who is the risk manager?

Male: 80%
Female: 20%

Typically between 36 and 45 years

Usually has more than 10 years of professional experience

31% earned less than €40 k per year

Organisation

79% of respondents work within large companies (>250 staff headcount, >€50 m turnover)

23% of respondents come from energy

59%

of respondents think that the risk manager is becoming the risk conductor by consolidating risk information to give a clear and comprehensive view to the senior management

Activities of the risk manager

18%

are in charge of Enterprise Risk Management (ERM)

32%

are in charge of both ERM and Insurance Management (IM)

50%

are in charge of IM

Top 3 ERM activities

Risk identification, analysis, evaluation, prioritization and reporting

74%

Development, implementation and assessment of risk culture across the organization

74%

Alignment and integration of risk management as part of business strategy

70%

2 year insurance management strategy for difficult-to-insure risks

Risk retention

71%

Lobby insurance market to develop solutions

67%

Create a captive insurance/reinsurance company

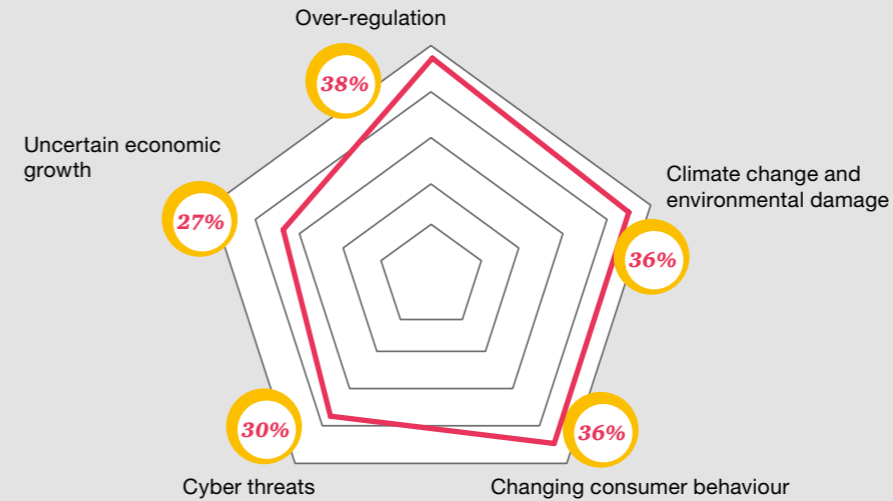
26%

Use alternative risk transfer vehicles

19%

Risk Management's stakes in 2018

Top 5 risks for growth prospects



50%

of respondents are using data analysis to perform their risk / insurance activities



67%

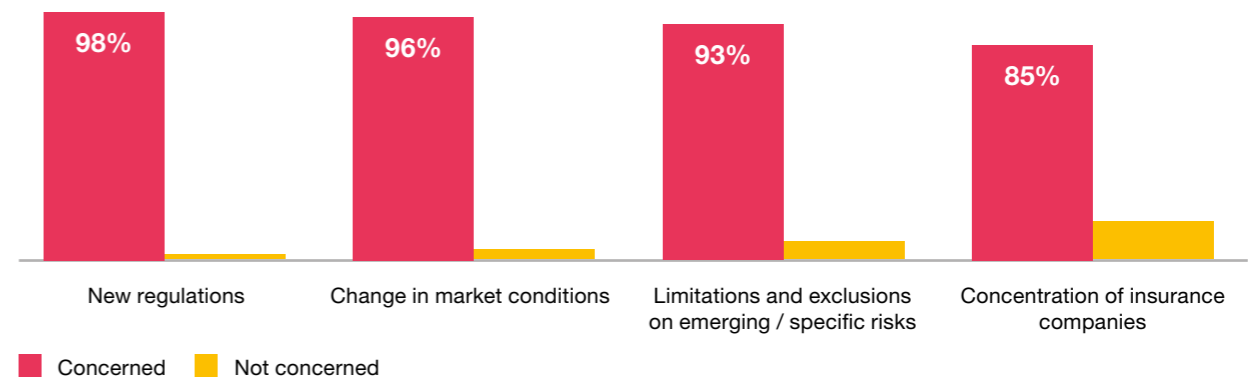
of respondents assess risks that could affect the relevance and viability of their organisation's strategy and objectives

Implications for insurance management

69%

of respondents estimate that the involvement of their captive over the next 2 years will be more important in non-traditional lines of cover (examples: employee benefits, medical stop-loss, crime, political risk, trade credit, surety, intellectual property, supply chain risks, cyber risks)

Top concerns regarding the insurance market



The survey results from the German Risk- and Insurance Management community provide a good and concise picture of the most important topics of the German Corporate Insurance Market. They clearly show the challenges of Risk and Insurance Management within our membership group in Germany and demonstrate the need to further develop Risk Management in the future.

Alexander Mahnke, President of GVNW

United Kingdom and Ireland

(8% of respondents)

Who is the risk manager?

Male: 63%
Female: 37%

Typically between
36 and 45 years

31% earned between
€60k and 100k per year

Usually has more than 10 years
of professional experience

Organisation

87% of respondents work within
large companies (>250 staff
headcount, >€50 m turnover)

15% of respondents come from energy

53%

of respondents think that the risk
manager is becoming the risk
conductor by consolidating risk
information to give a clear and
comprehensive view to the senior
management

Activities of the risk manager

27%

are in charge of Enterprise
Risk Management (ERM)

33%

are in charge of both ERM
and Insurance Management
(IM)

40%

are in charge of
IM

Top 3 ERM activities

Risk identification, analysis,
evaluation, prioritization and
reporting **92%**

Development and
implementation of ERM
governance, framework,
processes and/or tools **86%**

Development, implementation
and assessment of risk culture
across the organization **84%**

2 year insurance management strategy for difficult-to-insure risks

Risk retention **77%**

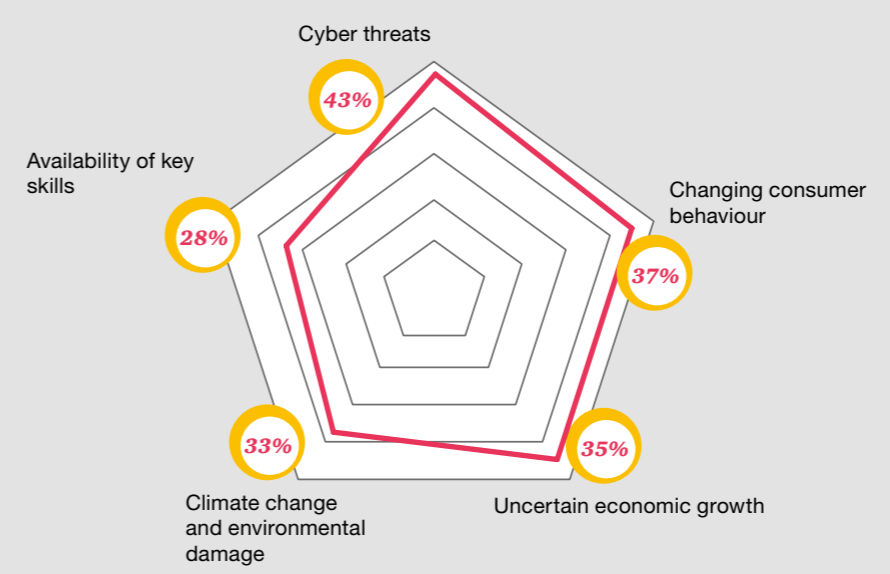
Lobby insurance
market to develop
solutions **52%**

Use alternative risk
transfer vehicles **27%**

Create a captive
insurance / reinsurance
company **11%**

Risk Management's stakes in 2018

Top 5 risks for growth prospects



49%

of respondents are using data
analysis to perform their risk /
insurance activities

86%

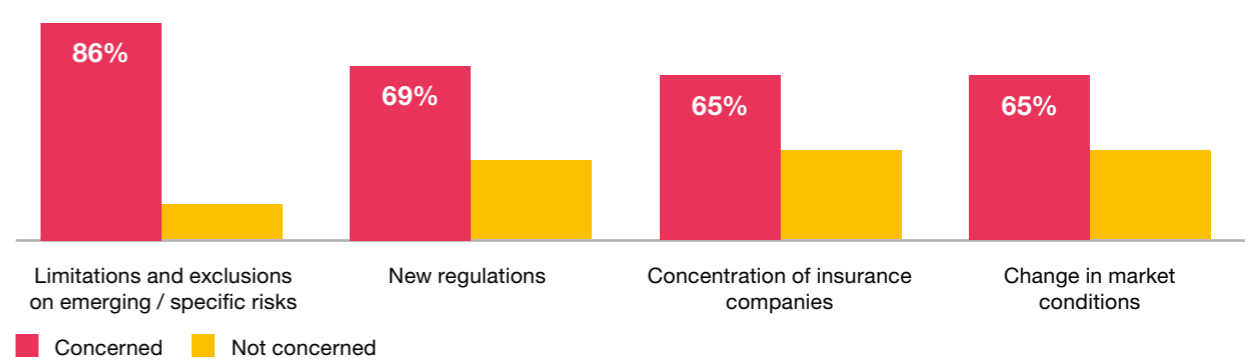
of respondents assess risks that could
affect the relevance and viability of their
organisation's strategy and objectives

Implications for insurance management

54%

of respondents estimate that the involvement of their captive over the next 2 years will be more important in non-traditional lines of cover (examples: employee benefits, medical stop-loss, crime, political risk, trade credit, surety, intellectual property, supply chain risks, cyber risks)

Top concerns regarding the insurance market



Russia

(7% of respondents)

Who is the risk manager?

Male: 68%
Female: 32%

Typically between 36 and 55 years

41% earned less than €40k per year

Usually has more than 10 years of professional experience

Organisation

72% of respondents work within large companies (>250 staff headcount, >€50 m turnover)

20% of respondents come from energy

34% of respondents can contact the CEO directly. Moreover, 42% of respondents believe their role is increasingly recognised internally

90% of respondents think that the risk manager is becoming the risk conductor by consolidating risk information to give a clear and comprehensive view to the senior management

Activities of the risk manager

34% are in charge of Enterprise Risk Management (ERM)

58% are in charge of both ERM and Insurance Management (IM)

8% are in charge of IM

Top 3 ERM activities

Development and implementation of ERM governance, framework, processes and/or tools	89%
Risk identification, analysis, evaluation, prioritization and reporting	76%
Alignment and integration of risk management as a part of business strategy	73%

2 year insurance management strategy for difficult-to-insure risks

Risk retention	54%
Lobby insurance market to develop solutions	18%
Create a captive insurance / reinsurance company	14%
Use alternative risk transfer vehicles	7%

Risk Management's stakes in 2018

Top 5 risks for growth prospects

59% of respondents are using data analysis to perform their risk / insurance activities

51% of respondents assess risks that could affect the relevance and viability of their organisation's strategy and objectives

Implications for insurance management

67% of respondents estimate that the involvement of their captive over the next 2 years will be more important in non-traditional lines of cover (examples: employee benefits, medical stop-loss, crime, political risk, trade credit, surety, intellectual property, supply chain risks, cyber risks)

Top concerns regarding the insurance market

Concern	Concerned	Not concerned
Change in market conditions	85%	15%
Limitations and exclusions on emerging / specific risks	81%	19%
Concentration of insurance companies	70%	30%
New regulations	43%	57%

The Russian respondents have considerable professional experience (>10 years), work in large Russian companies and perform both enterprise and insurance management functions.

Alongside growing geopolitical and economic uncertainty, respondents noted the implementation of enterprise risk management (ERM) and integration risk management (IRM) as growing business processes.

Victor Vereschagin, President of Rusrisk

Switzerland

(3% of respondents)

Who is the risk manager?

Male: 80%
Female: 20%

Typically between 46 and 55 years

Usually has more than 10 years of professional experience

47% earned between €151 k and €200 k per year

Organisation

95% of respondents work within large companies (>250 staff headcount, >€50 m turnover)

25% of respondents come from manufacturing

21% of respondents can contact the CEO directly. Moreover, 32% of respondents believe their role is increasingly recognised internally

42% of respondents think that the risk manager is becoming the risk conductor by consolidating risk information to give a clear and comprehensive view to the senior management

Activities of the risk manager

10% are in charge of Enterprise Risk Management (ERM)

50% are in charge of both ERM and Insurance Management (IM)

40% are in charge of IM

Top 3 ERM activities

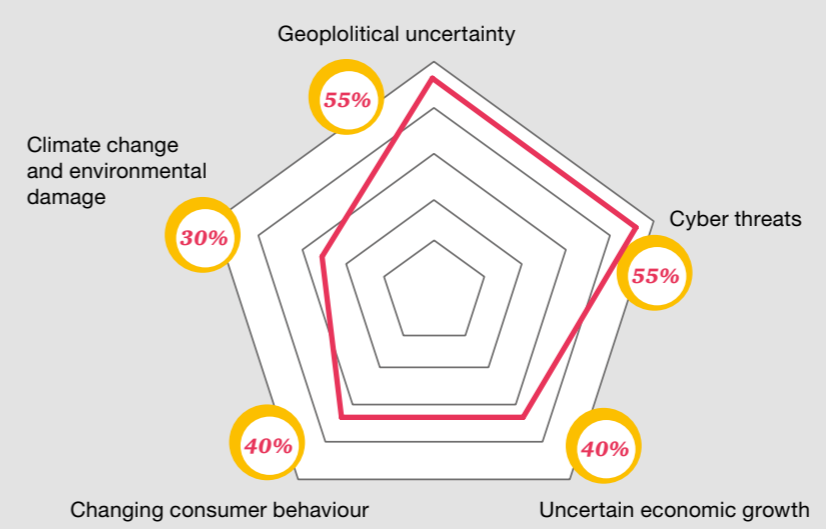
Risk identification, analysis, evaluation, prioritization and reporting	100%
Development and implementation of ERM governance, framework, processes and/or tools	83%
Alignment and integration of risk management as a part of business strategy	83%

2 year insurance management strategy for difficult-to-insure risks

Lobby insurance market to develop solutions	67%
Risk retention	61%
Create a captive insurance / reinsurance company	22%
Use alternative risk transfer vehicles	22%

Risk Management's stakes in 2018

Top 5 risks for growth prospects



42% of respondents are using data analysis to perform their risk / insurance activities

92% of respondents assess risks that could affect the relevance and viability of their organisation's strategy and objectives

Implications for insurance management

38% of respondents estimate that the involvement of their captive over the next 2 years will be more important in non-traditional lines of cover (examples: employee benefits, medical stop-loss, crime, political risk, trade credit, surety, intellectual property, supply chain risks, cyber risks)

Top concerns regarding the insurance market

Concern	Concerned (%)	Not concerned (%)
Concentration of insurance companies	89%	11%
Change in market conditions	78%	22%
New regulations	77%	23%
Limitations and exclusions on emerging / specific risks	72%	28%

We are delighted to see the positive feedback provided by our members.

20% of our respondents have now direct access to their company's CEO, which can be considered as a real breakthrough that is key for risk and insurance managers to have a meaningful impact on the management of our companies and ourselves. This is also translated by the fact that one third of our respondents feel that their role and input is recognised, and that nearly half of them are the main internal business partner to provide clear and comprehensive risk information to senior management. Not only are we involved in the customary identification and quantification of our risks, but also in defining our companies' risk appetite and more importantly in integrating these aspects in the strategy and objectives of our businesses.

This is a clear step forward and translates the remarkable development of our position, as risk and insurance managers, in Switzerland and Liechtenstein.

There is no doubt that we still have work to do to have our position and role fully recognised as key stakeholders for success within the entire company, but this underlines that we have already made a lot of impactful progress and gives an incentive to continue our combined efforts.

Sabrina Hartusch, President of SIRM

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