



# FERMA

Federation of European  
Risk Management Associations

## **FERMA Forum, Monte Carlo**

**Opening remarks, Monday 16 October 2017**

Jo Willaert, President of FERMA

### **At the cross-roads: a European vision**

*[Short welcome.]*

I well remember the experience, especially in the days before satellite navigation, of arriving at a crossroads where it was hard to tell which direction to take. Perhaps the signs were unclear or roadworks blocked the route that I was knew. Now, of course, you have GPS, but it can still take you down an unmade road at some risk to your suspension, because that's what the computer says is shortest.

Today, in many ways, we are at such a crossroads. Our ultimate destination is a prosperous and sustainable future for Europe, for our enterprises and for our communities. This morning I will emphasise to you the positive nature of managed-risk taking in making a success of our journey. But we have decisions to make about the route, and I believe that the risk management community is in a strong position to support those making the decisions.

I want to consider the situation from the perspective of Europe, and that of business and risk management, including insurance. FERMA's role, as we will demonstrate over the next three days, is the provision of good directions for our journey based on leadership, communication and education. At the end of our time together, I believe you will have confidence in the value of our chosen profession(s) to believe that we are among the guides for our future travels.



Let me quote Matthieu Ricard, a Nepalese French scientist and Buddhist monk: 'At each point in our lives, we are at a crossroads. We are the fruit of our past and we are the architects of our future....'

## **Europe**

Europe at a crossroads is, indeed, the title of our keynote session tomorrow morning.

Crisis has been part of the life of the European project since its beginning. This is not surprising given its scope and pioneering nature. But the EU has always emerged strengthened. Brexit and the risk of fragmentation of the Union have awaked the other EU Member States to the need for a positive message about the future of Europe.

Many of great challenges of our time, however, are not regional but global: security, migration, climate change, digital technology, and economic and financial volatility. The world is going through a period of profound transformation. Nationalism, populism and protectionism are responses to such uncertainty. They increase the level of unpredictability and create potential sources of conflict.

At the same time, rapid technological development is aggravating economic and social differences. Africa has technology innovators. There are good prospects and economic growth in many African countries, but it is uneven, and many people on the continent still face existential risks such as food and water insecurity, pandemic, corruption and armed conflicts. Parts of the Middle East are still held in check by conflict, and many people who should be developing the knowledge and economies of those countries have died or fled.



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In Europe, we have other pressures. Our cohesion is being stretched by revived nationalism and the number of people wanting to come here. Businesses face disruptive technologies, cyber risks, data security issues, and threats to business continuity and reputation.

European leaders seem to agree that the best scale to protect, build resilience and seize the opportunities created by these challenges and by the digital world is the EU. The new generation of leaders is well educated, (the Erasmus generation) and speaks English (the language of business). They are young and have grown up as Europeans along with their own nationality. This should influence the direction of the European project, even though we know it will not be easy.

Confidence in a better future together with a positive economic outlook is blowing a wind of optimism over Europe. As European Commission President Jean-Claude Juncker said in his annual speech of the State of the European Union: *"The wind is back in Europe's sails. But we will go nowhere unless we catch that wind."*

For our members and friends outside the EU: Russia, Turkey, Norway, Switzerland and soon, I regret to say, the United Kingdom, a stable and prosperous European Union makes for a good neighbor and a good trading partner.

## **Business**

I referred just now to technological development. We are on the threshold of a Fourth Industrial Revolution with great scientific and technological changes that are taking us in unpredictable directions. Already we see digital currencies and blockchain

technology coming into the mainstream. Slightly further ahead of us on the road are the internet of things, applications of artificial intelligence and further exploitation of Big Data. For this, we do not have ready-made maps. We know they offer exceptional opportunities, but there will be many unintended consequences, both positive and negative, and there is a real danger along the way from cyber risks.

However, risk taking is essential to the sustainability of business, not in spite of this environment, but because of it. As Andrew Harmstone, Managing Director of Morgan Stanley, said recently in the context of cyber security, ethics and sustainability: *"The risks and costs to companies of not keeping up with change are great, be it from fines, reputational damage or lower productivity due to cyberattacks – each can erode companies' profitability."*

The creation of value by businesses is much more fluid today. There is a wide division between capital-intensive industries and the growing number which generate returns from intangible assets, human capital, brands and reputation. Some of the latter, in business terms, don't even own much physical property. They hire what they need, and they like to use independent contractors, rather than employees.

We cannot manage or insure – and I'll come back to insurance later - the risks of these enterprises in the exactly same way as we do factories, warehouses and multi-million euro machinery. Their value proposition can suffer damage almost overnight from an attack on their reputation. At the same time, the millions of small and medium sized enterprises that still generate the great proportion of Europe's GDP and employment need insurance in a coherent cost-effective package..



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## **Risk management**

The risk management profession is also at a crossroads. Where are we going in this world in transition? We have developed great expertise in the application of risk management, and we now have the opportunity to show that the fundamental principles that we apply are relevant to the process of determining a successful strategy in the face of unpredictability.

There are opportunities and there are consequences of exploiting these opportunities, some of them potentially negative and severe. Identifying and mitigating those risks are crucial to the success of the enterprise. The board and senior management need knowledge and expertise to apply these principles to performance – and they should be aware that this is what the risk manager offers. Do we emphasise this enough? Do we speak their language? We need to understand the strategy and targets of the company so we can demonstrate that risk management is aligned with the business objectives of the company.

As you know, my themes as President of FERMA are leadership, communication and education. **Leadership** means that in “risk management”, “management” is as important as “risk”. The risk manager must also be able to **communicate** how risk management adds value to the company, its processes and its strategy, that it helps the executive management achieve its objectives, while highlighting the key risks to success so they can be controlled. This level of leadership requires what I would call a ‘mastery of risk’ to guide decision making.



Having started with the EU, I will return to draw a parallel here. Ultimately, to succeed the EU has to show that it contributes to the growth and prosperity of its enterprises and its citizens, and that it is not just a standards and rule-making body that its members find restrictive. In the same way, as risk managers, we play a valuable role in our risk reporting and compliance function, but we should also have the confidence to build on that aspect of our work and show how managed risk-taking is positive and essential to the sustainability of the enterprise.

Our ultimate objective is to embed risk awareness in the whole organisation. To do so, the risk manager must be in contact with business areas, which are the risk owners, and develop scenarios and stress tests out of this understanding to ensure that the execution of strategy remains fit for purpose. We must also work with other risk-related functions, internal audit, HR and IT, and this is an aspect that FERMA is developing on a European level. Good communication that is relevant to each group of stakeholders is crucial, and in this way, risk management can become the risk intelligence centre of the enterprise.

I believe that European risk managers and their associations also have a role in developing a risk management culture among the small and medium sized enterprises in their countries. Many of us in large enterprises depend on such companies as suppliers, service providers and customers, and I cannot see any corporate function other than risk management that is in such a strong position to strengthen the resilience of our partners.

If we can do these things, then we will have demonstrated to the board and senior management that a dedicated risk management function is crucial and that the work



should not be dispersed and fragmented among other departments whose primary focus is different. Our role is to support and inform risk taking rather than obstruct the process. If we can do this, our choice of future routes is wide.

This brings me to my third theme: education. Our **education** must be broad and continuous. We need to understand the nature of the business, the nature of risk, and the principles and application of risk management, and demonstrate excellence in our role.

Today is something of an anniversary for FERMA's certification scheme rimap because we launched it at the FERMA Forum in Venice two years ago. Since then it has been established as the only European professional certification for risk and insurance managers. It has been developed by the European risk management community to provide independent confirmation of the professional competences, experience and standards of individual risk managers. We have now 32 Ferma rimap certified risk professionals and many others will follow. This year we were able to move the examination online which has greatly increased the opportunities for risk managers to become qualified.

Certification gives a clear identity to the profession. It ensures that the board, the top management, HR and the academic world recognise the high standard that qualified risk managers have achieved. Employing rimap-certified risk professionals increases the organisation's reputation and credibility by showing that risk management is taken seriously. It is good for the careers of risk managers as individuals and for the recognition of the profession as a whole. This is why the FERMA rimap certification is such an important subject.



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## **Insurance**

Our closest partners on this journey are in the insurance industry, insurers, brokers and experts. They can be our co-pilots, navigators and even mechanics. Many of them are here with us in Monte Carlo, we thank them for their support not just in our working lives but also for events like the Forum, and for our members.

No one questions the value that insurance has provided to the development of enterprise – even going back as far as sailing ships. At the same time, risk managers express frustration that insurance is not evolving at the speed that their industries are. The insurance model of traditional underwriting based on claims data and lines of business offers only limited help for us to develop opportunities in the Fourth Industrial Revolution. How can insurers underwrite risks associated with artificial intelligence applications if they have no experience to rely on and want them all to fit into silos of property, casualty and transport?

We understand that in these circumstances, insurers do not think it is right to expose so much of their capital to such uncertainty that they can provide meaningful capacity to their corporate clients. But for companies with large balance sheets, borrowing a small amount of capital from an insurer is not the most effective way of managing material risks.

Insurance is at a cross-roads, but not at a dead end! We encourage the industry to follow a different route, that of expanding the type of solutions they offer and providing services, such as data sharing and technical expertise, in partnership with their corporate clients.





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## **FERMA**

FERMA is a European federation that serves its 22 member associations by supporting them and their members. Through them we represent the interests of nearly 5000 risk and insurance managers across 21 countries. That is a unique geographical range and gives us our strength in speaking for your interests in the heart of Europe. I would like to pay tribute to my colleagues, the presidents of our members, who are here today, and I invite you to get to know new countries by visiting the association village here.

Among the many matters that FERMA currently has on its agenda, I would like to outline three which particularly contribute to the promotion and recognition of our profession.

1. The first is increasing and maintaining our visibility with European and international institutions. We deepen this relationship by exchanges of best practice through a wide European network.
2. We work together with our partners in this network to increase technical knowledge. This year, for example, in cooperation with the European Confederation of Institutes of Internal Auditing, we have developed a guide to cyber risk governance and presented it at the European Parliament. Only a few days ago, we received a European captive award for this BEPS related initiative. We have begun a dialogue with the OECD on captives and cyber risk. Today, we are launching a series of useful guides on current topics called FERMA Perspectives, and the first of these publications covers captives in a Post-BEPS world. It is available here for you.



3. Finally, we are continuing to develop our professional qualification, rimap certification. It is a European designation that distinguishes a risk management professional who has achieved a high level of experience and knowledge. It is not a gimmick. To make the profession a requirement for companies, it needs recognised value, and that value comes through the certification delivered by FERMA and supported by our 22 member associations. There is also growing interest in mutual recognition of their respective certifications by all five regional risk management organisations, including FERMA. You can find more information about rimap at the FERMA stand.

## **Conclusion**

We are living in a fascinating time, certainly with threats but also many opportunities. We find ourselves at a crossroads and we are all looking for new maps in uncertain territories. I hope that I have shown you that by an emphasis on leadership, communication and education, the risk manager can be not just a map reader but a map maker. The risk manager can be the leader in his or her function and foster the leadership of the enterprise.

## ***Pause***

With these thoughts, it is now time to begin our programme. Every professional event has a professional moderator. We are delighted to have with us for these 3 days Alex Taylor, one of the most experienced journalists who has moderated thousands of international conferences and events.



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Appropriately for this event, Alex is known as “Mr Europe” by the French media. British born, he has produced and moderated television and radio programmes extensively over the last 20 years in France and many other countries. He speaks fluent French, English and German, as well as Italian, Spanish and Dutch.

We are in very good hands!

Ladies and gentlemen, Alex Taylor!