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

50% in 2014

43% in 2016

52% in 2018

Will strengthen their loss prevention activity

43% in 2014

54% in 2016

44% in 2018

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*

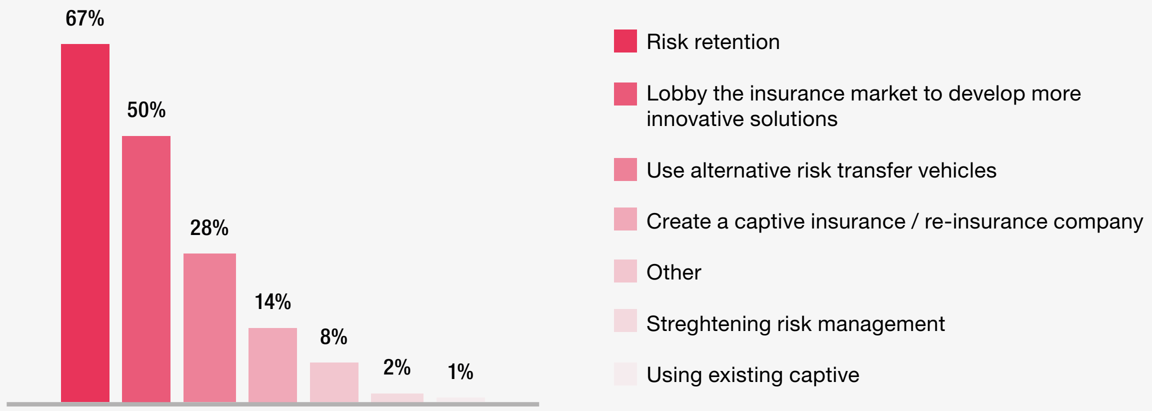
Against this trend, 30% are considering implementing or further using their captive as an alternative solution.

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.

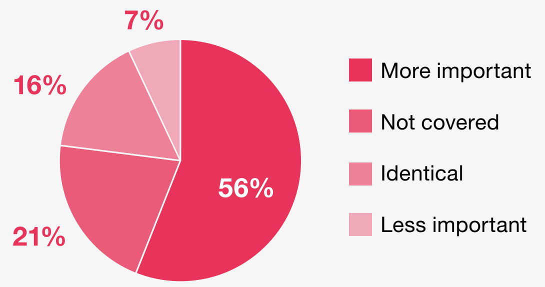
Risk retention and lobbying the insurance market to develop new solutions appear to be the main strategies for emerging / specific risks.

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

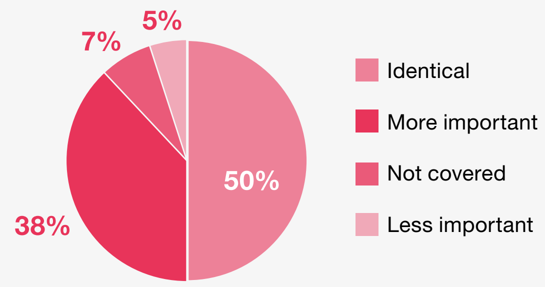


Despite global pressures resulting from the OECD BEPS recommendations, when insurance markets do not satisfactorily respond to certain risks, using a captive remains an attractive alternative risk management solution. This finding reinforces FERMA's emphasis on the value of captives as a genuine risk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



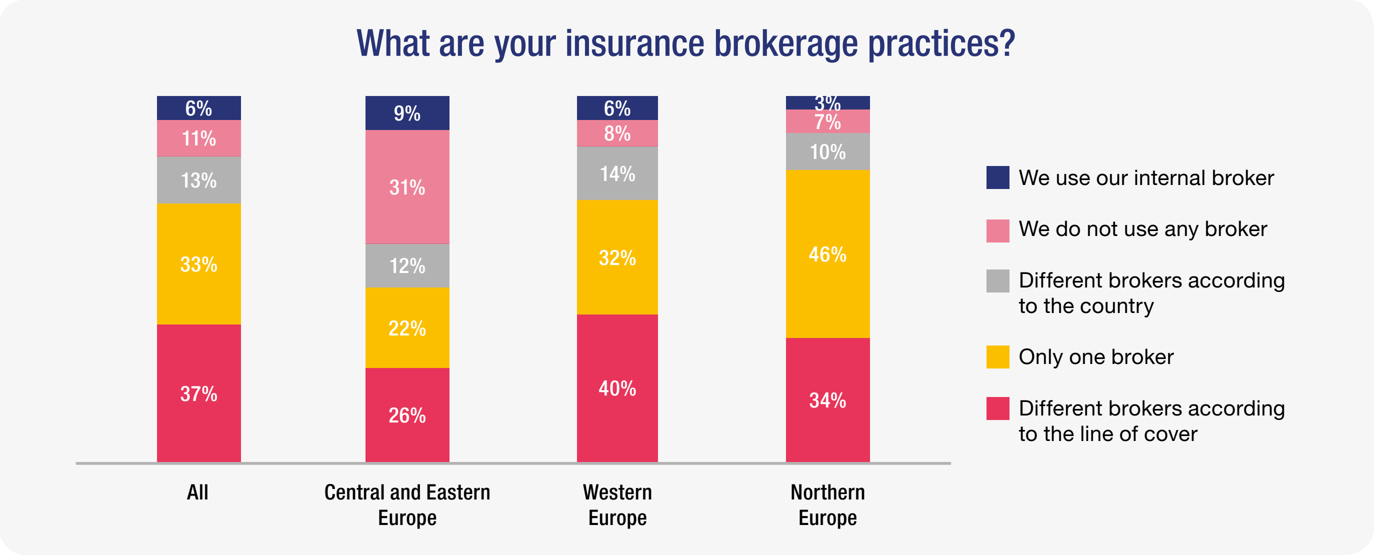
The captive, a collaboration between ERM and insurance management?

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



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.