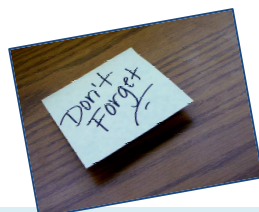


Insights from the benchmarking survey

For Ernst & Young (E&Y), the FERMA benchmarking survey is a valuable source of information about trends in risk management across Europe. Through its Paris office, E&Y has been closely involved with the survey from the start in 2002. The leaders this year are Jean-Michel Paris, who has worked on previous surveys, and Matthieu Leroy, a senior manager in the advisory practice.

In 2010, E&Y is looking to explore three important issues: the relationship between risk and governance, the maturity of risk management across Europe in general and comparatively, and the approach that companies are taking in terms of the relationship between strategic objectives and risk management.

On the first question, Matthieu Leroy explains that especially now that the 8th Directive on Company Law is in effect in member countries, many public companies are required to have audit committees that monitor the effectiveness of the company's internal controls and risk management systems.



Benchmarking Survey : Launch on 17 March!

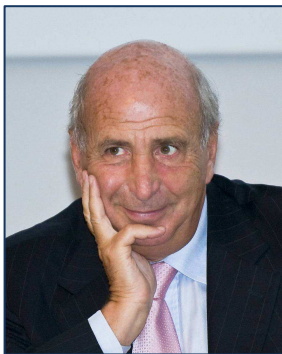


"We are eager to assess better how this link between risk and governance has

evolved, bearing in mind that risk issues have clearly become a subject of attention for executive and audit committees in public companies," he says.

Second, the maturity of the risk management process is a key aspect to assess because it highlights its importance and underpins the descriptive disclosures on the subject that companies make in their annual reports. Matthieu Leroy comments, "We want to understand how mature the risk management process is, where it is going and what the main drivers are."

Finally, E&Y is interested to know how companies today are aligning their strategic objectives and risk management policies. This relationship lies at the heart of enterprise risk management and constitutes a key issue in anticipating and understanding the role for the enterprise risk management in the coming years.



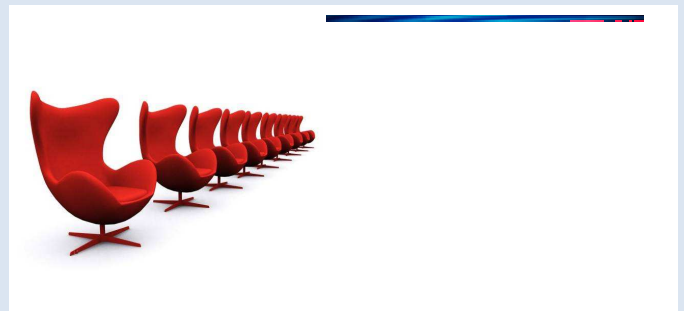
European technocrats are magical with words. They like to use images to get their message across. One of the expressions "à la mode" in Brussels is that establishing a "level playing field" is important in any new legislation so that all parties are treated equally and remain competitive. Solvency II is no exception. It is widely accepted

that under the new directive all insurers should be treated equally.

In the background there is the spectre of the proportionality principle, dear to the European Constitution, but no one knows how to apply it practically. A principle is a concept difficult to translate into action; rules and regulations are much easier to make concrete.

In the responses to CEIOPS consultation papers on captives, I was surprised to see the unfriendly position of the representatives of large insurers, such as the French FFSA and the European CEA, taking the position that captives should be granted no special treatment. The reason: "the level playing field". In the name of captives' owners that I am proud to represent for FERMA when I meet them, that expression turns me on immediately. I tell them: "Hey guys, you don't know much about captives. First, we don't play on the same field and second, we don't even play the same game as the AXAs, Allianz and Zurich of this world."

Captives are different. For one thing, the shareholder and the insured belong to a same economic entity. Second, captives don't compete for market share; they cooperate with insurers by funding large deductibles, insuring non-insurable risks, providing additional capacity and improving risk quality by sharing the risk with them. Finally captives are not managed to provide short term returns on investments on their capital.



Registration opens soon for London seminar

Registration will open in April for the 2010 FERMA seminar which will take place for the first time ever in London. It's a free event for risk manager members of FERMA associations. The venue is the Hotel Hilton Metropole and the dates are 29 and 30 September. The highlight of the programme will be the release of the results of the 2010 FERMA risk management benchmarking survey. Other items for the event are being planned.

<http://www.ferma.eu/Events/Seminar/tabid/109/Default.aspx>

The group also says that in terms of governance, simplified methods should apply for committees, risk management and audits of captives. Captives, it points out, are not independent enterprises. They are under the control of a parent company which applies standards and governance rules to all its subsidiaries, including the captives. Therefore, captives already come under the surveillance of an audit committee.

For more information on recent meetings with the CEIOPS and the Commission please refer to minutes of meetings on FERMA website's members only section at: <http://www.ferma.eu/RiskManagersOnly/RiskManagementhottopics/tabid/131/Default.aspx>

FERMA and ECIROA have drafted a letter that member associations can use as the basis for discussion with their own finance ministries about the future of captive insurance companies under Solvency II. It is available from the FERMA website under hot topics or at <http://www.ferma.eu/AboutFERMA/HotTopics/SolvencyIICaptives/tabid/268/Default.aspx>.

No fog in London Presidents' summit



Heads of all the FERMA member associations will be invited to take part in a roundtable discussion with Peter den Dekker during the 2010 seminar being held in London on 29 and 30 September.

This second such gathering is part of FERMA's development of regular channel of communication with and between the associations. Den Dekker also hosts regular conference calls with the association presidents, and FERMA believes the exchange of ideas and information is very valuable.

Confusion and misconceptions about environmental liability

Although the Environmental Liability Directive has now been implemented in nearly all European Union member countries, companies and their risk managers remain unsure how it will work, and many are simply waiting for something to happen, according to FERMA board member Pierre Sonigo, who has spearheaded FERMA's work on the directive. He warns that this is a dangerous attitude that leaves businesses exposed to the possibility of substantial uninsured costs and reputational damage.

FERMA is continuing to participate in a working group of the European Insurance Committee (CEA) which is, in turn, advising the European Commission on the availability of insurance for liabilities under the directive. This gives risk managers an ability to influence the final decision of the European Parliament on financial provision for environmental impairment. The Commission has welcomed FERMA's comments to date and may ask for another survey of members ahead of completing its report for Parliament, scheduled for 30 April.

On the basis of the limited response to a survey among FERMA members earlier this year, Sonigo is concerned that many companies have not yet assessed their risks under the directive, let alone considered how to make financial provision for them. Even among the 43 replies, there was confusion about the objective of the directive to prevent and remedy environmental damage to species and habitats, as well as water and soil.

Only 10 respondents said they had bought some form of standalone insurance cover that gave them wide protection against environmental impairment liabilities. By far the largest number relied on coverage that was part of or an endorsement to their general third party liability cover, and it is questionable whether such wordings will respond to the remediation requirements of the directive.

The real problem, thinks Sonigo, is lack of sufficient practical experience for all parties involved. So far, there has only been a handful of inconclusive cases, and businesses may believe insurers are asking them to pay too much for too little. Building up data is essential for the development of a deep insurance market for environmental impairment insurance, and Sonigo urges FERMA members to express their views actively so that they have an influence.



ELD Survey results available for download, see:

<http://www.ferma.eu/portals/2/documents/2010-FERMA-ELDSurvey-v2.pdf>

Broker remuneration

The broker remuneration question has been under discussion for nearly six years but has never been quite resolved. Progress, however, is being made. FERMA President Peter den Dekker believes that there will be an agreement in place before the end of September this year following direct contact between FERMA and the European intermediaries' association BIPAR.

Den Dekker made a presentation to a BIPAR meeting in February, followed up with several phone calls and a further meeting. He says the discussions are taking place in a positive atmosphere, and that both organisations are committed to reaching an agreement soon.

