

The Daily

'The market is adrift - directionless. There is very little indication and virtually no conviction of its next move'

Guy Carpenter's chief executive Alex Moczarski

For the first time ever, a Nordic capital plays host to the largest gathering of risk management professionals in Europe

Welcome to Stockholm

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My Top Risks

Find out what leading risk managers rate as their top risks

Risk Quiz

Test your risk management mettle with our brain teaser

Floor Guide

Your guide to the best routes around the exhibition

Party map

Don't miss a single cocktail party with our handy guide to Ferma nightlife



MEET THE TEAM

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STRATEGIC RISK MAGAZINE



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Setting the scene

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'The forum will be the occasion for many meetings. It's great to see our sponsors, business partners, colleagues and friends face to face. During each break, I'm going to be at the marketplace and introducing the product innovation pitches. I'll also take my turn on the Ferma stand, and I need to catch up regularly with our social media adviser.'



Peter Den Dekker, president, Ferma

editor's word



Nathan Skinner, EDITOR, STRATEGICRISK

My view It's that time of year again. I remember the last Ferma conference – in Prague in 2009 – as though it were yesterday. And I remember the excitement of the Swedish risk management community when the announcement was made that the 2011 summit would be in Stockholm. In fact, Ferma's Hans Brandt and Swerma president Charlotte Barnekow – who have been instrumental in helping organise this event – came over to the *StrategicRISK* stand to break the news.

I have visited Stockholm several times – most memorably to compete in the Vikingarännet (Viking Run) long-distance ice skating race with Ferma president Peter Den Dekker last year – so I know it is a great city. I also know that this conference will be a roaring success, not least because of the effort

|| I know that Stockholm is a great city. I also know that this conference will be a roaring success, not least because of the effort Peter Den Dekker and his team have put in.

Email nathan.skinner@strategic-risk.eu

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stockholmpartymap

A mini-guide to the parties around the conference

Le Bon Palais
Monday, 3 October

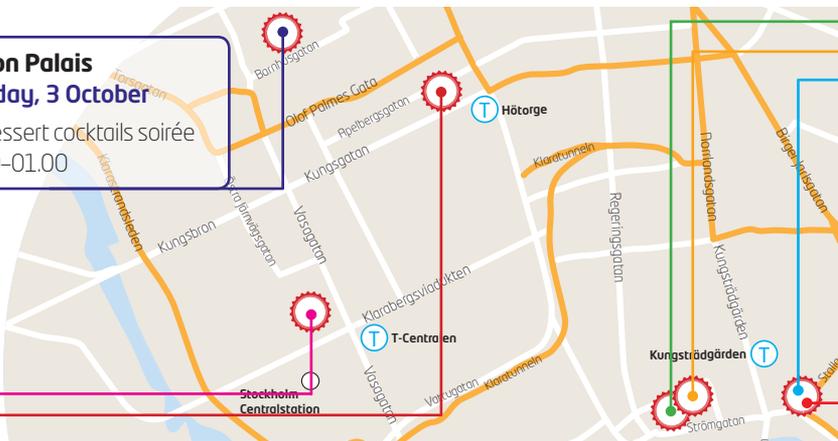
JLT dessert cocktails soirée
22.00–01.00

Radisson Blu Royal Viking Hotel Stockholm
Tuesday, 4 October

Miller drinks and canapes
18.30–21.00

Stockholm Concert Hall
Monday, 3 October

Marsh cocktail reception
18.30



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NEWSFLASH

Congratulations to Jorge Luzzi who has been elected president of Ferma. He will succeed Peter Den Dekker after the forum finishes in Stockholm. Luzzi commented: "I want to help continue the development of our profession."

Peter and his team have put in to making sure European risk managers get the most out of it. I'm looking forward to catching up with risk managers from across the continent and talking about the issues that keep them up at night.

I'll have a chance to quiz some top insurance executives about these issues on the last day of the conference at the panel debate (Wednesday, 10.45am), so if you have any questions you'd like me to pose – no matter how controversial – then let me know. You'll find me around and about, at the *StrategicRISK* stand (number 64) or at one of the evening cocktail parties (just don't leave it too late before telling me your question!).

As you can see, we've redesigned the Daily edition of *StrategicRISK*, which we publish at all of Europe's biggest risk management conferences. We are trying to get the balance right between fun and informative – but, again, please let me know if you think we should be doing things differently.

top3issues



Ferma has strengthened its role as a voice for risk managers across Europe

During 2011, Ferma represented the views of risk managers at the European Commission, on issues such as insurance intermediation, Solvency II, corporate governance and collective redress. Ferma has also spoken out on issues that affect European businesses, such as the need for a global insurance regulation and tax database.



Ferma strengthens position as the unifying body in European risk management

To widen contact with the risk management community, Ferma has developed social media during the year, including its own LinkedIn site and a presence on YouTube and Twitter, in addition to its regular newsletters and press releases. The record number of registrations for the 2011 forum prove how well the organisation brings together risk professionals across Europe.



Ferma has raised its profile and that of risk management

Two new members have joined Ferma this year – Malta's MARM and Slovenia's SI.RISK – bringing to 19 the total number of European countries whose risk managers are represented in Ferma. Other associations are expected to apply in 2012. Ferma leaders are in demand as conference speakers, and journalists regularly seek articles and comments from them.



Grand Hôtel Stockholm
Monday, 3 October
RSA cocktail party
19.30

Grand Hôtel Stockholm
Monday, 3 October
AXA Ferma reception
18.30–21.30

Café Opera
Monday, 3 October
Willis Group cocktail party
18.00–20.00

Tuesday, 4 October
Ferma night
22.00–03.00

Royal Swedish Opera
Tuesday, 4 October
EOS Risq cocktail party
18.30–20.30



Monday evening brings a choice of wonderful events to attend. In particular, I am going to visit our sponsors to thank them for their support, but I hope to get to as many parties as possible – even if I can't stay for long.

PETER DEN DEKKER president, Ferma

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Setting the scene

myfermaday

The president's diary Sunday, 2 October

StrategicRISK asked Ferma president Peter Den Dekker to explain what he did on the opening day of the conference in Stockholm.



09.00 For me, the forum starts on Sunday, because we have lots of things planned, including the StrategicRISK roundtable. The day begins with a meeting with the Institute of Risk Management, to look at ways we can work together more closely.

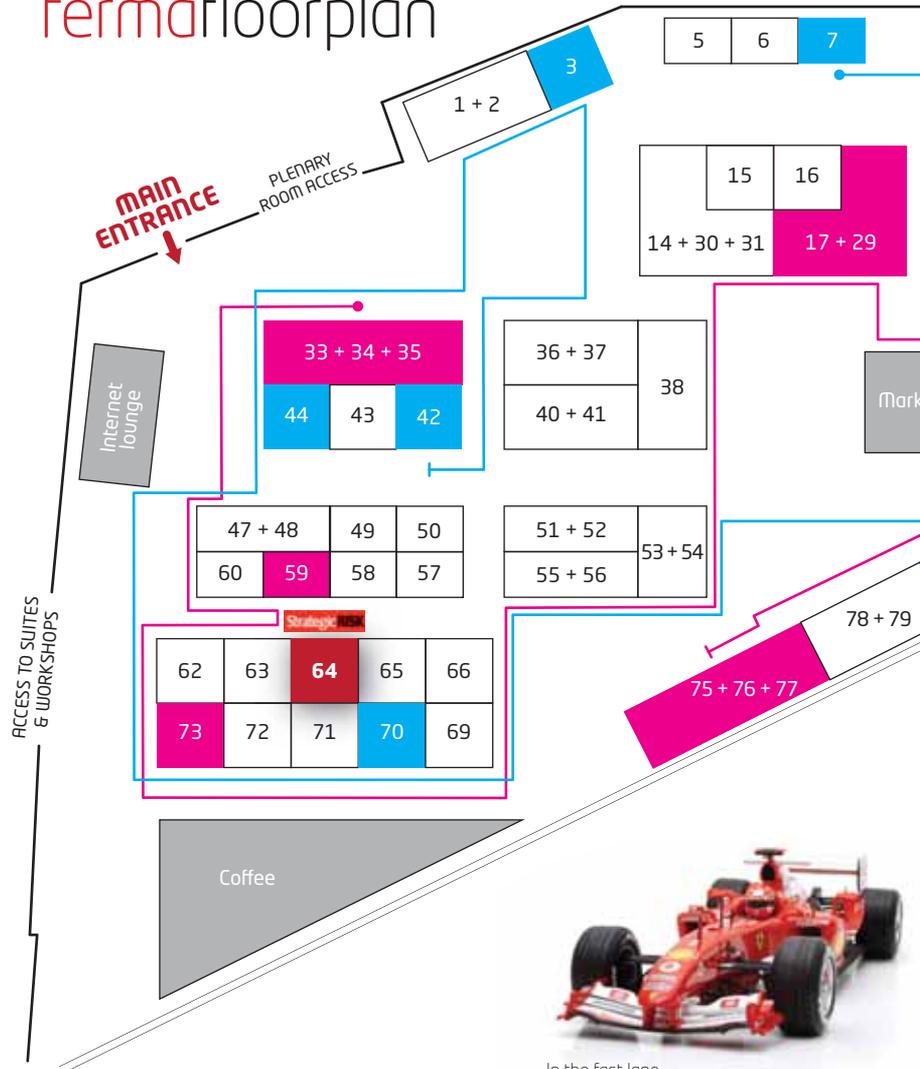
11.30 Time for the StrategicRISK roundtable, where the leaders of our national associations respond to questions from StrategicRISK's editor Nathan Skinner.

14.00 On to Ferma's own president's summit, where I have the opportunity to get feedback from members, see how they work together and discuss Ferma's strategy for the next year or two.

16.00 After two hours, it is time for me to head into the auditorium for final checks on logistics and systems. I meet lots of friends coming in to register on the way. Afterwards I dash back to my room for a few minutes to change and call home.

19.00 I am ready to greet attendees at the first official event of the conference: the welcome reception. We expect about 1,400 people at the forum, so I shake many hands and give away many kisses. It's exciting to see how the registration process has gathered momentum as the months have passed. During the reception, I talk through what is new at this year's event – for example, things like electronic business cards and what will happen in the marketplace. Afterwards, I have a choice of evening events to go to. I couldn't really skip the Dutch evening, but I didn't want to be up too late, because at 9am on Monday morning I am on stage to open the business of the forum with Swerma chair Charlotte Barnekow and introduce our first keynote speaker, Deutsche Bank chief executive Josef Ackermann, to a packed auditorium.

ferma floorplan



In the fast lane
Stands 33-35

THE NEED FOR SPEED ROUTE

Start the day at a speed with **Marsh** (stands 33-35) by taking part in its racing challenge, just as you walk into the hall. If you are fast enough, you might make it all the way to Formula 1, with one of the two tickets the company is giving away. But don't stop there – head on to stand 59 to grab some of **Bwise's** free laser pointers and memory sticks. Now slow down and stroll along to **Polygon** (stand 73), where you can refresh yourself with some free coffee and cookies. After the break, use your energy to hop into the driving simulator at the **Zurich** stand (stands 17 and 29). If you're back at full speed, you could win an iPad with your driving skills. When you leave the Zurich stand, take a water bottle with you so your mouth won't get dry before you reach stand 39. Here you'll find **IF**, and can have a chat with tennis pros Jonas Björkman and Thomas Johansson, who will visit the stand on Monday. You can also win tickets for the IF Stockholm Open. For the finale, walk down to **Torus** (stands 75-77) to munch on free snacks, while buying a tombola ticket so you stand a chance of winning an iPad.



Setting the scene



CLUB CLASS

If you fancy a break, pop by the ACE business class lounge on level five of the Congress Center to check your e-mail and chat to colleagues over coffee.

programme

monday 3 October

09:00-09:30: Opening of the Ferma Risk Management Forum 2011

09:30-10:15: Keynote speech

10:15-11:15: Networking break

11:15-12:15: Keynote speech

12:15-14:00: Lunch and networking

14:00-15:00: Sessions

- Live risk assessment: a unique experience
- Disaster recovery: what to do before, during and after
- Cross-cultural risk management in a globalised world
- Chaotic or deterministic: the real nature of risk
- The Heathrow Terminal 5 story

15:00-15:45: Networking break

15:45-17:00: Sessions

- Could I have saved a life today? – health and safety at work
- The risks of the virtual world
- Latest issues of Solvency II and captives
- EU-Russia energy dialogue
- Enterprise risk management around the world

17:00-18:00: Fermapero



LAID BACK AND LEISURELY

If you prefer a less hasty route, start at **Wells Fargo** (stand 7) with a nice Nespresso. Browse through the exhibition hall until you reach **XL Services Switzerland** at stands 80-82. Stop off for a chat, before strolling down to the **Chubb Insurance** stand (70), to play its global risk game – you could use the iPad you win to read www.strategic-risk.eu. Now the game has teased you enough, you should be ready and motivated to challenge your colleagues at **Crawford's** quiz on the impact of major risk events on a corporate's reputation. At booth 44, pick up a copy of **Airmic's Road to Ruin** report. After this you deserve a glass of wine at the **Arca Laudis** stand, but on your way to booth 3 don't forget to pop by **QBE European Operations** (stand 42) to drop off your business card. If you do, you might just win an iPad in their prize draw while you're sipping your wine.



On your game
Stand 70

Welcome break
Stand 73

Big hitters
Stand 39



list of exhibitors

4C Strategies 72 • ACE 38 • Allianz Global Corporate & Specialty 51-52 • American Appraisal 43 • AON 14, 30-31 • ArcaLaudis 3 • AXA Corporate Solutions 53-54 • Belfor 55-56 • Bwise 59 • Catlin 66 • Chartis 78-79 • Chubb Insurance 70 •

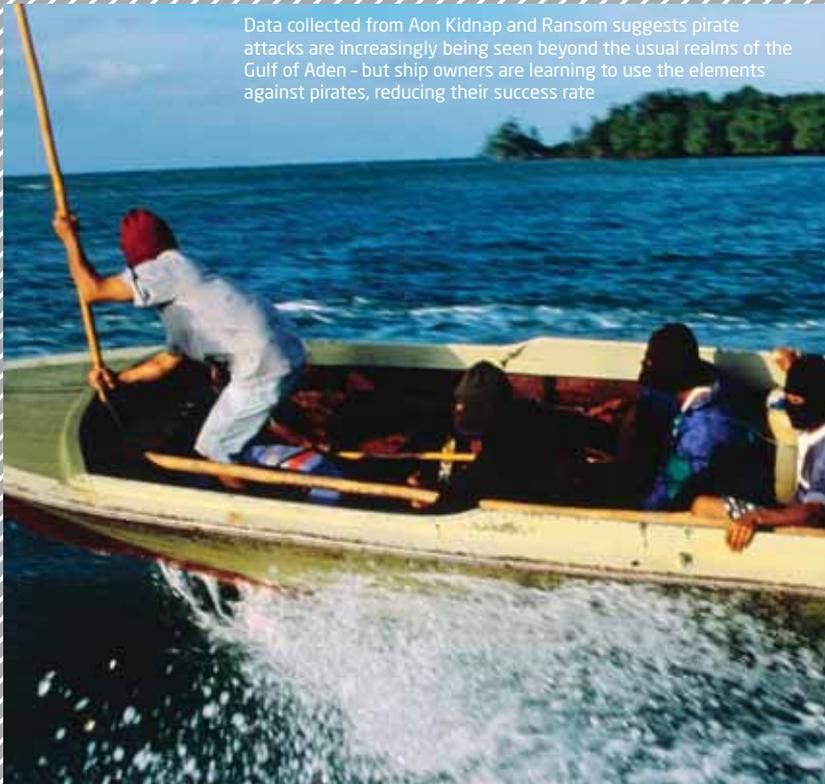
Cigna 6 • CNA Europe 65 • Crawford & Company 44 • Cunningham & Lindsey 19 • EOS RISQ 13 • Ferma 9-10 • FM Global 36-37 • Global Risk Consultants 15 • Grafton Europe 71 • Guernsey Finance 5 • HCC Global Financial Products

62 • IBM 63 • If P&C Insurance Company 39 • iFacts 20 • Infrasure 69 • Isle of Man Captive 60 • JLT International Network 18-28 • Liberty International Underwriters 12 • LRQA, Lloyd's Register Group 47-48 • Malta Financial Services Authority 49 • MAPFRE 58 • Marsh 33-35 • McLarens Young

International 16 • Munich Re 40-41 • Navigators 57 • Polygon 73 • QBE European Operations 42 • Royal & Sunalliance 1-2 • Standard & Poor's 8 • StrategicRisk 64 • Swiss Re Corporate Solutions 26-27 • Torus Insurance 75-77 • VRS Adjusters 21 • Wells Fargo Global Broker Network 7 • Willis Group 50 • XL 80-82



Recently appointed vice-president of Ferma and risk management director at GDF Suez, Michel Denery



Data collected from Aon Kidnap and Ransom suggests pirate attacks are increasingly being seen beyond the usual realms of the Gulf of Aden - but ship owners are learning to use the elements against pirates, reducing their success rate

mytoprisks

1 CREDIT RISK
The depressed economic situation continues and there is no end in sight. It's now obvious that 2012 will not bring the economic recovery that many were hoping for. We can expect that a number of companies, especially small and medium-sized businesses, will experience difficulties with payments, possibly even leading to bankruptcy. Credit risk will increase in 2012.

2 COUNTRY RISK
The situation in the Middle East remains unstable, even if the regime changes do present an improved perspective for the region. Country risk is difficult to foresee in these countries in terms of their economies and their commercial activities. In Europe, the populations of many countries are feeling the effects of the economic crisis and subsequent austerity plans. Strikes and forms of civil unrest could present serious opposition to governmental decisions, temporarily blocking business activities.

3 NATURAL CATASTROPHES
According to certain studies, the intensity of major natural catastrophes is increasing and events are generating more and more damage. Of course, these kinds of disasters can't be prevented but analysis of the effects of recent catastrophes can help risk managers better prepare themselves to mitigate this risk.

SHIP HARDENING AND HEAVY WEATHER LEAD TO FALL IN PIRACY



Far from being confined to the coast of Somalia, pirate attacks at sea are becoming much more widespread, a new in-depth piracy report has revealed. At the same time, these attacks are less successful thanks to better protected and savvier ship owners.

Ship owners are also beginning to use the elements to their advantage, said the report. Small, light pirate skiffs are less able to sail in heavy or stormy seas and merchant ship captains are using this to their advantage, leading to a decrease in the number of successful pirate attacks.

The data collected by the Aon Kidnap and Ransom Practice also presented proof that piracy has moved from the Gulf of Aden to the Arabian Sea and the Indian Ocean. The wider distribution of the problem is traced back to an increased presence of naval assets in the Gulf of Aden, forcing pirates to flee to less well-guarded areas. "There is a concentration of naval assets in the Gulf of Aden, which has undoubtedly helped to deter pirate activity," Aon global head of Kidnap and Ransom Clive Stoddart told *StrategicRISK*. "The naval assets do not have enough vessels to police the bigger, wider area of the Arabian Sea and the Indian Ocean." So pirates face much more aware and better protected targets. "There is also an appreciation of the fact that vessels are usually safer during the monsoon period than they are when the sea is calm," Stoddart said.



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BOARDROOM PAY - LOOK OUT FOR MORE REFORMS



Politicians make all kinds of smooth promises in front of their party activists. But when UK business secretary Vince Cable stood up at his Liberal Democrats conference on 19 September to speak of the need for greater shareholder power in determining the remuneration of company directors, he was merely giving prominence to the widely perceived continuing failure of current governance practice to curb excessive pay awards.

As the European financial turmoil continues, austerity is the order of the day. Last year, average UK earnings grew less than 2%, well below the rate of inflation. But, while most wage earners suffered, a survey by MM&K and Manifest found the median earnings of FTSE 100 chief executives had increased by 32%. The average total earnings of the same executives were 120 times that of the average employee; in 1998 it was just 45 times more. The pattern is much the same elsewhere in Europe.

This is despite new measures already put in place in an attempt to curb excess. In Germany, the whole supervisory board, not just a committee, must now determine executive pay, and is supposed to reduce it when a company's performance falters. France and Belgium have placed caps on 'golden parachutes' awarded to executives on leaving (often perceived as rewards for failure). The question of how to restrain excessive bonuses, especially in the financial sector, continues to exercise politicians. Those who maintain that it is not the business of governments to micro-manage executive salaries are behind the curve of public outrage, summed up by this comment on a *Guardian* story about boardroom pay packages:

"... The whole system is an incestuous old boy's network and they are all on each other's boards and remuneration committees. The whole thing stinks."

Whatever the justification for ultra-generous remuneration packages, public opinion is unlikely to be satisfied. The reputation of organisations perceived to be ignoring the need for austerity will be tainted. The bigger risk is that politicians will intervene directly. An IFOP survey in January 2011 found that 75% of the French public wished to see maximum salaries laid down by law. It is all very well for 16 top French executives to write to the *Nouvel Observateur* to say they wished to pay more tax, but the public wants to see them paid less in the first place. The odds are that governments will search for ways to make this happen.

In this light, the European Commission's green paper on corporate governance, released in April, looks to be too little, too late. It suggests that shareholders should be able to vote on board remuneration, but that the vote may be 'advisory'. The futility of this 





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newsflash

BIRD FLU IS BACK

The UN issued a warning in September over a possible lethal hybrid strain of H5N1 (bird flu) and H1N1 (human flu). The United Nations Food and Agriculture Organisation (FAO) warned that the viruses are at their highest levels in 50 years.



Source: World Health Organisation

“ There could be a flare-up of H5N1 this fall and winter, with people unexpectedly finding the virus in their backyard

JUAN LUBROTH

Chief veterinary officer, UN Food and Agriculture Organisation



▶ is exemplified by the 2009 Royal Bank of Scotland meeting where 92% of shareholders voted against the package given to departing chief executive Fred Goodwin – yet the vote was advisory, and the deal was done and dusted by the time it was even taken. The most shareholders can do is ‘send a message’ – which will probably be ignored.

In the search for better ways to strengthen this aspect of corporate governance, legislators are already looking at the Swedish model. The key difference between Swedish company structure and most European ones is the use of shareholder-led nomination committees, whose responsibility it is to propose director candidates for the board and to decide on their remuneration. Thus the power to set pay levels is taken out of the hands of the company’s officers and restored to the company’s owners.

There are difficulties, notably in finding shareholders qualified and willing to become closely engaged. But pressure across Europe for institutional shareholders to demonstrate greater ‘stewardship’ of the companies they own is growing. The Swedish model gives them the opportunity and the direct power to take that responsibility.

It is worth noting that the UK Department for Business, Innovation and Skills issued a discussion paper on 19 September, in which the Swedish example is proposed as one solution to the problem of excessive pay awards. Given that the original UK combined code on corporate governance has formed the basis for many governance guidelines within Europe, other European legislators may now be inclined to look closely at the Swedish practice too.

In the search for better ways

to strengthen corporate governance,

legislators are already looking at the Swedish model



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EMERGING LIABILITY RISKS



Businesses have always faced liability issues. But risk managers tasked with managing or mitigating the threats now face a set of rapidly changing and emerging risks, from dangerous goods to solar flares. One of the most important challenges for any risk manager is to stay abreast of the changing landscape of risk. Failing to see which are gaining in prominence can be costly. Here, experts identify some key areas to keep an eye on.



THE BIG SQUEEZE

Social trends are putting upward pressure on the frequency of liability claims – people are looking to companies for compensation payments more often. Likewise governments with strained finances are increasingly likely to try to subrogate (attempts to recoup expenses when another party may be held responsible) in regards to employers’ liability and workers’ compensation for healthcare and social security payments.

Claims are also increasing in size. In France, for example, the cap on gross negligence claims has been lifted

As businesses cut costs in an increasingly competitive environment,

fewer employees are expected to increase productivity.

Employee stress levels can rise, potentially opening the door to claims

and the definition broadened. “In the past this only used to apply to disease: now it applies to both disease and injury,”

says ACE Group casualty manager Adam Mason. There has been claims inflation across the board: part mirrors

general inflation but other factors such as more sophisticated and expensive medical treatments

as well as additional liabilities caused through legislative changes add to this inflationary pressure. This is not unique to France – in Italy for example, the tariff for compensation awards has been increased beyond the general level of inflation. As the recession bites, these trends are likely to continue, predicts Mason.

Employees themselves may also present a risk. As businesses cut costs in an increasingly competitive environment, fewer employees are expected to increase productivity. Employee stress levels can rise, potentially opening the door to claims.

Another potential employee risk is discrimination, says Mark Homan, senior vice-president, casualty, ACE Overseas General. “If you are cutting your headcount, you could find employees raising claims of discrimination. This isn’t covered by casualty, but can be covered by specific insurance.”

Businesses should ensure they are covered for such eventualities, carefully examining their employee liability insurance, health insurance and accident cover. They must also ensure adequate coverage and purchase a sufficient limit to counter rising claims costs and consequent erosion of aggregates.



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solarstorms

IMPORTER BEWARE

EU legislation poses particular risks for importers. Importers bringing in goods from outside of the EU are legally regarded as having manufactured the goods themselves, significantly increasing potential liabilities, especially for imports from countries where health and safety standards are less stringent. "Importers must rigorously check products conform to EU safety standards," says Mason.

Emerging and unknown risks

are more difficult to identify

so can often be neglected

European commissioner in charge of health and consumer policy John Dalli says safety at source, particularly design defects, is a key focus. "Companies must design out safety risks from the start, and manufacturers must manage the quality of the manufacturing process, checking the final products coming off the conveyor belt."

In 2010, RAPEX, the EU's rapid alert system for dangerous consumer products, received 2,244 notifications of dangerous products posing risks to the health and safety of consumers – an increase of 13% on the previous year and a rise of almost 400% since the RAPEX system was introduced in 2004 on the back of the General Product Safety Directive.

Recent RAPEX reports list products from across the world, including toys from China that can choke and potentially poison children, and cosmetics from Africa that contain banned chemicals. Manufacturers must be traceable in case subrogation is needed.

"Importers must also check their suppliers are insured and have adequate ongoing insurance," Mason advises. "In the event of a claim where there is the potential to subrogate, you need to be certain the manufacturer is in a position to compensate."

EMERGING RISKS

Emerging and unknown risks are more difficult to identify so can often be neglected. But risks such as electromagnetic fields (EMFs) created by mobile phones and wireless devices are beginning to climb the corporate agenda.

Judging the scientific risk of EMFs is tricky because there are currently conflicting conclusions from different studies. With a plethora of EMF generating devices in everyday use, it would be difficult to prove a particular device had caused an injury and whether the employer is liable, says Homan.

The issue has come under more scrutiny, including by the World Health Organisation (WHO). Although the WHO's formal risk assessment is not expected until 2012, EMFs produced by mobile phones are classified by the International

Solar activity, which also presents an often overlooked risk, is expected to peak in early 2014. Sun spots and solar flares can affect telecoms equipment and controls, which could cause factories to halt production or even see planes fall from the sky.

"Products may fail during the activity and it could be argued that they weren't robust enough in their design," Homan says. "There is some debate as to the effect this is going to have in the electronic age and the protection or subrogation available to companies."

The strongest geomagnetic event on record, the Carrington Storm of 1859, caused significant damage, including fires due to increased currents along telegraph lines. Experts predict a similar storm today could knock satellites out of orbit, and disable electrical and transportation systems on the ground.

A report by the National Academy of Sciences estimated it would take 10 years to recover from the \$1 trillion to \$2 trillion damage from such a storm.

Climate change could become a significant liability for industry. "Companies are now being held responsible for more things and to a greater degree," Mason says. "If you have floods and windstorms there are potentially greater responsibilities on authorities around, for instance, the timing of releasing water from a dam. The liability is likely to rise because people look for someone to be held responsible. Before this was principally a property issue, now it is becoming a casualty one as well."

Agency for Research on Cancer as "possibly carcinogenic to humans". The US Supreme Court is considering the fate of litigation against mobile manufacturers.

The increasing use of nanotechnology may also pose a risk, although nanotech's developing status means awareness is currently low. Nevertheless, elements of nanotechnology can already be found almost everywhere, from clothing to cosmetics and sunscreen, and Homan notes that: "There are some doubts about different types of nanotechnology and we don't know whether one or more of these new products could, for example, mimic the effects of asbestos."

Genetically modified (GM) foods are another consideration. While Europe is still debating the use of GM foods, in the USA GM is generally accepted by the public. But, Homan notes: "The danger is that one ingredient of manufactured foods could be sold to the manufacturer as GM-free but may actually be GM," he says. "There are also risks in potential cross-pollination of GM-free crops, which can be picked up in testing, exposing manufacturers to risks."

This relates back to the risk posed by EU regulations which class importers as manufacturers. Importers of Brazilian soy, for example, may find that a product claimed to be GM-free has been contaminated by cross-pollination or simply accidentally mislabelled, so businesses must ensure their suppliers are traceable for subrogation and/or ensure sufficient insurance cover.

This article was first published in ACE's Progress magazine

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Stockholm uncovered

aboutstockholm



Often referred to as "the Venice of the north", Stockholm's beauty comes from its open water and green parks. The city is built on 14 islands, connected by 57 bridges (pictured is Djurgårdsbron bridge). It is best known for one of the world's best preserved medieval city centres, Gamla Stan, which was built on the central island from the 13th century onwards. Stockholm is the most populous city in Sweden and home to about 22% of the country's population.



thingstodo



As the city is built on several islands, the best way to explore it is by hopping onto one of the sightseeing boats. If you would rather stay on solid ground, make sure you visit the Stadshuset, the city hall, Stockholm's most prominent landmark (pictured here). Walk all the way to the top of the building for an impressive view over the entire city. Also, don't miss out on a walk through the medieval city centre, which will lead you past the Royal Palace and the Stockholm Cathedral. If you are an art lover, you should visit the Moderna Museet, the museum that introduced the world to Andy Warhol.



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Instead of the usual opening request to silence mobiles, session participants will be asked to keep their phones on so they can ask questions, express their views and vote on polls on the spot via SMS. There will be a number or website address on display during sessions, and comments, questions and voting will be requested. Contributions from participants will be displayed on a screen for others to respond to.

restaurants **bars** shopping

Try some 'husmanskost' (traditional Swedish fare) – such as pyttipanna (similar to a British bubble and squeak), SOS (smör, ost, sill – butter, cheese and herring), and meatballs with lingonberries (pictured) and pickled cucumber – at one of Stockholm's many restaurants. Particularly popular is dining between the artwork-covered walls of Prinsen restaurant in Mäster Samuelsgatan or the Den Gyldene Freden, located in a medieval basement in the old town. On a sunny day, head to Sollidens restaurant at the Skansen open-air museum and dine by spectacular panoramic views across Stockholm.



Riché is the classic meeting place in Stockholm's city centre, with plenty of bars and restaurants to choose from. For something more extravagant, you could spend a night at the Icehotel, which features the world's first permanent ice bar. Bring a warm coat – everything except for the drinks is made of ice, in a room kept at a constant -5°C.



The most exclusive shopping district in Stockholm is Östermalm (pictured), the place to go for high fashion, the top international labels and art and interior design. The more bohemian shopping experience is offered by SoFo (south of Folkungagatan), an area packed with creative clothing and design shops in a laid-back atmosphere. If you're in SoFo, you must visit Sivletto, a 1950s-style boutique complete with a cafe and hairdresser.



riskmanagementquiz

- 1** A previous European currency union, the Latin Monetary Union, lasted from 1865 to 1927. Which country was ejected from it in 1908?
a) Spain; b) Switzerland; c) Greece; d) Austria.
- 2** On 19 September 2011, publicity for the new edition of the *Times World Atlas* claimed that Greenland had lost 15% of its ice cover since 1999. According to scientists, the true figure is closer to:
a) 10%; b) 2%; c) 1%; d) 0.1%.
- 3** Who wrote: "You don't need to pray to God any more when there are storms in the sky, but you do have to be insured"?
a) Henrik Ibsen; b) Karl Marx; c) Bertolt Brecht; d) Václav Havel.
- 4** The US weather service provides alphabetical lists of names for Atlantic tropical storms. How often are the lists re-used?
a) Every year; b) Every six years; c) Every 10 years; d) Never re-used. A new list is always created.
- 5** The 1996 Stockholm agreement concerns:
a) Increased safety standards for passenger ferries; b) Persistent organic pollutants; c) The importation of kiwi fruit from New Zealand; d) The protection of whales and dolphins in the Baltic Sea.
- 6** How many risk management associations comprise the current membership of Ferma?
a) 12; b) 14; c) 19; d) 22.
- 7** The Fukushima Daiichi nuclear power plant suffered a major accident after the March 2011 earthquake in Japan. What does "Fukushima" mean?
a) Bay of winds; b) Good fortune island; c) Devil island; d) Lonely sea.
- 8** Who introduced the idea of a broker buying insurance on behalf of the client, rather than selling it?
a) Henry Marsh; b) Guy Carpenter; c) W Clement Stone; d) Henry Willis.
- 9** Who arranged insurance for Albert Einstein's violin?
a) Farmers Insurance Group; b) DeWitt Stern; c) American Family Insurance; d) Zurich Versicherung AG.
- 10** In Ron's 2011 Global Risk Management survey, which of these risks was number one in the top 10?
a) Commodity price risk; b) Cashflow/liquidity risk; c) Business interruption; d) Economic slowdown.

Answers in tomorrow's THE DAILY

myview REINSURANCE MARKET HAS LOST ITS WAY



“The market is adrift – directionless. There is little indication and virtually no conviction of its next move. That’s a tough environment to do business in.” That was how Guy Carpenter’s new chief executive Alex Moczarski described the state of the global reinsurance market at the annual Rendez-Vous de Septembre in Monte Carlo. The event is an excellent barometer of the state of the reinsurance market – and the direction prices are likely to go at the all-important 1 January renewals.

NO DIRECTION

Moczarski blamed “rampant” uncertainty for the directionless market. “In my 30 years in the business, I have rarely seen a market so riddled with it,” he said. The market is being pulled in

Hurricane Irene was in a peak zone,

but losses were relatively small

As a result, rate rises have been localised

different directions. Some are putting insured losses from the 2011 catastrophes as high as £44.6bn (€51.2bn). This exceeds full-year loss totals for almost every year on record, apart from 2005 when Hurricanes Katrina, Rita and Wilma hit.

But the losses have been outside what many refer to as “peak zones”, where catastrophe losses

are expected and pricing reflects that risk. March’s Japanese earthquake, for example, did not hit Tokyo, while other big losses were in Australia and New Zealand – also outside peak zones.

Hurricane Irene, which hit the Caribbean and USA, was in a peak zone, but losses were relatively small – estimates range from \$3bn (€2.2bn) to \$6bn. As a result, rate rises have been localised. The industry is still considered overcapitalised. There is also evidence that new capital will be easy to obtain. Rumours suggest that there is about \$1bn of private equity capital available, and John Berger – former Alterra reinsurance chief executive – has joined start-up firm Third Point Re, which is said to have \$500m in capital.

Equally, however, there are pressures for a rate rise. Underwriting profitability has been propped up in recent years by reserve releases, but they are drying up. “In recent quarters and over the last two to three years, we had lots of positive run-off and this will turn into negative run-off,” says Swiss Re chief economist Thomas Hess. “From that, there will be upwards pressure on insurance and reinsurance pricing – or at least no downwards pressure any more.”

Also, persistently low interest rates mean returns from reinsurers’ bond-heavy investment portfolios are meagre, and cannot be relied on to compensate for underwriting losses. The sovereign debt crisis is a further potential pressure – with the bulk of reinsurers’ investment portfolios in government bonds, defaults and falls in value could lead to losses.

Yet PricewaterhouseCoopers’ European insurance market reporting leader, James Quin, calls the sovereign debt crisis a “sideshow” for the industry.

CONFUSION REIGNS

Reinsurers indicate that rates should rise across the board, while brokers – acting for the buyers – say otherwise. XL Re chief executive Jamie Veghte expects rates to rise. “Particularly in Europe, which requires a lot of the market’s capacity to complete its programmes, the market is going to resist any push towards price reductions. I think there will be increases in property catastrophe prices worldwide.”

But Guy Carpenter chief executive of EMEA operations Nick Frankland says: “Weighing the factors that we expect to influence pricing movements in the remainder of the year, we expect prices to be flat-to-down in Europe and across the wider EMEA region at renewal.”

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