

Commercial Risk Europe

EUROPEAN INSURANCE & RISK MANAGEMENT NEWS

NEWS FROM LES RENCONTRES AMRAE, DEAUVILLE — JANUARY 27-29, 2010

New world, new risks French risk managers set agenda for 2010

By **Adrian Ladbury**

aladbury@commercialriskeurope.com

The barriers of risk management and transfer were keenly debated at this year's AMRAE conference in Deauville, Normandy last week as the French, European and global economies lurched into another very uncertain year.

Leading French risk managers, insurers, brokers and even a philosopher were given the podium and asked to help identify the best strategies for managing the ever-rising range of new risks faced by corporations in the post credit crunch world by Gérard Lancner, President of AMRAE and Corporate Risk Officer at Groupe Yves Rocher.

One key concern voiced at AMRAE last week and across the European risk and insurance management community in recent months has been the inadequate response of governments, central banks and regulators as they seek to prevent a repeat of the recent crisis through tighter rules.

Gilbert Brat, Vice-President of AMRAE and Director of Group In-



Gilbert Brat, Vice-President of AMRAE and Director of Group Insurance at Groupe La Poste

urance at Groupe La Poste, summed up the general feeling at the conference when he told *Commercial Risk Europe*: "Every time you enter the water you find it has changed. Change is permanent and normal. Every day business changes. After the crisis, this is a new era."

Mr. Brat chaired a debate on the 'Nouveau monde: nouveaux risques' theme of the conference and the role of the insurance market along with Stanislas Chapron, CEO of the

French arm of broker Marsh S.A. on the opening morning of the event.

He pointed out that the insurers clearly reacted better than the banks to the crisis and said that, apart from AIG that was bailed out by the U.S. government, no money had to be lent to the insurance market. "This was reassuring and good news," he said.

Like most risk managers in re-

NEW RISKS: Continued on page 2

Insurers should be at the table for talks on broker pay

By **Ben Norris**

bnorris@commercialriskeurope.com

Industry experts from across the risk and insurance profession in France have called for a tri-partite discussion, to include insurers as well as brokers and insurance buyers, to give clarity and transparency on the way in which brokers are paid for large commercial and international business.

Speakers at *Les Rencontres AMARE*, held in Deauville, reaffirmed their desire for the insurance industry to work together to find a solution to the issue to avoid any regulation that may be forced upon them by supervisors.



Peter den Dekker

This week Peter den Dekker, President of the Federation of European Risk Management Associations, gives a presentation to BIPAR, the European brokers' association, to explain how insurance buyers would

like to see their brokers be more transparent about the way they are paid.

"We want to define the relationship between the insurer, broker and the insured and to clarify that relationship," said Marc de Pommerau, Director of Insurance at GDF Suez Energie Services, who chaired a roundtable discussion on the topic during AMRAE's annual conference.

In France there was previously a two party agreement in

2006, between AMRAE and the Chamber Syndicates des Courtiers d'Assurances, the brokers' association, on broker remuneration.

But experts at the roundtable discussion, which included insurance buyers, brokers and insurers, said that they would like to also see input from, and discussion with, insurers. They said that they wanted to secure an agreement between all parties, not only between the broker and the insured.

"We plan to all work together, in a special committee, to define clearly the issues that we need to organise between ourselves in order to be sure who pays what and the level of remuneration for the broker service that

PAY: Continued on page 2

GAREAT pricing change backed but will take time

French insurance buyers should not expect swift changes to the way in which terrorism coverage is rated through the state backed GAREAT insurance pool, despite signals from the President of the pool that he is happy to listen to market opinion.

The compulsory cover provided by the GAREAT is calculated on a simplistic basis and does not adequately account for the size, activity or location of the company, according to AMRAE.

Gérard Lancner, President of AMRAE and Corporate Risk Officer at Groupe Yves Rocher, told *Commercial Risk Europe* shortly before the opening of the association's conference that it had opened talks with the French Federation of Insurance Companies (FFSA) to try and find a more accurate risk-based rating system (see news at www.commercialriskeurope.com).

If AMRAE and the FFSA can agree a workable method of more accurately rating the coverage then they will make a proposal to the GAREAT and government, that renewed its three year unlimited guarantee for the pool at the end of last year.

The good news for French risk



Gérard Lancner

managers is that the GAREAT appears to be happy to listen to the market.

GAREAT changed the structure of the pool at the end of last

year that saw the obligatory threshold for risks that are transferred to the GAREAT's 'Large Risks' section raised from €6m to €20m.

Risks ceded between €6m and €20m are now automatically transferred to the GAREAT's 'Small and Medium-sized Risks' (SMS) section at its 2010 pricing conditions, that is, 4% of property damage premiums.

The SMS section is optional and in a recent note that explained the changes Jacques Deparis, President of GAREAT, said that the pool's market share for the smaller risks is estimated

GAREAT: Continued on page 2

CONTINUED FROM PAGE 1

NEW RISKS: Insurers must focus on clients

Continued from page 1

cent months, Mr. Brat said that the crisis stressed the need for insurers to stick to their core business.

"Insurance companies have been warned not to focus too much on profitability and on financial performance. 'Don't play with your clients' money' is the demand from customers. From the risk managers' point of view the money that we have given to the insurance company is there for the long term and not to play complex tricks with. Banks exist to finance speculation and risk and entrepreneurship, invest in new markets and growth. Insurers exist to pay claims and bring the company back to where it was before the claim. There is a very clear distinction between what a bank does and what an insurance company does and we do not want to see insurers behave more like banks. Risk and technology is ever faster and more complex and we have to remember that banks are there for investment and insurers to rectify damage."

But, like many of his peers across Europe, Mr. Brat is worried that the politicians and central bankers do not really understand this fundamental difference between banks and insurers.

He is therefore worried about the reaction of the global financial regulatory community to the crisis and, in particular, the knock on effect it may have upon Solvency II, Europe's

planned new capital adequacy system, that will be tougher than originally planned as governments adopt a safety first attitude.

"In France and elsewhere the banking and insurance supervisory authorities were merged to create unified authorities. But, unfortunately this still did not help and, since the crisis, we have had a pendulum effect whereby the lack of regulation is leading to an overreaction. The situation is now even worse than it was before," he said.

BASIC PRINCIPLES

Mr. Brat urged regulators to go back to basics. "The start point for any solvency regulation is the need to pay claims. Will this regulation help us to receive claims payments? Will it ensure that insurance companies are solid enough to deal with the new risks? The banks have shrunk. The financial sector has pulled out of unprofitable lines. There is a fear that this may happen in the insurance industry. Risk managers fear that it could become more difficult to find high risk coverage," he said.

Stanislas Chapron told CRE in an interview following the debate that the new world of risk demands a more rigorous approach from all involved in the risk management and transfer chain.

"As advisers to the client we must analyse the risk first, not identify the product first before we understand the question. The analysis needs to

be both quantitative and qualitative. You need both because you need the numbers. Through that exercise you can then tailor a solution or program that meets the needs of the client. It is then our job to find the proper insurers and reinsurers that can have the balance sheet to support the risk and the expertise," said Mr. Chapron.

"Solutions can be found. AMRAE asked us to arrange cancellation coverage for this conference that included flu cover. We had to seek a solution and in two weeks we found one. The key is you cannot only rely on past statistics. You also need to project the future. The market needs to go back to basics and develop better tools, invest in data and models that can reinforce the analysis and then make decisions that work for the clients," he added.

Many risk managers in France and Europe are worried about the apparent inability of insurers to react to emerging risks with new products and capacity. Mr. Chapron said that insurers need to remember that they are risk-takers.

"Also underwriters have to be entrepreneurs. They have to be prepared to underwrite the future unknown. In the past with new risks someone took the risk even though they did not fully understand the risk. This is not gambling. One of the lessons of the crisis is that the models are not 100% right and you cannot fully rely upon them," he said.

GAREAT: Talks with FFSA underway

Continued from page 1

at 11%, that produces an estimated income of €17m.

Within each segment of the pool, GAREAT's rates vary depending on a basic set of risk categories.

Mr. Deparis told CRE last week that the recent changes to the pool were not imposed on the market.

"It was not the government that wished to raise the entry limit of the GAREAT to €20m but the members in order to simplify the system and return part of the risks to the market that they were able to negotiate directly with the companies," said Mr. Deparis.

"The general evolution of the reinsurance market favoured this change and the placement made for GAREAT this year confirmed this," he added.

Following a session he held on terror cover during the AMRAE conference, Yvon Colleu, Director of Insurance at EDF Assurances, the insurance arm of the French electricity giant, suggested, however, that members should not expect rapid change.

"There is no agreement. We have started contacts with the FFSA and the state and GAREAT to start discussions and see what could be changed in the short term, what the options are. Coverage is compulsory by law and it was extended in 2006 with a guarantee from the state for three years. Therefore maybe in another three years we could find a way by which the state secures the market and we could change the mechanism, maybe change the rating and rebate structure for sub limits. For a change of this nature we would need to agree it with GAREAT and this is why we are talking to the FFSA about how the business could more accurately be rated," he explained.

Insurers at the conference said that there is sufficient insurance capacity for French terror risks, despite the very wide nature of the coverage that includes nuclear and biological risks. Some did question, however, whether a more risk-based rating system may make it very difficult for some companies to find coverage at a reasonable price.

the broker earns. You can either have a simplistic one-off payment or one in which all activity, including telephone calls and the like, is charged."

Stanislas Chapron, CEO of the French arm of global broker Marsh S.A. said: "The insurers are at the table. A European agreement would be good to have. It has to be transparent. We are transparent at Marsh but the smaller and mid-sized brokers remain a problem."

PAY: Market at work to avoid regulation

Continued from page 1

we really want and need," said Mr. de Pommerau.

Brokers have been criticised in Europe and the United States, following concerns over contingent commissions, whereby brokers are paid on the basis of the volumes of premiums handed over to insurers.

The discussion at the AMRAE conference suggested that the issue of contingent commissions was not necessarily a problem. But it did highlight the need for more transparency and a fair and clear system to define the costs of broker services.

"In France we pay a commission and a fee and we want the system to be cleared up. There is no clear rule that defines which part of the fee has to be paid as a commission and which part has to be paid as a fee. And so we want to work out between ourselves the amounts we pay and how we pay them," said Mr. de Pommerau.

"So maybe we have to pay everything by fees if necessary, that is not a

problem," he added.

Insurers also stated the need for clarity on broker pay and their need to be involved in any discussions on the issue.

"It affects our combined ratio... so insurers have to know what they are getting and where they stand as it affects our bottom line," said Anne Charon, Country Manager at RSA France.

"We definitely should be at the table for these discussions as it directly affects what we pay and how. We need to be involved in these talks," said a senior executive with another leading French insurance company. Following legal action in the United States brought against leading U.S. brokers by former New York Attorney General Eliot Spitzer, regulators in Europe were put under pressure to act.

However the European Commission and national supervisors such as the Financial Services Authority in the United Kingdom have explicitly stated that they would prefer to see

the industry work out its own solution and avoid regulatory action.

Buyers of insurance and their associations, such as AMRAE and FERMA, therefore continue to push for an industry solution to the thorny issue, in preference to any regulatory intervention, hence Mr. Den Dekker's meeting with BIPAR this week.

"We [the insured] don't think regulation is necessary, we think it is better to have an industry agreement rather than regulation," said Mr. de Pommerau, "[but] we would prefer to negotiate an agreement between ourselves, to avoid any regulation being automated to our situation. Because the regulation may not fit to what we want," he explained.

Gilbert Brat, Director of Group Insurance at Groupe La Poste and Vice-President of AMRAE said: "We need total transparency and a fair price for the job that is done. Maybe the existing system of commission is not so transparent but the client is OK so long as he knows how much

Flat year forecast for French insurance buyers in 2010

Adrian Ladbury polled insurers and brokers about pricing prospects for the coming year during the AMRAE conference and found good news for buyers

BUYERS OF CORPORATE INSURANCE COVERAGE in France need not worry too much about a hardening market in 2010 if evidence gathered at last week's AMRAE annual conference in Deauville, Normandy can be relied upon.

Credit rating agency Standard & Poor's warned in mid-January that the French insurance market would experience downgrades unless rates improved this year as combined ratios among French insurers are nearing 100%.

French insurance buyers, along with most buyers in Europe, are worried that poor investment returns experienced by the insurers and preparations for the arrival of Solvency II, Europe's planned new capital adequacy regime, could force a tightening in capacity and rates because of reduced profits and tougher capital charges for higher-risk business.

But insurers, brokers and buyers at the AMRAE conference told *Commercial Risk Europe* that, while a further overall softening is unlikely, buyers can expect a stable market this year as competition remains high among insurers.

Stanislas Chapron, CEO of broker Marsh S.A. said: "There is still competition for large risks and the effects of Solvency II have not yet been felt. Therefore for 2010, 2011 and 2012 I still expect competition and there is still room for price reductions for risk managers who are not tied into long-term arrangements.

"Substantial price reductions can be observed. The middle market is different and some of the more substantial clients in this sector have clearly seen increases. These are not big increases but more of a stabilisation. In 2010 overall, I expect to see more stabilisation. But, there is plenty of capacity," added Mr. Chapron.

STRUCTURAL PRICE STABILITY

Thierry van Santen, Chief Executive Officer of Allianz Global Corporate & Specialty (France) concurred as he said: "Everyone was talking about an increase in the market and it did not come for various reasons. There was some naive new capacity and few significant losses and so the rates remained under the technical tariff. But it has still been a profitable year for the market. In the French market there are many long-term agreements so there is not always a huge amount of re-marketing of programmes. There have been some tough battles among insurers for business. But also some customers, who thought they would win improved terms by marketing their programmes, were disappointed."

Mr. van Santen said that some accounts saw reductions and some saw increases depending upon the quality of the business. "I expect it to remain flat throughout 2010. It may increase a little, but it will depend on the loss experience," he added.

Ann Charon, Country Manager of RSA in France said: "The market is quite soft still unfortunately. We expected rates to go up



Stanislas Chapron, CEO of Marsh S.A.

more, but it was not the case. Obviously business is rated on a case by case basis and most French insurers often agree two or three year long-term agreements with customers so there is not always a lot of business available at the same time."

Like most of her rivals, however, Ms. Charon said that, despite the soft or flat market, opportunities still exist for growth if insurers can specialise. "We enjoyed a good renewal and retained 93% of our French book and won some excellent new business that was underwritten on a case by case basis. You can still win good business in this market if you target well. We specialise in retail and property investment business for example and focus on service. We do not want to be seen as a cost-cutter," she said.

Paolo Ribotta, Branch Manager at Zurich Global Corporate France, said that he believes the bottom of the market has been reached. "I would challenge the market comment that the market will remain soft in 2010 based on the year-end renewals. There are still some softening tendencies, but we are today at the bottom of the market and the customers and brokers recognise this.

"More often we are closer to the real price of risk and customers are not just interested in price but also relationships, the quality of the risk and loss prevention and control. When you combine these three factors, I see more stability than a softening."

A number of delegates at the AMRAE conference commented that AXA Corporate Solutions was one of the first of the leading insurers to recently take a stand against the soft rates. Philippe Rocard, Chief Executive of ACS, told *CRE* that he saw light at the end of the tunnel during an interview shortly before the AMRAE conference about the outlook for the French and wider European corporate insurance market. (See full interview with Mr. Rocard at www.commercialriskeurope.com)

"I think most of the decreases we have

seen in recent years are behind us. For AXA Corporate Solutions and the market as a whole we are seeing the beginning of the hardening in the market in most lines of business. Airlines coverage was the first to jump. Personal lines business in France is also increasing in almost all cases. Corporate insurance has not jumped as in 2002. But we do feel signs of a hardening," he said.

Manuela Zweimuller, Director General of Munich Re in Paris, said that the January 1, 2010 renewal for France satisfied her expectations, was particularly good for its facultative business and that the reinsurer is thus confident about 2010. But, she said that the gulf between reinsurance and primary insurance rates continues to widen and insurers will need to act soon.

"There is ample primary insurance capacity in the French market with new companies still entering for example in the casualty market. Standard & Poor's recently announced that credit ratings of insurance companies in France could deteriorate this year if combined ratios climb above 100% and this is possible because prices for primary business are too low when set against costly and more frequent P&C claims in 2009. There is a big gap between the prices charged for primary business and reinsurance business and we are really concerned about the primary market. It cannot continue in this way for much longer. Rates need to stabilise," said Ms. Zweimuller.

CAPACITY OVER-SUPPLY?

Mr. van Santen said that the reaction of newer capacity over the coming months will play a decisive role in the direction of pricing. "Is competition a problem? Yes and no. When you are at the bottom of a cycle there are always new players expecting to enter just in time for the upswing. But the problem is they have to buy the business and so can help prevent the upswing and it is a risky strategy. It is better to do this as a reinsurer rather than an insurer. If you enter the market like this as an insurer and it stays flat then after two years you are dead, particularly if a number of companies start at the same time. We have seen this in the airlines business which means that for new entrants it has not been as successful as they had thought. And it is easier for the big players to resist the price down than for the smaller ones," he explained.

Mr. van Santen, the former risk manager for Danone and former President of AMRAE and FERMA, said that such a competitive market demands an improvement in service from insurers rather than more price cuts. "I don't want to take an aggressive position when the price is below the technical rate. The key is to find opportunities to keep the portfolio. As a former risk manager I would like to see everyone focus on client service and improve our position through improved service. When the customer is happy they do not tend to try and change for a 10% or 20% saving."

AMRAE delegates debate ISO31000 certification

By Ben Norris

bnorris@commercialriskeurope.com

Delegates at *Les Rencontres AMRAE* debated whether the recently released international risk management standard, the 'ISO31000:2009 Risk Management – Principles and guidelines' should be certifiable, just as FERMA considers the merits of certification for risk managers and their practices.

Published by the Geneva-based International Organisation for Standardisation, the ISO31000 is designed for use by any public, private or community enterprise, association, group or individual, regardless of industry or sector.

The standard is currently not intended for certification purposes. It is intended to provide principles and generic guidelines on risk management and a reference tool to help develop a common culture amongst all companies in all countries.

However, certification is now an area of debate amongst some members of AMRAE.

"It seems there are a few more people than we thought that are looking for it to be certifiable. We thought that AMRAE was totally against this but clearly some members of AMRAE are wondering and the debate is still open," explained Jean-Paul Louisot, Academic Director at the CARM Institute in France, and part of the committee that developed the ISO31000.



Kevin W. Knight chaired the ISO31000 working group

Some people are rejecting the need for the standard to be used as just a reference tool, said Mr. Louisot. But, he warned that certification for the risk management process is not practical and could hinder risk management.

"I say be careful, because if you stress too much certification then you can end up with another compliance and you kill risk management as the vivid and forward-thinking discipline that it should be," he explained.

Mr. Louisot agrees that some areas of the standard are certifiable, such as technical certification on information technology and some aspects of business continuity planning. But, it is not desirable to have overall certification, he argued.

"Operational people look at the expected, so the auditor will explain expected risks. Risk managers must deal with what is not expected. Therefore we are looking first at the non-expected, which can be repaired locally with business continuity planning, for example, and then the un-

expected which can be huge, the extreme. And that is the role of the risk manager, thinking the unthinkable. How do you certify thinking the unthinkable?" said Mr. Louisot.

The debate in France comes as FERMA is considering the need for some kind of certification for risk managers and their practices.

"At FERMA we are thinking about a certification for the risk managers, as there is for auditors. We are just thinking about some form of certification recognition. It is now a real profession and we need to have real professionals in all the different companies. So it could be a good idea to go down the certification route and it is something we are looking into," said Michael Dennery, Director of Risk Management at GDF Suez and board member of FERMA.

This discussion at FERMA is in its early stages and the degree and manner of certification is still open for debate, experts said.

"I think FERMA is thinking of a pan-European evaluation grid. Not a certification, but a grid. The difference being that within the grid people could do, or not do, certain things and there could be an overall grading if you wanted. With certification you have to follow and meet certain principles. One thing that we must be aware of is, when you certify people then you think that you have the result. And one thing with risks is that it is always the process and not the result. This is the distinction," said Mr. Louisot.

Risk managers urged to step up efforts on counterparty risk

Risk and insurance managers must step up their efforts to accurately measure their counterparty risk with insurers or risk running extensive unknown exposures, warns a leading French risk manager.

Laurence Delaire, Deputy Director of the Financial Department Insurance Division at utility giant GDF Suez, issued the warning to fellow risk managers during a session she chaired on the financial security of insurers during last week's AMRAE conference in Deauville, Normandy.

Ms. Delaire told *Commercial Risk Europe* after the session that insurer security is, 'an issue for everyone,' following the near-collapse of AIG because of its exposures to the credit crunch.

"This is a key issue for risk managers today. We are on top of the risk management of the counterparty risks for banks but no-one is managing the risk with insurers to the same extent. This is a new focus," said Ms. Delaire.



Laurence Delaire

The risk manager said that it is important for insurance buyers to seek to diversify their risk transfer placements. "Do not put all your eggs in one basket," she said.

But, even before taking such action, risk managers must first carefully analyse the exposures that they have with all insurers. "Risk managers need to create models to calculate real exposures to insurers because it can be very complicated. Often it can be difficult to work out

your exact counterparty exposures when you have many different policies across many lines of business and territories," said Ms. Delaire.

The French risk manager told delegates during the session that the recent financial crisis had clearly shown that many companies simply were not aware of their real counterparty risks with insurance companies.

"We risk managers need to work together through AMRAE to find better models, discuss the problems and find solutions. We are at the beginning of this and not yet at a solution. Credit rating agencies provide help but we have seen the limits of what they can offer. They are a key element but you obviously cannot rely on them totally," said Ms. Delaire.

Japanese capacity welcomed in France

FRENCH INSURANCE BUYERS welcomed the arrival of fresh industrial insurance capacity from the Japanese insurance sector during the AMRAE conference.

Johnny Merlot, Director of Group Insurance at France Télécom, hosted a session along with Vincent May-Aveling of broker Gras Savoye about the Japanese insurance market.

During the session Yoichi Tamura, Deputy Executive Operations Officer and General Manager of Tokio Marine Europe Insurance and Masayuki Kawase, Executive Manager of Corporate Planning at Mitsui Sumitomo Insurance Co. (Europe) explained their European and global strategies.

Mr. Kawase told *Commercial Risk Europe* after the session that the Japanese group had recently restructured to foster its ambitious overseas development plans and had set up separate holding companies in Asia, Europe and the Americas.

The group has expanded rapidly in Asia and underwrites both commercial and personal lines business. In Europe and America it focuses on commercial lines business and is now building business with non-Japanese domestic companies.

"Europe is a very mature market and it is difficult to break in therefore we are building the business with experienced underwriters. Our main markets are France, Germany, United Kingdom, Belgium and the Netherlands plus central and eastern Europe where we have offices in Prague and Bratislava," explained Mr. Kawase.

"We started last summer to open the market. We started with 100% Japanese business but opened up and it has been very successful. Our first target was big corporate clients on a co-insurance basis with a long term approach. The market is very competitive and I hope that rates will improve in the coming year," he continued.

The session was well attended and Mr. Merlot said that French insurance buyers are keen to hear from new providers of quality capacity.

"It is important for us to open the market to different insurers. Now we have a lot of possibilities from these Japanese groups especially property damage and business interruption and liability. It is interesting for us to explain our needs to new companies for special coverages such as, in our case, for electromagnetic fields and intellectual property. It will be interesting to deal with such insurers," he said.

Cost-cutting could cause coverage gaps says Yarhi

By Adrian Ladbury

aladbury@commercialriskeurope.com

French companies face a rising number of disputes with their insurers because of material changes made to risk profiles by cost cutting operational managers who fail to report the changes to risk managers.

Michel Yarhi, President of the Centre Français d'Arbitrage de Réassurance et d'Assurance (CEFAREA), the body created in 1995 to promote mediation and arbitration in France, told *Commercial Risk Europe* at last week's AMRAE conference that he fears that many risk managers could face legal complications because they have been left in the dark about changes by operational colleagues.

"I believe that the underlying risks faced by companies are more or less the same. But we now see more claims and losses for insurance companies that come as a result of cuts made to budgets in areas such as security," said Mr. Yarhi, the former President of AMRAE when he was the Risk Manager for French bank Société Générale and who is also now Chairman of the International Advisory Board of consulting group Mactavish.

Mr. Yarhi said that a recent survey carried out by Mactavish had shown that changes made by operational managers in response to the financial and economic crisis were often not communicated to risk managers.

"This means that it will be increasingly dif-



Michel Yarhi, President of the Centre Français d'Arbitrage de Réassurance et d'Assurance

icult to predict the consequences of operational risk changes, particularly as those changes will often not have been disclosed to insurers. So there is a fear that insurers will say that the risks are not covered," explained Mr. Yarhi.

STALLED IN SILOS

The former risk manager said that this problem once again stresses the need for risk managers to raise their profile within their companies and in

many cases emerge from their insurance-based silos to spread the risk management gospel.

Mr. Yarhi said that CEFAREA has an important role to play in the management of such disputes over coverage that can arise between insurers and their customers.

Arbitration and mediation are not common practice in the French market unlike other leading insurance markets such as the United States and the United Kingdom where insureds, insurers and reinsurers commonly opt for these alternatives to lengthy and expensive litigation.

But Mr. Yarhi said that interest is growing in France and that, once the system is explained, people soon appreciate the benefits. "Traditional judges just do not know the world of insurance and insurance law. If cases go to appeal they can take up to 10 years whereas arbitration can be solved in six months to a year and mediation in three months. And, the main aspect for many is that it is absolutely confidential, nothing is published on the cases."

One of the key ways to help foster the development of alternative dispute resolution in France is to convince in-house lawyers that it is not against their interests as the rules remain the same and so their opinion and advice is still needed, said Mr. Yarhi.

"We need their opinion and even that of the advocates. There are a lot of lawyers who understand that this is not against their interests but is simply a different system," concluded Mr. Yarhi.

REPUTATIONAL RISK IS FOR REAL

COMPANIES NEED TO WAKE UP TO THE fact that reputational risk is more than 'just a fashionable term' and actually a very real threat to the bottom line, according to Dan Trueman, Active Underwriter at Lloyd's of London syndicate Kiln Enterprise Risks 510.

Mr. Trueman told delegates who attended a session on reputational risk at the AMRAE conference in Deauville that reputational risk should not just be seen in terms of goodwill valuation but also in terms of revenue lost when reputation is damaged.

"Reputational risk requires an integrated enterprise risk management approach to map and understand what key components derive an organisation's reputation," said Mr. Trueman in an interview with *Commercial Risk Europe* following his presentation.

"Organisations must have an ongoing dialogue with both internal, most

importantly staff and senior management, and external stakeholders, most importantly clients and regulators, in order to protect their reputation," he said.

Mr. Trueman said that there will always be residual risk and this risk can be insured.

But for such insurance to work it needs a partnership approach, explained Mr. Trueman. This helps, "create a product that accurately addresses the concerns of the buyer and the impact on the organisation if those concerns materialise," he said.

OUT OF THE BOX

Mr. Trueman said that there is a growing capacity and willingness in the insurance market to try and help insurance buyers cope with the ever-widening range of apparently uninsurable risks.

He said that Kiln plans to broaden the triggers on its reputational risk product following discussions with clients,

particularly in the pharmaceutical, food and drink, industrial and telecommunications sectors.

Mr. Trueman said that the syndicate also plans to broaden both the range of products and services it offers in data asset network security and privacy "over the coming months."

"Moreover, we are seeing a surge of interest in first party intellectual property coverages at the moment. And we have recently been working closely with a range of experts to look at how we can offer a non-damage business interruption solution in the carbon credit market," he said.

Mr. Trueman said that his syndicate is currently seeing a great deal of growth in its European book of business. "This is mainly led by the data security and cyber areas as European regulators increase their focus and impose stricter penalties for non-compliance with best practice level standards in those areas," he explained.

AXA uses AMRAE to extend service commitments for 2010

In what remains a highly competitive corporate insurance market throughout Europe, service levels are more important than ever. AXA Corporate Solutions formally launched its latest set of public service promises during the AMRAE conference and told *Adrian Ladbury* what it hopes to achieve this year.

AXA Corporate Solutions used last week's AMRAE conference to formally release its latest set of service commitments.

Based more than ever upon precise and measurable service levels to which the company will be accountable, AXA CS commitments to clients and brokers in France and abroad are part of the company's ongoing 'Redefining/standards' campaign launched in 2007.

For 2010, AXA CS has assured customers that all policies and certificates will be delivered 15 days before inception of the coverage.

This is backed up by an IT system that allows brokers and customers to issue the certificates on line for all P&C lines of business. Monthly statements on captive accounts will also be provided to clients.

More broadly, AXA CS has also recently beefed up its international capability in response to customers' ever-greater demands for wider and deeper global servicing.

It recently opened a new dedicated AXA CS operation in Australia to cover global programmes and also offers local specialist coverages. The group also ensures that all local partner companies in its network have to meet its service standards and offer appropriate credit rating levels via a yearly in-house rating system.

The company is also extending its account management system. More than 50 customers now benefit from their dedicated account managers providing a closer relationship and link to all AXA Corporate Solutions' experts in underwriting, risk consulting, claims and international programmes handlings, and the like.

According to Ergu Genya, Head of Global Risk Management Business & New Markets, AXA Corporate Solutions' 2010 commitments and efforts to raise service standards in the demanding corporate insurance market are a vital weapon in the battle for business with competitors,

"We all have to be proactive on execution because it is time to deliver. Every company has to evaluate what they can commit to. It is time for action. We are attempting to redefine our standards based upon a greater understanding of what our customers are looking for and need for their own development and expansion," he explained.

The international capability of insurers that wish to be leading players in the large corporate insurance market is more important today than ever before as pressures on extended supply chains and insurance buyer concerns over the validity and compliance of international programmes raise.

AXA CS carried out a survey amongst 273 European risk managers and brokers who all experienced a property or liability claim from April to July 2009 to help it ensure that it meets their needs on claims. One area that the survey found needed improvement was international claims management.

Therefore, a better communication on its inter-

national programmes' charter for all customers and an increased number of master claims management protocols with clients and brokers are planned.

"It is clear that understanding and communication with customers on the ground also needs to be stepped up this year, Mr. Genya underlined.

"Globalisation is accelerating and we see this as an important year for emerging markets. We are not just issuing policies across these markets, we also need the experience to offer the best solutions. You can have a network and issue policies, but, that does not necessarily mean that you understand the conditions in China, India and the like.

You need to operate in these countries and we are expanding our underwriting and risk consulting expertise worldwide," he said.

Therefore, AXA CS is more than ever investing in its risk consulting business this year to help customers tackle and manage risks at source before they even reach the risk transfer element of the chain.

Apart from the commitment to issue loss reports within 30 days of the inspection, the company will also work hard to derive maximum benefit for customers from its AXA Matrix Risk Consultants operations that cover Europe and the United States, and were extended to China, South-East Asia, India, Mexico and the Gulf regions last year.

According to Mr. Genya, this approach has already reaped dividends for customers through the launch of its Comprehensive Casualty Risk Consulting services that aims to support risk managers and

other risk control functions in their roles through a more integrated approach on matters such as general liability, product risks, occupational health & safety and environmental risks.

This service could be added to existing standard coverages such as property, construction and motor fleet.

He said that it had been in development for one and a half years and was launched in January this year for the European market.

AXA Corporate Solutions expects a tough operating environment along with the market as a whole as insurers seek to cope with still tight investment income, probable rising loss levels and a persistently flat rating environment.

However, that this will not prevent AXA CS from continuing to invest in research and development and the effort to help customers meet emerging risks, said Mr. Genya.

"One key performance indicator we have this year for our risk consulting operations is to spend 35% more time on R&D. We truly believe that R&D will help us find new ways to react to this new world and new risks theme that AMRAE has chosen for this year's conference. This includes training of our own staff, but also forming training classes for our customers and this needs to be interactive so that understanding is truly raised. The process needs to be strongly supported but cannot be too rigidly structured in order leave room for innovation," he explained.

And this approach needs to be carried out on a global basis to ensure that lessons learned and progress made is shared between territories and lines of business to maximise the benefit for the insurer and its customers, he added.

"If one risk consultant introduces a new solution we need to make sure that it is shared with our customers and with all other consultants and experts within our company", he summarized, "for the benefit of all our clients and business partners."

CAPE² FORMALLY LAUNCHED IN FRANCE TO CUT COST AND HASSLE OF PROPERTY CLAIMS

AXA Corporate Solutions also used the AMRAE conference to formally launch a new claims process called CAPE² that is designed to eradicate much of the delay, cost and legal disputes that can cause so much pain for insureds or third parties following a claim that involves building damage.

AXA Corporate Solutions last year trialled a new property damage claims process called CAPE² in France that it hopes will cut out significant cost and time for all parties involved.

The process involves the rapid creation of a project management team once the claim has occurred to focus on remediation as quickly as possible, explained Eric Merville, Head of Claims Solutions Department.

Potential coverage disputes are set aside as the team attempts to get the business up and running as quickly as possible.

The project management team, set up by AXA CS, is composed of the insured, the broker and the relevant experts such as loss adjusters. It agrees the agenda and timetable in a fully transparent way at the first meeting, explained Mr. Merville.

"The insurer does not delegate control and this is important. CAPE² gives transparency to the client because he will be fully aware of the strategy and timescale for the project. The client is comfortable that everything is being handled in the right way," continued Mr. Merville.

AXA CS said that CAPE² is a dedicated "real-time" e-solutions tool that has been designed and created to allow all parties involved to share the same information,

simultaneously.

"The key differentiator is that our AXA CS examiners are not sitting behind a desk. They are flexible and immediately visit the site to take the first measures, for example to establish the validity of the claim, wherever the claims occur," added Mr. Merville.

For the repairs, AXA CS is supported by Spie Batignolles, a French major general contractor that is able to provide a range of services from the design to the full reconstruction.

Visibility and transparency are key, according to AXA.

"There can be grey areas in claims and the opportunity to sit down with the clients quickly enables us to find solutions," said Mr. Merville.

"Usually the process stops until such things are clarified. The benefit of CAPE² is to identify those grey areas and set them aside for discussion, but, at the same time continue to focus on getting the business up and running," he explained.

CAPE² can be applied to all lines of business but is limited to damage claims to buildings of above €100 000 measured by the value of the building repairs. "In the future we will strive to increase the threshold and extend the concept beyond France," said Mr. Merville.

Asked why AXA CS is prepared to invest up front in such a service at a time of tight margins for all insurers, Mr. Merville pointed out that the practical savings in terms of consequential claim following a property loss should justify the investment, regardless of the wider benefit of practical assistance offered to a customer at a time of high stress.

a redefined vision
of service



Photos: Creatas, Photodisc, Enrique Algrar/PIXTAL, DigitalVision, Juliet White/Gettyimages -agence cdtg

a **reliable** company
available teams
attentive advice

www.axa-corporatesolutions.com

 **CORPORATE
SOLUTIONS**

redefining / standards