

special edition  
september 2015

# INSURANCE REVIEW

Strategie e innovazione per  
il settore assicurativo

SPECIAL EDITION

FERMA

FORUM

## ITALY MORE CAREFUL WITH RISKS

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more awareness*

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HELP SHAPE  
THE NEW  
FACE OF RISK  
MANAGEMENT.



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expertise*



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## RISKS WITHOUT FRONTIERS

*Insurance Review will come out with a special issue on the occasion of Ferma Forum, the international insurance and risk management event that will be held in Venice, Italy (October 4-7). This exhibition will focus on the evolution of risks, share best practices as well as create unique networking opportunities with more than 1500 professionals attending.*

*The venue of the event is Venice which along with the cities of Genoa and Trieste have been the cradle of European insurance and risk management since the 14th century thanks to their maritime and trading activities. So Venice is a very appropriate as well as a very special place in the light of Expo 2015 currently underway, the global platform which has kept Italy in the limelight this year.*

*This comparison, adjusted for proportions, represents an important message in order to highlight what has today become the culture of risk, the country's capacity to interpret, prevent and manage an ever complex and interconnected multiplicity of risks.*

*Risk management in Italy has grown on the basis of a constant contrast with what happens in other countries, thanks to contribution from associations, the academic world, activities of risk managers and insurers. If on the one hand risk, in a globalised world is without frontiers, on the other hand it is also true that individual countries, Governments, people and businesses thrive and suffer on the basis of local dynamics.*

*The following pages feature an analysis of the most feared risks in Italy and worldwide, those that represent the greatest menace to our country on economic and geological grounds, defining evolutions in progress that call for the capability to innovate as well as a greater focus on risk management in corporate governance.*

*Amongst the many events that are closely related to us and illustrate the central role of risk management, we have chosen three exemplary case-histories: Expo 2015, the earthquake in Emilia and the salvage operations on Costa Concordia.*

*The aforesaid experiences reveal how threats nowadays, with consequences oft unforeseen, call for a high degree of competencies in addition to synergies between countries with a spirit of collaboration that guarantees social and economic security.*

*In this light, the role of the Risk Manager becomes fundamentally important not only in businesses but also in the society at large: a function to be inculcated and valorised in the minds of citizens.*

*A bird's eye view of Italian Risk Managers reveals a snapshot of professionals who, with their technical and managerial know-how, must increasingly contribute towards the growth of businesses. The existing risk management gap in Italy between small and medium enterprises is, however, one of the most important future challenges. Actually, associations like Anra (the Italian association of Risk and Company Insurance Managers) have been focussing their attention and commitment to their evolution.*

*This is why conventions such as Ferma Forum represent the ideal environment to meet and share experience, network with trade and insurance professionals to inspire and add value to a riskier world, without frontiers.*



**Maria Rosa Alaggio**  
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# MORE THREATS, MORE AWARENESS

by LAURA SERVIDIO

GEOPOLITICAL DANGER IS THE MOST FEARED GLOBALLY. RISK MANAGEMENT GROWS IN EUROPE. IN INSURANCE PROGRAMMES THE SEARCH FOR STABILITY AND CAPTIVE INCREASE. THESE ARE THE MAIN FINDINGS REGARDING RISKS WORLD-WIDE



The conflicts between states dominate the ranking of global risks, according to *Global Risk 2015* by the **World Economic Forum**. First in terms of probability and fourth in terms of impact, geopolitical instability shows up again among the most present threats. Followed by weather risks, the failure of national governance systems, the crisis of the states and the persistent levels of unemployment. In terms of impact, the water crises are the biggest risks that, today, the world is facing and, in cases of conflict between nations, the fear of a rapid and massive spread of disease and infection emerges, as well as the threat of weapons of mass destruction, terrorist attacks and the fear of climate change.

To cope with traditional and emerging risks, the attention of companies to risk management increases; it has become an increasingly strategic function and involved in decision-making. According to the survey **Risk Management Benchmarking Survey 2014**, conducted by the **Federation of European Risk Management Associations (Ferma)** in 21 European countries (for Italy, **Anra's** risk managers have taken stock of the market), 84% of risk managers directly interact with the board of directors or the top management, and almost half (45%) do so several times in a year.

Generally, insurance and risk managers (whose functions are combined in 40% of cases) report to the CFO

(31% for insurances and 22% for risks), the CEO (12% and 17%) and the board of directors (12% and 18%), many of those surveyed have a constant relationship and close cooperation with other company departments and, in particular, risk managers are involved in discussions on ethics, compliance and legal matters (57%); internal audit and control (55%); mergers and acquisitions (52%) and strategic planning (35%).

## THE PRIORITIES OF EUROPEAN RISK MANAGERS

The main priorities of European risk managers are the development of a risk culture within organizations and the integration of this activity in the business strategy. Data privacy and cyber security dominate the ranking of the threats that risk managers have to face, problems emphasized by a narrow insurance offer and a limited use of insurances by the companies (as much as 73% are not covered for cyber risk); European risk managers then identify political risks as the most critical issues (Italian professionals identify them in changes in company policy), while the risks related to reputation and brand come third. Six areas, according to risk managers,

### IDENTIKIT OF THE EUROPEAN RISK MANAGER

The Ferma survey shows that the typical European risk and insurance manager is a man (73% are males, 27% females), aged between 45 and 55, with an average salary of 100-120 thousand euro per year, who works in the headquarters of large companies based in a European country, who has been working in this position for 3 to 10 years and who probably has an insurance or risk management certificate.

#### Important topics in Europe

The most important topics in Europe according to Ferma members in 2014:

- Data protection regulation (45%)
- Annual reporting and transparency (38%)
- *Solvency II* and treatment of captive (38%)
- The possibility of a financial security requirement at European level (38%).

do not receive the right level of mitigation: political risk, legal or regulatory changes, compliance, competition, risks associated with economic conditions, market strategy and human resources. The level of satisfaction is high only for risks related to quality (understood as a project, safety and product and service liability).

## LOOKING FOR STABILITY

With regard to insurance choices, these are still affected by the economic situation: only 7% of respondents do not envisage changes in insurance plans (against 11% in 2012) and the use of long-term agreements (Lta) is growing: 50% of risk managers use them in response to the economic context, as they allow an efficient use of resources, the reduction of the time spent on renovation, the retaining of premiums and the strengthening of relationships with customers and insurers.

Financial stability is a key factor for 28% of risk managers, in the choice of insurance partners, and 43% find solutions to protect their financial position and invest significantly in loss prevention assets.

## CAPTIVE INCREASES

The Ferma report also shows how the purchase of insurance policies is an increasingly sophisticated operation. In particular, captive is growing, especially for non-traditional lines: most of 39% of respondents who own or use captive, believe that they will use it most in the next two years (39% for non-traditional lines of coverage, 33% for traditional lines).

There is a tendency towards the optimization of insurance programmes structures, especially in terms of retention and limits: 57% use the data relating to risks and insurance especially to optimize insurance retention programmes.

## THE EMERGING MARKET, STILL IN ITS INFANCY

Another important highlight is that the insurance market of emerging risks is still in its infancy: 72% of participants do not have cyber coverage and 37% do not have coverage for gradual environmental pollution liability. Finally, 63% use stand alone local policies mainly for reasons of compliance with the local regulations and only 15% of participants use enterprise risk management (ERM) tools, such as risk financing optimization, to decide insurance purchases.



# ITALY MORE CAREFUL WITH RISKS

RISK MANAGEMENT INCREASES IN ITALIAN COMPANIES AND THE ECONOMIC PERFORMANCE OF THE MOST CAREFUL COMPANIES IMPROVE. THE FOCUS IS ON PRODUCTION STAGES, ENVIRONMENTAL RISKS ARE STILL UNDERESTIMATED, WORK SAFETY AND TAXATION CAUSE MOST CONCERN. THE COMPANIES BASED IN SOUTHERN ITALY ARE PENALIZED, WHEREAS FOOD EXCELS. STILL FEW DEDICATED INTERNAL RESOURCES



74% of companies consider risk management no longer as a cost, but a tool to seize opportunities. These are the findings of the third **Cineas** Observatory (University Consortium founded by the Milan Polytechnic), presented last June and conducted on 257 companies in collaboration with **Mediobanca** and the contribution of **UnipolSai Assicurazioni**, which shows, for those who manage risks, an industrial profitability 20-30% higher than that of the companies that do not invest in prevention.

According to the identikit sketched by Cineas, the companies that do risk management have a turnover of around 65 million euro, over 165 employees on average and an export share of 45% and devote to this activity 3.5% of turnover (2.3 million euro for each company), for a total of 590 million per year.

## ITALY, NO GAPS IN RISK MANAGEMENT

Italy stands comparison with Europe. According to the **Risk Management Benchmarking Survey 2014**, conducted by **Ferma** on 850 participants in 21 European countries, the quality of the system of corporate risk integrated management in large Italian companies is higher than the European average, with dedicated tools, which reach 27% compared to 15% of the average of the Eurozone.



A positive evolution of the concept of risk is also highlighted by the *Osservatorio sul Risk Management nelle imprese italiane*, conducted by **RiskGovernance** in collaboration with **Anra** and **Confapi Industria**, according to which 81.9% of respondents see risks as an opportunity to actively manage them, against 49.5% in 2013. It is mainly medium-sized companies that make a leap forward in the adoption of risk management techniques, from 50% to 85% of the current analysis and slightly ahead of even large enterprises (82%).

## FOCUS ON CYBER, PRODUCTION AND TAXATION

The main areas of risk most perceived by medium-sized Italian companies concern IT (understood as corporate data protection, but not as disaster recovery), legal compliance and operating risks (on which there is specific and satisfactory insurance coverage).

Production is the asset that attracts most efforts in prevention and the most perceived and protected risks are safety at work, the reliability of customers and the regularity of tax payments, to which medium-sized companies feel particularly exposed because of the risk of sanctions associated with them and the complexity and redundancy of the legal and regulatory framework.

Among the less perceived instead: financial risk, which was the most perceived before but, today, sees only 6% of companies in fragile financial conditions, and those related to operations in foreign markets, primarily in the Eurozone and therefore politically stable and free of currency risk.

## DISASTER RECOVERY, A CRITICAL AREA

Environmental risk causes little concern, because medium-sized enterprises feel properly covered by insurance policies on the market, as well as the risks of reputational damage, whose protection, however, is associated with greater improvements in corporate profitability, and disaster recovery: an area of potential backwardness that requires more awareness.

## SMES: RISK MANAGERS ARE NEGLECTED

The most striking datum is the lack of a systemic and global risk management approach: according to Cineas, while devoting substantial resources to these activities,

### THE SOUTH PLODS ALONG, FOOD EMERGES

In terms of location, the most disadvantaged medium-sized enterprises are those based in the South of Italy where, according to Cineas – although risk perception is in line with that of the rest of the country – the containment activities are six times less effective than in the North East. As concerns sectors, food excels in risk management, very focused on reputational risk, information integrity, crash prevention and timely payments by customers.

the Italian medium-sized enterprises do not employ a risk manager (only in 0.2% of cases), delegating these functions to executive positions or the CFO. However, for the next three years, it is expected that one company in four will increase the budget allocated to risk management. The situation in large companies is better according to the Observatory RiskGovernance: 47% have an internal resource devoted full time to risk management, in the remaining 53% the risk is managed by a figure who also holds other roles.

## A MARKET TO BE DEVELOPED

As for the purchase of insurance policies, according to the **Risk Management Benchmarking Survey 2014**, conducted by **Ferma**, the insurance market of emerging risks is still in its infancy: 73% of the Italian sample do not have coverage for cyber risk (compared to a European average of 72%) and there is also some delay in the issue of insurance policies, which is summarized in the slow management of agreements. 31% are issued three months after their start, against a European average of 14%. Finally, an incentive for the insurance world. The Cineas research shows an opportunity to take a comprehensive approach for prevention and the growth of new specialized skills, promoting an insurance culture that is still missing in the Italian productive context. **L.S.**

# HOW RISK MANAGEMENT IS CHANGING IN ITALY

INTEGRATED SYSTEMS IN THE FIELD ARE GOING HAND IN HAND WITH THE ASSESSMENT OF SCENARIOS HITHERTO UNKNOWN AND VERY HANDY IN CHECKING EMERGING THREATS. ALESSANDRO DE FELICE, PRESIDENT, ANRA, BELIEVES THE TIME HAS COME FOR US TO VALORISE THE SPECIFIC SKILLS OF OPERATORS AND INSTILL THE CULTURE OF RISK EVEN IN SMALLER COMPANIES

by MARIA ROSA ALAGGIO

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A country that faces the same threats and hazards as does the rest of the world, with the complexities spawned by globalisation, from perennially evolving supply chains and from the increasing pervasiveness of technology in our lives. Also from the devastating economic crisis and the worsening climatic scenarios. Nonetheless Italy, with its huge multinationals that travel far ahead of the small and medium enterprises, the backbone of our economy, has its distinguishing features and peculiarities even regarding risk management.

Detecting values and daily difficulties, with goals and results that can never be sidestepped by those dealing with risks on a regular basis implies approaching a world that requires a high degree of capability, managerial skills and organizational rigour. In order to grasp the role from close quarters and understand the risk management prospects of our country from an international viewpoint, we met **Alessandro De Felice**, President of **Anra** (the Italian Association of Risk and Corporate Insurance Managers), Secretary General, **Ifrima** (International Federation of Risk Management Associations) and, from 2012 to 2014, Vice President, **Ferma** (Federation of European Risk Management Associations).

In the corporate sphere, De Felice is the Chief Risk Offi-



Alessandro De Felice, president, Anra

## PRODDING INTO CORPORATE GOVERNANCE

The role of the Risk Manager has become increasingly central to the life of a company, and will be even more so in the future. For an integrated management of risk, the parties liaising with the Risk Manager must necessarily be both the internal and external functions e.g. the Board of Directors, administration, business control, logistic, operations, external consultants, insurers. “It’s only via a tangible cooperation among the various business units and a direct Board involvement in risk - says Alessandro De Felice, President, Anra - that it shall be possible to take a qualitative leap in the matter, as envisaged in the Code of Self-Discipline of listed companies. The challenge for the Risk Manager will be to instil a risk prevention culture right into the veins of corporate governance through an integrated risk management system. To do so, a greater deal of information is needed and also a higher level of skills through dedicated training courses, through a due interpretation of corporate processes”.

cer of **Prysmian** and the Managing Director of **Prysmian Reinsurance Company**.

The institutional roles in Italy and abroad have enabled De Felice to view matters from a global perch with regard to risk in several countries and the respective issues that Risk Managers have got to tackle. “Italy has shown a high capacity in managing risks and has nothing to envy the rest of Europe - says De Felice -. The research we have conducted has revealed that Italian businesses having risk structures can pride themselves on quality elements as well as excellent levels of management. However, the Italian reality has to do with a great deal of companies, that owing to their size, do not avail of dedicated structures, do not perform adequate risk management activities or hardly dedicated enough time and resources to risk issues”. Anra has always had the goal of instilling the culture of risk amongst companies and, recently, even more so in small and medium enterprises: a necessary step that would enable Italy to make a giant leap forward in risk management. The result of the endeavours made in this direction is reflected in the growth of membership that has surged ahead from 150 (2013) to 220 in (2015), consisting of all the main Italian companies operating in varying sectors of the eco-

nomy and contributing to a 30% aggregate of Italy’s GDP. “Our mission - announces De Felice - is to be the main stakeholder at the Italian level concerning risk management. Therefore, it is imperative to expand the membership base which has been our main goal by involving the corporate functions not operating full time in risk: administrative directors, business controllers, consultants, organization heads, internal auditors, external contractors supplying their services to several companies, and in general, smaller enterprises compared to the bigger businesses which are traditionally members of Anra”.

### ALL ITALIAN RISKS

If the most perceived risks in Europe are those related to terrorism, cyber crime and supply chain, those in Italy, at a general level, are linked to more urgent matters like salvaging corporate business and capital because of the current economic crisis. Issues relating to credit risk, meaning knowledge of local territory, liaisons with suppliers, insolvency assessment, represent the bedrock that guarantees the security of operations and investments. Companies operating abroad and depending on exports are particularly and understandably subject to credit risk. Consequently, such businesses are also inte-

rested in legal aspects because of the differences in judicial systems between nations and therefore what might arise from an incident. Increasing light is also shed on compliance (with both labour law and the environment), results of possible breaches and initiatives about conformity with complex legislation. A whole section also needs to be dedicated to natural disasters. Italy is witness to and victim of catastrophes such as heavy floods and above all, earthquakes, more and more frequent and devastating e.g. the most recent are the 2012 tremors in Emilia Romagna. “Anra is watching over all risk issues – adds De Felice – instilling the culture, networking activities and best practices. Our work is based on the creation of content, information, training and communication towards the press: this set of issues enables us to be the main interlocutor when legislation is enacted”.

### **FOCUS ON ORGANIZATION MODELS**

Today, threats are increasingly complex and interconnected. To face them, our country’s risk managers ask for a support to debate about the policies, organization

models, reporting forms, risk assessment and quantification procedures. Analysis systems represent a crucial element and with the current economic outlook, businesses appear to be particularly conscious, as compared with the past, to finding solutions that are more effective. On these grounds, Anra has been liaising with some developers to creating dedicated software solutions that risk managers may employ to enhance their reporting capabilities. “The starting point for developing these solutions – De Felice explains – is the definition of the logics on which an analysis can be structured, optimising the organisational models of disclosure towards shareholders as well as risk appetite/risk tolerance issues”. In order to facilitate the culture of enterprise risk management, Anra has been writing a *position paper* to analyse the Italian corporate models and match them against their European counterparts. This also depends on the trade categories and calls for an analytical approach that will be elaborated and rationalised by the Scientific Committee experts who will issue their findings by the first half of 2016.



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## PROFESSIONAL GROWTH HAPPENS THROUGH TRAINING

To be able to manage multiple risks and their respective complexity, a Risk Manager's profession will depend on the ability to connect his job to the logic of corporate governance. With this objective, Anra proposes a vast catalogue of training courses to its members. Thanks to its cooperation with the academic world, (Cineas, Ifaf, Milan Polytechnic, Mib School of Management and the University of Verona) Anra provides the possibility to Risk Managers to improve their own capabilities. To cite a few courses: enterprise risk management, engineering and loss prevention, business continuity, project management, analysis of specific risks such as those at sea. To this end, the Anra Maritime Academy has been established, a new training course that the association of Risk Managers will present next fall.

## VOLATILITY AND MULTIPLICATION OF RISK SCENARIOS

When we talk of emerging risks, we enter the realm of the unknown where even a quantitative analysis is difficult to adopt. So we need to tread on qualitative ground with the goal of designing hypothetical evolutions and anticipating their impact. Anra has organised a workshop on the subject in *Ferma Forum 2015*, and thanks to the collaboration of the **Milan Polytechnic** and the **University of Trento**, offers the possibility of analysing all risks which are hard to envisage and tries to channel them into a series of *sub-risks*. "We think – says De Felice – of a set of social elements connected to climate change or the availability/shortage of basic food products and variation in their prices. A mere change in just one of such elements can cascade on others, generate a multiplier effect, unforeseen consequences and damages". Trying and describing these events means, according to De Felice, providing solutions particularly for those sectors that are more sensitive to changes in parameters. Agriculture, for instance, needs to shrink to the minimum the volatility risk stemming from weather phenomena; Energy sector needs to do likewise with oil prices which has a direct impact on the cost of electricity. The term volatility therefore becomes the first commandment in the job of a Risk Manager and in the management of interconnected and unforeseeable threats.

①

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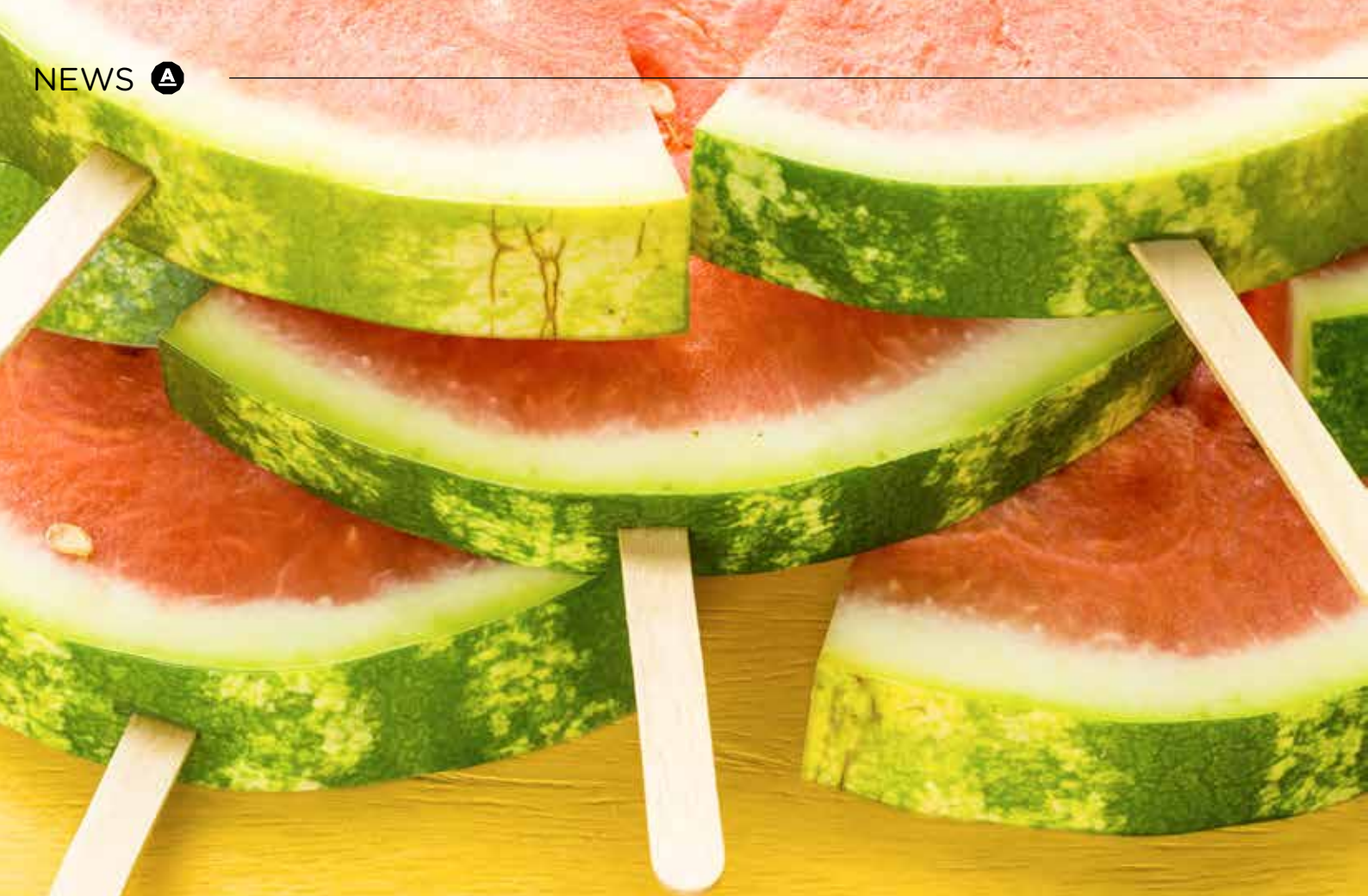
ANRA is made up of Chief Risk Officers, Risk Managers and Insurance Managers who operate in this professional area on a daily basis and who benefit from the continuous exchange of their personal experiences and from sharing projects promoting the development of the sector.



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*...because you already take enough risks.*



# EXPO 2015 ACCELERATES RECOVERY

by RENATO AGALLIU

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SUCH A LANDMARK EVENT IS A GREAT OPPORTUNITY FOR ITALY, AS IT GUARANTEES THE RIGHT RECOGNITION FOR THE SIGNIFICANT INVESTMENTS MADE. THE UNIVERSAL EXPOSITION ALSO CONCEALS, HOWEVER, A SERIES OF DANGERS. IN THIS SENSE, THE STRATEGIES OF RISK PREVENTION AND MANAGEMENT, COMBINED WITH ADEQUATE INSURANCE COVERAGE, ARE VITALLY IMPORTANT TO CLOSE THE CIRCLE OF SAFETY





Twenty million visitors for an estimated turnover of around € 25 billion. **Expo 2015**, which is meeting the expectations in terms of numbers, could be the key to restart the Italian economy: recovery and employment can be fostered by the great World's fair in Milan. A six-month exhibition of this magnitude, featuring thousands of daily events, is an exceptional showcase and a unique opportunity for the entire country. Add to this the immediate and tangible benefits guaranteed by the high number of tourists. According to the **Chamber of Commerce** of Milan, the average daily expenditure of visitors, at the end of the event, should be around € 96 for Italians and € 136 for foreigners. As concerns overnight stays, the expected average is two nights for Italian tourists and three for foreigners. However, like any other big event, Expo also conceals a number of risks and pitfalls that may potentially jeopardise its success. The key word in such a context is therefore safety. Protection of persons in the first place and then infrastructure. This has resulted in the need to prepare a dynamic safety plan that can adapt to any change.

## **SAFETY, PREVENTION AND RISK MANAGEMENT**

Each procedure has been previously defined in detail: from possible bad weather conditions, through technical failures, such as power cuts, up to crowd troubles or threats of terrorist attacks, that on such occasions are intensified. And, in the light of the recent international intimidating events, the Italian **Ministry of Interior** has prepared an action plan which envisages the deployment of more than 2,600 persons including police officers, *carabinieri*, soldiers and customs officers, for a total cost of € 90 million. A project was thus drawn up to coordinate the safety of the site (as big as 170 football pitches), provide logistical assistance to the 145 countries hosted at the exhibition and, at the same time, also guarantee health care for the visitors (about 300,000 per day). More specifically, Expo has allocated for security over € 7 million. How to prevent, therefore, the risks of an event such as the world exhibition? In this perspective, the safety planning requires targeted and specific experience and knowledge, as well as significant expertise in judicial, cultural and environmental issues. **Anra's** solution is a guide with five rules, identifying the areas where more attention should be focussed to better manage the event: identification of a safety committee in charge of the sites involved and the sensitive targets (hotels, airports, infrastructure); implementation of an emergency plan for each site and pavilion, with the definition of the actions to be taken during a critical event (evacuation from facilities, alternative routes to transport routes); planning and deployment of all security technology systems (intelligence systems and checks at airports) in order to filter access; evaluation of the possible sources of risk and the characteristics of the territory (infrastructure, weather conditions); and finally, selection of the partner companies of the event (global players, international brokers, professional system integrators and sponsors of the exposition) with whom complex agreements are defined.



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## SUSTAINABILITY TO “FEED THE PLANET”

If the basic assumption of the World's fair, as suggested by the claim of Expo Milano 2015, is “Feeding the Planet, Energy for Life”, the leit-motiv must be a reflection on the proposed solutions and the inevitable contradictions of the present age: on the one hand there are those who still suffer from hunger (according to recent estimates, about 870 million undernourished people in 2010-2012); on the other hand, instead, those who die for overeating and unhealthy diet (about three million deaths from overweight or obesity-related diseases). Feeding the planet, the theme on which the Expo project is based, therefore, also depends on the ability to manage food resources in a sustainable manner. For this reason, conscious political choices and sustainable lifestyles are needed. We should, through the use of cutting edge technology, search and find a balance between availability and consumption of resources. In this context, the adoption of corporate social responsibility can and should be an incentive and a guiding value for businesses. And especially for those directly connected with the issues of environment, sustainability and quality, such as food companies. At present, environmental impact is one of the hot topics on the agenda of the risk managers of companies. Focussing attention on these aspects and implementing concrete actions to achieve quality standards means, ultimately, having a positive return even in risk management and coverage.

## THE ROLE OF INSURANCE POLICIES

The preliminary analysis of risk management and the implementation of effective safety strategies play a key role. The damages, not only material but also in terms of reputation, and the resulting economic losses, may have major repercussions both for the organizers and the participants. In this sense, therefore, the safety plans have been developed with a certain level of flexibility so that they can adapt to the likely changes that often arise in the context of events of this complexity. In addition, to manage the different critical areas, the security personnel must be properly prepared and trained, so that they are able to act according to the different contexts of risk. But, specifically, what are the biggest concerns for insurers? Undoubtedly the most perceived, as mentioned, is the risk of terrorism. Among the most common fears also those regarding infrastructure and reputational risks that could come from any organizational difficulties or obstacles of various kinds. This is where insurance policies come in, closing the circle of safety. The insurance programme developed by Expo involves policies covering property damage, from the works to the content, and civil liability during the construction phases: they will be kept for the next ten years. To provide first aid in case of accident, finally, a multilingual help desk always available to visitors was set up in the exhibition area.

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# COSTA CONCORDIA, FROM DISASTER TO A HISTORIC SUCCESS

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THE SALVAGE OF THE WRECK REPRESENTS THE FRUITFUL UNION BETWEEN AWARENESS OF RISKS AND ABILITY TO FIELD EXCELLENT SKILLS. A MEMORABLE ATTESTATION ON HOW TO PROPITIOUSLY COMPLETE, THANKS TO THE SPIRIT OF COOPERATION, EVEN THE MOST COMPLEX AND RISKY OPERATION



A salute can cost a lot: in terms of human lives, environmental impact and economic damage. Even though misfortune, in general, never brings anything good, it is also true that, sometimes, the exception proves the rule. This is the case of the removal of the cruise ship **Costa Concordia**, which sank on 13th January 2012 off the **Giglio Island**, diamond in the crown of the Tuscan archipelago in front of Mount Argentario. A complex operation, whose cost has been estimated at about \$ 1.2 billion, which was completed successfully by the great companies that followed the work, showing the high level of professionalism of this Italian industry. This attests the value of one of the most important Italian best practices, with the success of a complicated project on several fronts: organization, logistics, insurance and, not the least, media.

### THE STAGES OF THE RECOVERY

The beginning of the salvage of the wreck occurred immediately after the accident. The first step refers to the emergency stage with first aid rendered to the passengers and crew. With the support of the **Italian Corps of Naval Engineering** the risk of increasing casualties was prevented. The second step was to limit the environmental impact by avoiding the risk of a natural disaster. Thanks to the collaboration between the company Neri based in Livorno and the Dutch **Smit Salvage**, both active in the naval and maritime industry, fuel spill was limited and tanks made safe in view of the subsequent operations. For the removal of the wreck, at the end of the tender, on 21st April 2012, the project of an Italian-American consortium, composed of **Titan Salvage**, a US company owned by the Crowley Group, and **Micoperi**, an Italian company with long experience in engineering and installation of offshore structures and underwater pipelines, was chosen. The work plan, consisting in several stages, culminated with the complex parbuckling process (righting of the ship), which took place between 16<sup>th</sup> and 17<sup>th</sup> September 2013:

here the so-called strand jacks (hydraulic jacks) were activated. Parbuckling was followed by winterization, that is the installation of systems that improved the stability of the wreck, more in detail, the fixing of about 30 steel tubes that connect the wreck with the end of the caissons and platforms on the side facing the sea, the installation of additional cement bags between the wreck and the coast, and the mounting of an additional fastening system for the bow. The operation was a complete success and, less than one year later, on 14<sup>th</sup> July 2014, the Concordia floated again.

### FINANCING WITH PRIVATE FUNDS

The Concordia's was also the largest project in the history of naval salvage fully financed with private capital. The insurance companies involved in the operation have provided a fundamental contribution in every stage of the recovery plan, facing the many unknown variables, from the complexity and uncertainty of engineering calculations. But they were dissolved thanks to dialogue and willingness to contribute to common success. The starting point was traced by the American multinational company which owns Costa, **Carnival**,



### FINANCIAL CONTRIBUTIONS: THE WEIGHT OF ITALIAN REGIONS

Italy led the project. According to data drawn from the **Milan Polytechnic**, Italy gave the highest contribution, accounting for 61% of direct expenditure for the project. Estimates indicate an amount of over € 370 million spent by Italy on a total of about € 610 million. The other major players as regards economic contribution in terms of turnover generated on the suppliers (of goods and services for the purpose of the salvage), are the United States. Specifically, in the division of tasks between the Italian regions, in terms of supply, Emilia Romagna, where Micoperi is based, ranks first, followed by Friuli Venezia Giulia, home of Fincantieri and Cimolai, two of the largest suppliers of the project. With 11% of the total Italian supply Tuscany is also at the forefront, followed by Liguria with Genoa and La Spezia boating industry. More generally, Costa Crociere commissioned the Polytechnic a study which shows that, assessing the overall upstream impact, transport and residency rates, the direct spending of the restyling and requalification project amounts to almost € 765 million. It is, however, expected to rise by virtue of the estimate of the final removal cost, which currently amounts to about € 1.2 billion.



with the preliminary choice of *ad hoc* insurance coverage. The strong involvement of the insurance world also sped up the project. The works, with governmental funds, would have probably taken longer.

### INSURANCE COVERAGE AND ROLE OF RISK MANAGERS

In July 2013, the amount appropriated by the reinsurers who dealt with the Costa Concordia operation was 1.2 billion dollars, almost twice the original amount. According to recent estimates by the **International group of protection and indemnity**, the reinsurance pool which coordinates the sharing of protection & indemnity claims in the marine branch, the insurance costs regarding the Concordia accident grew substantially in the 18 months after the sinking. Reciting some data, for example, the costs of removal, including the so-called parbuckling, rose from about 550 million to over 900, and are the ones that increased most compared to the amount appropriated. According to the pool, the additional costs incurred for the floats, underwater work, engineering and risk mitigation had not been accurately included. As concerns the total losses, they greatly exceed one billion and a half dollars, making the sinking of the Costa Concordia the most expensive of all time. The need to provide adequate insurance coverage in the case of the Costa Concordia was a crucial aspect of the work plan for the recovery of the wreck. In general, the experts of risk management believe that the greater the complexity of the projects in terms of insurance, the more central the role of risk managers. In Italy, today, there is still room for improvement with regard to coordination and the choice, by insurance companies, of specific figures for claim management and the establishment of dialogue capable of embracing all stakeholders. This model, however, in the case of the Costa Concordia, has worked and proved successful.

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# WHO PAYS IF THE EARTH SHAKES?

by BENIAMINO MUSTO

EVEN IF ITALY IS ONE OF THE COUNTRIES MOST EXPOSED TO EARTHQUAKES WORLD-WIDE, THIS RISK IS STRONGLY UNDER-INSURED. THE GOVERNMENT, THAT OVER THE YEARS HAS ALWAYS SUPPORTED ITS CITIZENS IN THE RECONSTRUCTION OF THE BUILDINGS AFFECTED BY SEISMIC ACTIVITY, IS DOWNSIZING ITS ECONOMIC CONTRIBUTION. THE NEED TO INTRODUCE COMPULSORY INSURANCE CLASHES WITH THE CONCERNS OF POLITICIANS: THEY FEAR THAT THE POLICY IS PERCEIVED AS YET ANOTHER TAX



Cliffs overlooking the sea. Rolling hills. Lakes surrounded by mountains. Apart from its ancient art and its warm climate, Italy is also famous for the morphology of its territory. But what makes it beautiful is also the cause of its fragility: being located in the middle of the collision line between the African plate and the Eurasian plate, the Italian peninsula is subject to high seismic risk. Unfortunately, the threat of earthquake looms over most (58%) of the territory: 64% of Italian municipalities are at risk, for a target population of about 24 million people. In this context, although the data of the National Institute of Statistics (ISTAT) say that 80% of Italian families are owners of the property where they live, the penetration of insurance coverage against earthquakes (especially as regards property) is still very modest. During the earthquake which struck Emilia Romagna in 2012, for example, the damaged buildings were more than 10,000, for a total damage of 12 billion euro, but the insured losses amounted to one billion euro: 91% of the damages were not insured.

## THE BLINDEST AND MOST MUNIFICENT INSURER

Rather than a low risk perception, the reason for such under-insurance is rooted in the attitude taken by the state for decades: historically, most of the losses caused by natural disasters have always been covered by funds dished out *ex post*, causing tax increases or the reallocation of funds from other government programmes. Some projections estimate that the earthquake which struck Abruzzo in 2009 alone will have a total cost for the Italian State amounting to 14.7 billion euro. Former Prime Minister **Giuliano Amato**'s phrase has become a famous: "the Italian State is the blindest and most munificent insurer in the world". However, the recent financial crisis and the need for greater rigour in public accounts have reduced the capacity of

## THE COMPULSORY INSURANCE REMAINS A CHIMERA

In Italy we have been discussing for decades the possibility of introducing a compulsory insurance against natural disasters, but until now no action has been undertaken, also due to the reluctance of the political world in approving a measure that could be perceived as a sort of additional tax. The first attempt as early as 2004: the budget law of the year included a compulsory insurance on property, but the Antitrust Authority judged it negatively, because this solution would have created "a hybrid system" that would have "compromised competition to the detriment of consumers and the overall well-being". A further attempt was made in 2012 by the government of Mario Monti, when the Civil Protection was reformed, but the project that introduced the mandatory insurance never became a law. More recently, the current Minister of Economic Development, Federica Guidi, said she wished for a mixed public/private system, in which a share of risk would be covered by the mandatory policy and a predetermined percentage of the damage would be covered by the State. This solution could produce a structural reduction in the cost of compensation of at least one billion euro per year.





the Government to act as an *insurer of last resort*: in this light, the decree dated 15<sup>th</sup> May 2012, n° 59 was introduced, which repealed the obligation by the State to provide financial assistance for the reconstruction of damaged houses.


### OBJECTIVE DIFFICULTIES

As the spending power of the State reduces, individuals and businesses are increasingly required to manage their risk exposure. Apparently, the time would seem sufficiently ripe for the introduction of a compulsory insurance policy, so as to create a public/private system for managing earthquakes. A bill was therefore filed in the Chamber of Deputies in November 2013. However, there are still some objective obstacles, one of which is that 64% of Italian buildings are not earthquake resistant. All this reduces the possibility for insurance companies of offering adequate policies.

### THE DEFICIT OF PROTECTION IN ITALY

Swiss Re as well, in a study titled *The deficit of protection against natural disasters in Italy: it is time to act*, published last June, stresses that the country is currently “without an adequate level of protection”, having to face “a significant protection gap in catastrophe risk, in particular as concerns housing”. According to Swiss Re, although in Italy insurance is now recognized as an integral part of the system of natural disaster risk management, “the relative penetration rate remains among the lowest in the industrialized countries”. To this end, the report explains, “it is necessary to increase resilience and promote among the population a culture of risk preparedness, while insurers are required to play a greater role in the development of an efficient funding strategy of natural risk. Insurance companies – says Swiss Re – must develop products that individuals can understand and consequently be encouraged to buy”.

### RISK PREVENTION AND CONTROL

One of the contributing factors to the lack of interest in the protection against seismic risk also lies in the very weak approach of the government and national policy regarding compliance with safety rules. It is the belief of Anra, which is in favour of a system in which mandatory catastrophe coverage is associated with concrete activities to prevent and control risks, addressing the issue of disasters as a problem of the whole community rather than individuals. Since it is not mandatory currently, according to Anra, even the damage coverage underwritten by a company runs the risk of becoming limited to the facility and assets, unable to offer protection in the event of difficulties arising from possible under-insured situations (or total absence of coverage) of local suppliers. 

# ENVIRONMENTAL RISK - THE FUTURE GOES BEYOND INSURANCE

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Environmental risks arise from unforeseen circumstances, deficient internal policy and practices, third party activities or natural hazards. When nature and technology collide, the result can be catastrophic, with severe environmental and social consequences.

Exposure is not just limited to everyday commercial and industrial facilities, but also those operating on third party sites, as well as construction and infrastructure projects. For example, in Poland, construction projects lie second behind petrol stations in the number of orders to take remedial action over the last several years, based on our review of available data.

With increased regulatory pressure exerted through complex national and pan-European environmental legislation, it becomes clear that the concept of environmental risk and liability has been broadened and elevated across the EU.

## RISK PREVENTION AND TRANSFER

The Environmental Liability Directive is a key example – it presents a framework for preventing and remedying environmental damage furthering the ‘polluter pays’ principle and supporting risk assessment as a tool in the process.

Performing quality environmental risk assessments and applying good risk management practices – e.g. changes in process techniques, raw materials or conservation – can provide a clearer picture and help prioritize the action needed to reduce environmental risk.

One approach is known as the ‘4Ts’: Terminate, Tolerate, Treat and Transfer. An operator may decide to terminate a risk by doing things differently – e.g. using a less hazardous chemical in a process; or tolerate the risk – as they may conclude the likelihood and impact are at a reasonable level for acceptance; to treat, by taking action to reduce the likelihood or limit the impact; or finally they may translate the impacts into financial terms to aid with transfer of a portion of the financial risk via insurance, other financial mechanisms or contractual arrangements with third parties.

Another requirement of effective risk assessment comes in the form of education and understanding of the changing landscape of risk – whether with regard to supply chain pressures, stronger regulation, or changing public perception.

## POLICIES AND NEW INTERVENTION SOLUTIONS

One successful approach to dealing with the complexity of environmental risk is to combine the insurance policy with other valuable tools, such as:

- **A crisis management service** that offers support through a network of specialists, skilled to provide timely response, both in prevention as well as damage restoration. This assures qualified technical support, regardless of the event (e.g. fire, flood, leakage), that caused the damage; and enhances the effectiveness of the response. Find out more on AIG’s Beyond Insurance App
- **Professional training** on environmental risk and management of environmental emergency response. AIG now provides a specialist award winning training course to help cover knowledge gaps
- **Partnership with Environmental experts to manage environmental exposures and restoration operations** – with the annual ‘Prontuario delle Bonifiche’ providing a comprehensive guide of environmental contractors in the Italian territory, for instance.

With economic output in Europe expected to treble between 2010 and 2050, there will be increased pressure on our finite resources. In order for enterprise, society and environment to survive and thrive into the future, the EU’s recent momentum towards risk-based assessment and management must continue and be supported by policy, technological, financial and social innovations.

# RISKS, THE MOST DANGEROUS ARE MAN-MADE

by LAURA SERVIDIO

IN A STUDY PUBLISHED BY LLOYD'S, THREATS GENERATED BY HUMANS COULD HAVE A GREATER IMPACT ON THE WORLD ECONOMY. INSURANCE COMPANIES PLAY A KEY ROLE IN MANAGING SUCH EVENTS PROVIDED THEY INNOVATE AND OPERATE IN SYNCH WITH BUSINESSES AND INSTITUTIONS



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Man represents the biggest hazard to global GDP. This is the main finding published by the *Lloyd's City Risk Index*, a study carried out in association with the University of Cambridge, that examines how artificial menaces – such as cyber-attacks, oil price fluctuations, terrorism, pandemics – and natural catastrophes – namely earthquakes, hurricanes and floods – can impact the global economy.

“The Lloyd's City Risk Index – says **Vincent Vandendael**, Director Global Markets **Lloyd's** – is a groundbreaking new study that quantifies for the first time the potential economic impact of 18 threats on 301 of the world's leading cities. The study shows for the first time the true

economic cost of these threats and the massive global economic exposure to risks: \$4.6 trillion of the forecasted global GDP could be at risk”.

In Italy, the study reveals that nearly 9% of growth forecasted for Milan, Rome, Turin and Naples (\$ 499.58 billion over the next decade), is exposed to risk coming from 18 artificial and natural threats: the greatest menace is represented by a market collapse that would make a dent on \$ 12.02 billion of GDP, followed by an oil price shock (\$ 9.68 billion), cyber attack (\$ 6.49 billion) and human pandemic (\$ 3.87 billion). All in all, man-made risks would impact to the tune of \$ 30.90 billion against \$ 12.98 billion lost to natural phenomena.

Vandendael adds: "With increasing urbanisation, cities have become the key engines of growth, with a growing concentration of labour, economic capital and physical infrastructure. And their concentration of a country's economic output is also increasing. For instance London's share of the UK output increased from 15% in the 1960s to 45% today. Because cities are now emerging as international hubs of global wealth creation and commercial activity, any impact on their economy would have a direct impact on the country's economic growth".



*Vincent Vandendael, director global markets Lloyd's*

## OPERATING AS A PARTNERSHIP

In order to set up some defensive barriers to shield global economic security and growth, there must be close cooperation between businesses, insurers and the governments. "We want to use this research to stimulate a discussion with businesses, governments and communities to improve the resilience of infrastructure and institutions. About half of total GDP at risk could be protected by improving the cities' infrastructure and crisis management, with insurance playing a key role in this process".

Settlements of accidents represent the primary source of retrieving capital after a catastrophe and insurance

### MILAN PLACES FOURTH WORLD WIDE IN MAN-MADE RISK

In Lloyd's Index, which will be updated at 2-year intervals, Milan, in its role as Italy's largest financial hub, is exposed to three threats linked to this sector: market collapse, after-shocks resulting from oil prices and a cyber attack, exposing about three-fourths of total GDP. In a nutshell, Italy's financial capital is prone to a risk percentage, stemming from man-made threats, of 79.03 %, the world's fourth largest.

plays an important role in shrinking the impact of disasters. "There are several products that could support cities and businesses following these threats such as business interruption in the case of a cyber attack; crop and agriculture insurance in the case of drought; commercial and residential property insurance in the case of flood and earthquake; trade credit insurance in the case of oil price shock".

## THE IMPORTANCE OF INNOVATION

Another crucial element is the degree to which the insurance sector can innovate. "Insurers must continue to innovate, ensure their products are relevant in this rapidly changing risk landscape, offer customers the protection they need and, as a result, contribute to a more resilient international community".

In this sense, Lloyd's has been committed towards the development of innovate business support solutions for over 325 years: "Lloyd's insured the first cars and the first planes, and our drive for innovation, our global experience and the breadth of expertise that sits within the Lloyd's market means that we can continue to provide products that are tailored for the needs of our customers. Insurance has a vital role to play in mitigating risks - both present and future. As the world's leading specialist insurer and reinsurer, Lloyd's continues to play a key role in increasing the understanding of and shaping the world's response to the shifting risk landscape".

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# THE STEPS FORWARD OF THE ITALIAN SYSTEM

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by FABRIZIO AURILIA

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THERE IS NOT JUST ONE MODEL FOR ADDRESSING BUSINESS RISKS. INSURANCE IS FUNDAMENTAL FOR COMPANIES BUT YOU MUST ALSO BE ABLE TO FACE THREATS THANKS TO A SOLID KNOWLEDGE OF YOUR SITUATION. IN ITALY, THE CULTURE OF RISK IS GROWING IN RECENT YEARS

Today, more than ever, risk management in the Italian market is more and more holistic and involves multiple functions within a company. In recent years, especially starting from the 2008 crisis and the sovereign debt crisis in 2011-2012, risk management is growing in importance and is increasingly becoming the focus. As for the companies, it is increasingly clear that bad risk management can be fatal. More prevention culture and greater expertise are frequently called for.

The starting point is to seek in-depth knowledge of the companies, to accompany them in their changes, fielding specific skills: these are the assets of risk management. But knowing the risks is no longer enough. It is essential to focus on the threats that affect the individual sectors. To do that, everyone has to be involved: from the risk manager to the insurance company to which the risk may be transferred and insurance brokers. As for policies, there is still a long way to go: it is necessary to design offers targeted to small and medium-sized enterprises in which the service component (before and after the claim) is the core of the product and simplify contracts and rethink the role and training of brokers.

## **RISK MANAGEMENT AS BEST PRACTICE**

One of the themes is precisely to adapt the contract to the evolution of the company. The broker is asked to ensure that the coverage is always adequate throughout the lifecycle of the company: from the moment organizational models change, until new machines are bought, renovations are made, new markets are opened. Some insurance companies are lightening the administrative tasks of brokers and, through technology readily available today, they are building open online platforms, with all the parameters that represent the risk on which brokers can intervene. A new tool for exchanging information.



### SECTOR PECULIARITIES

Today, with regard to the types of risk, it no longer makes sense to talk about risk management without distinction: we must investigate the specificity of products and services. The concerns of businesses vary greatly. For example, in the food sector reputational risk is more felt than cyber risk or credit/customer's solvency risk. Also thanks to the new European policies, which have altered the mechanism of subsidies to farmers, new insurance tools are being introduced that are aimed at stabilizing the farmers' income. Stability that can be put to the test not only by the classic climate changes but also by the fluctuation of prices and events that go beyond pure business risk.

As another concrete example, in the chemical-pharmaceutical sector (one of the jewels of the Italian precision industry), the top fears are privacy, the technological replicability of the product and intellectual property.

However, there are companies, as the vast majority of micro-enterprises, which do not even take out insurance. An example is the indirect damage policy: the percentage of small businesses that benefit from this coverage is still low, and this is mainly due to a too complex insurance offer. The other risk to which SMEs are highly exposed is credit risk, which the recent crises have emphasized. The main insurance companies in the industry are beginning to offer products tailored to the needs of small entrepreneurs. Same goes for cyber risk, one of the main emerging risks, increasingly felt abroad but still not sufficiently considered in Italy.

Add to these issues the evolution of regulations that clearly upset work organization. From the Corporate Responsibility regulation, to the new pollution laws and all the complexity that you have to face if you decide to expand abroad.

### SMES IN SEARCH OF THE RIGHT POLICY

The researches clearly show, however, that the approach to risk management is different in large enterprises (maybe international) and SMEs: if for the latter the effectiveness of risk management is often connected with an insurance policy that becomes effective at the time of the accident, for big companies, the insurance contract is the result of a subtraction of the risks that can be retained internally. Italian small and medium-sized companies, those with a strong risk culture, however still prefer a personal relationship with those involved in the prevention and management of threats. This is why the figures of the insurance adjuster, in the event of the accident, and the recovery companies are essential, because they need to restart immediately their production. It is crucial to shift from a compensation approach to a service approach: the real problem is not receiving as much compensation as possible, but avoiding that the damage sustained blocks the production with the risk of shutting down the company. This means acting before and after. First of all by organizing loss mitigation activities and business interruption management and then by providing the client with a system of direct repair, supported by a specialized network of providers. For SMEs, insurance often becomes a social tool: the policy is the only line of credit that resists in times of difficulty.

### A MAP AGAINST IDENTITY THEFT

An interesting initiative for cyber risk management comes from **Consap**, the concessionaire of public insurance services, which has developed a system to provide real-time information to financial institutions to protect themselves from the consequences of identity theft.

The tool, active since early 2015, is a public system that permits the comparison of the data contained in the main documents of identity, recognition and income, with those recorded in the databases of the Inland Revenue Service (**Agenzia delle entrate**) the **Ministry of Interior, Infrastructure and Transport, INPS** and **INAIL**.

Access to the system is envisaged for banks, financial intermediaries, providers of electronic communications services, providers of interactive services or conditional access services, managers of credit information systems and companies that offer similar services.

Since last 16<sup>th</sup> July, insurance companies have also joined the Consap system.

### LARGE COMPANIES, THE RISKS OF THE SUPPLY CHAIN

In larger companies, the risk management structure is perfectly able to follow all the process. Most risks are managed in self retention, while in the relationship with insurance companies and brokers, risk managers and chief risk officers are in charge of trying to keep premiums low for the coverage of natural disasters.

For large companies, the critical issues lurk in the supply chain. Risk managers are often faced with the risks from contractual relationships with small and medium-sized suppliers. These risks are often really scary. Consider, for example, the companies that provide asbestos removal: small businesses that often have no idea of the risks to which they may expose their clients. So it happens that the clients bear the risk of their suppliers.

### EXCESS? BETTER IF IT IS HIGH

In this context, the opportunities for discussion between entrepreneurs, insurance brokers, insurance companies, adjusters and recovery companies are multiplying. Last June, **Insurance Connect**, the publisher of this magazine, organized a major conference on the subject (*Enterprises, from risks to policy security*), entirely dedicated to the world of risks for companies, which involved the main players in the sector of risks. In the field of insurance policies, for example, it was noted that the various players tend to converge. In the distribution of risks, the excess can make the difference between an effective policy and a useless one: companies prefer to pay a little higher excess, to be sure they are not alone at the time of the accident. More comprehensive coverage with higher excess, to have an important claim limit, and rely on the fact that the company can handle small issues autonomously. From the perspective of insurers, also in Italy it would be possible to propose first loss basis coverage, provided that companies are able to do loss mitigation. It is possible, finally, to charge higher excess in order to lower claim frequency.







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# WHO ARE RISK MANAGERS IN ITALY

by MARIA MORO

THE PROFESSIONAL WHO MANAGES THE RISKS FOR THE COMPANY IS A FIGURE THAT HAS TAKEN A MAJOR ROLE OVER THE YEARS OF GLOBALIZATION, WHEN THE COMPANIES ARE ABLE TO APPRECIATE A RESOURCE IN CHARGE OF KNOWING THE COMPANY AND FIELD SKILLS TO FOSTER GROWTH

Risk managers are beginning to establish themselves in Italy with the recognition of the role of the insurance manager within large companies, a function that has been taking value especially after World War II, with the economic boom phase experienced in the fifties and sixties. This was a period of great industrial development, for many large Italian companies active in the domestic market but also abroad. In particular, companies working in the energy, chemistry and mechanics field were strategic enterprises that grew rapidly and were structured according to the most advanced organizational models of the time. In these companies, and in other smaller but still broadly active businesses, the aspect of insurance protection became an increasingly important issue, which required the involvement of full-time dedicated figures, able to interpret the needs of protection of the company, to share them with the insurance companies and to negotiate the best solutions. In 1972, this corporate figure was officially recognized with the establishment of **Anra**, founded as the National association of insurance managers.

## SPECIFIC REQUIREMENTS, DIFFERENT FUNCTIONS

The risk analysis aimed at insurance coverage soon became an exercise of internal comparison within companies that led to identify vulnerabilities in the various processes and tended to their correction, involving all potential risks, from procurement to production up to reputation. Since the seventies, and especially the eighties, risk management was intertwined more and more with the issues of safety in factories and corporate quality systems. Risk management expanded its scope of action and along the insurance professional an engineering figure appeared, able to see with a systemic approach the interconnections that could determine potential risks. The broadening of the concept of risk management therefore led to differentiate also in Italy the professional roles that deal with them: the original figure of corporate insurance manager is still alive today as insurance buyer, whose functions have evolved but essentially remained unchanged. Next to this professional we find

### FROM INSURANCE MANAGER TO CHIEF RISK OFFICER

In recent years, Italian enterprises have gradually embraced the concept of risk management as a strategic value for the company, an approach required by the increasing business complexity, when it takes place at a global level, and the stricter parameters required in bank and financial transactions. A result of the growing need to control risks in a pervasive way is the choice of adopting enterprise risk management systems and to entrust with the management a resource who, in addition to pure risks, is also in charge of speculative and business risks, in a more comprehensive perspective. Actually a relatively small number of large enterprises choose this option and the evolution of the risk managers towards chief risk officers remains, apart from some cases, a concrete and realistic goal for the near future.

the Insurance manager, oriented to a managerial vision of risk transfer, and the risk manager, attentive to the aspects of prevention and risk control, a figure with distinct characteristics and skills for production or financial companies.

### DYNAMIC AND VERY VERSATILE MANAGERS

The Italian companies that now have a risk manager or that recognize the importance of this function, entrusting internal executive roles with it, are growing. These are large companies that belong to different sectors, having in common internationalization and complexity of business: construction, transportation and shipment, food, energy, chemistry, mechanics, large-scale retail trade, pharmaceutical, finance, telecommunications, infrastructure, biomedical technology, eyewear, fashion

and luxury, aerospace, appliances, waste management, advanced technology systems, steel processing, shipbuilding. For all the companies in these sectors, risk management is a strategic element in particular aimed at business continuity, the company's reputation in the market and regulatory compliance. Italian companies live in an extremely complex regulatory environment, consisting in EU law, Italian law, sector regulations and local provisions at regional, provincial and municipal level. Risk managers therefore have the difficult task of implementing the company's decisions, adapting them to the different regulatory constraints (in Italy, risk managers typically report to the general management or financial management). This ability requires a thorough knowledge of the industry and the company, two elements that greatly facilitate the discussion with the different internal departments and the application of risk analysis models: this is why Italian risk managers often grow in the company, where they have developed their expertise over many more years than other figures, even if they are relatively young. From the point of view of basic training, it must be said that in Italy a specific university curriculum is not common for the role of business risk manager; this training is provided by specific courses and masters. Italian risk managers may therefore have attended heterogeneous university courses, although in most cases companies appreciate economic or financial studies, in the case of insurance managers, whereas for more specific profiles focussed on process risk management they prefer degrees in engineering or engineering management. The skills of Insurance managers are similar to those of brokers: the companies interested in hiring a professional also search for this figure.



# TECHNICAL SKILLS AND INTERNATIONAL PRESENCE

SPECIALISATION BOTH IN RECLAMATION OPERATIONS AND IN CATASTROPHIC DAMAGES AS WELL AS TECHNOLOGICAL RECOVERY – THESE ARE THE PILLARS ON WHICH THE PER GROUP HAS GROWN OVER TIME. AN EXPERIENCE WHICH, THANKS TO RECOGNITION BY PARTNERS LIKE TEKPRO GROUP, NOW ACQUIRES AN INTERNATIONAL BREATH



The current market of recovery and renovation consequent to damage arising from water and fire is, on the whole, divided in two large categories. The first category belongs to reclamation firms that operate at a local or national level; such companies have well-entrenched procedures and manage to provide turn-key rehabilitation interventions. The main qualities and points of strength of these businesses are normally rapid deployment, project management capabilities (site operations and the entire damage resolution process), implementation and utilisation of dedicated IT platforms for monitoring each stage of work (commencing with the request of intervention up to its termination). Last but not least, the physical proximity to the client. The main market clients and players with whom such companies deal with, on a daily basis, are claims appraisers, the parties involved in the settlement, property managers and private requests.

The second category belongs to the so called *Nat Cat Companies*: a limited number of very structured companies in a position to manage natural catastrophe damages and specialised in the technological recovery of a very wide range of electronic equipment and machinery. These companies, normally, are highly specialised in the execution of technical inspections, professional reclamation, technological electronic recovery and the ability to move a big number of people over a short period of time anywhere in the world.

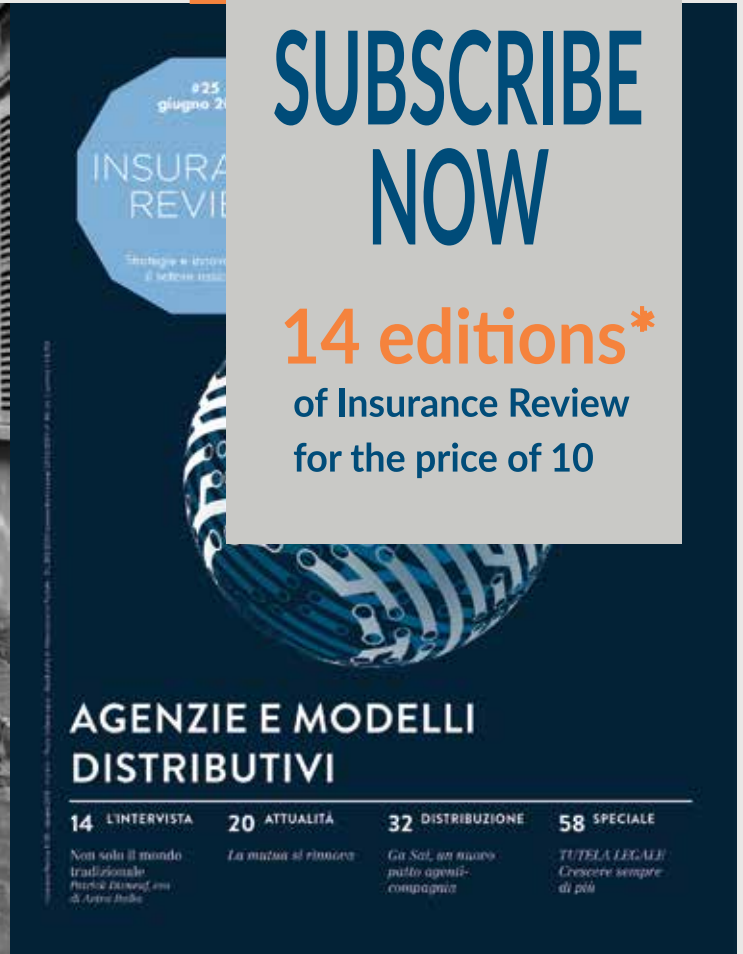
**per**, acronym of Professional Engineering Restoration, was founded in 2007 in Italy, by **Stefano Sala** and **Alberto Lagi**. Over a few years, the Group has become a specialist in both categories.

## BEYOND THE BORDERS

In Italy, **per Group** has revenues of about € 12 million, with some thousands of small jobs scattered throughout the country. At the same time, however, the Large-scale Damages division operates worldwide, both directly with clients of insurance companies and other national or local recovery firms. For example, with **TekPro Global**, a division of the group **PT&C|LWG**, founded in 1984, with the purpose of assisting property owners and insurance adjusters on claims involving damage to high-technology equipment. TekPro Global and **per Group** have signed an agreement in virtue of which **per** will assist the non-European clients of TekPro Global. The fact that a market leader such as TekPro has chosen the **per** as a partner is a clear recognition of the technical skills and the expertise **per** has accrued in recovery operations.



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