



FERMA™

Federation of European
Risk Management Associations

FERMA European Risk Manager Survey Report

2022



In partnership with



Foreword

We are pleased to present the results of the 2022 European Risk Manager Survey. The survey has now taken place every other year for 20 years. It represents the most comprehensive picture of views of professional risk managers across Europe.

Publication of the 2020 edition took place close to the height of the pandemic. The exceptional circumstances that prevailed then have evolved, but they remain with us. The pandemic is not yet under control and we feel its impact on our economies, Russia is continuing its war against Ukraine and inflation is rising.

The results of the 2022 survey reinforce our belief that we are in a period of transition.

Risk discussions at Board/top management levels are more frequent, and the risk manager's involvement in corporate strategy and sustainability has consolidated. Two-thirds of risk managers have either direct access to the CEO or via their line manager.

Resilience is more than ever a priority for the top management, and the role of the risk manager is evolving as a consequence. We see risk managers taking additional responsibilities, especially for business continuity and crisis management.

In terms of transition to a digital and green Europe, collaboration between risk management and IT and information security has consolidated over the past few years and is now a normal aspect of their work. Risk managers are also increasingly involved in sustainability matters and environmental, social and governance (ESG) related risks.

The ability of organisations to transfer risk remains a concern for corporate insurance buyers in the context of a hard insurance market. Risk managers are continuing to develop alternative strategies, including expanding the use of captive insurance. A significant number believe that some operations and locations could become uninsurable in future.

We believe that the results of this 2022 survey show the transition of the risk manager ever more towards the role of the risk conductor for the organisation, consolidating information from other risk-related functions to give a clear and comprehensive view to the top management.

These are themes that we will continue to explore at the 2022 FERMA Forum and in our next survey in 2024.

Thank you for all our respondents and to the 20 risk managers who also took part in the roundtables we organised to analyse the results.

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Key findings

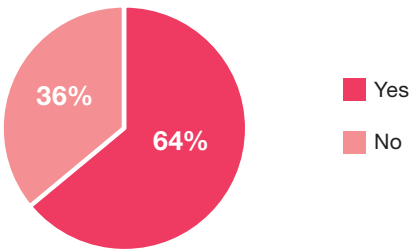
Survey respondents



64% of risk managers have a qualification in risk management, the same percentage as in 2020

In 2022, **the development of operational skills** is ranked as the first contribution of certification, closely followed by **internal recognition and legitimacy**, ranked first in 2020, and **improvement in employability**.

Do you have a specific qualification in risk and/or insurance management?



The main risk differs depending on the time horizon

Cyber threats remain the 1st concern in 2022 for risk managers.

Top 5 risks within the next 12 months

- Cyber threats
- Supply chain or distribution failure
- Geopolitical uncertainties
- Uncertain economic growth
- Over-regulation

Top 3 risks within the next 3 years

- Changing customer behaviour
- Cyber threats
- Uncertain economic growth

Top 3 risks within the next 10 years

- Climate change and environmental damage
- Changing customer behaviour
- Natural disaster

“Supply chain failure” and “geopolitical uncertainties” enter the top 5 short term risks replacing “data fraud” and “availability of key skills”, in the post pandemic crisis context and Russian-Ukrainian conflict.

Changing customer behaviour enters the top 3 risks within the next 3 years directly on pole position.

Long term risks remain the same as 2020.



Post pandemic, Ukrainian war, and successive extreme weather events

The 2020 survey collected data before the massive spread of the coronavirus in Europe. The 2022 survey was launched on the brink of the war in Ukraine. The extent of the crisis in all sectors led to new routines that modify the role and interactions of the risk manager with all the actors in the organisation, as first, second or third line of defence. The intensity of the Ukrainian war and the political uncertainties the world is facing bring to the fore the need to better assess risk regarding strategy and geopolitical changes. In addition, as the occurrence of extreme natural events is increasing at fast pace, organisations need to develop their capacities with regards to climate change risks and more globally for environmental and demographic risks. The risk manager is more than ever working as a business partner.

Key findings

A potential for further development of the use of technology?

As the digital transformation in organisations continues at a fast pace, risk managers' use of digital tools advances more gradually.

The technologies used in risk management remain largely unchanged over the years: **62% data analysis, 54% web-based application, 34% data visualisation, and 20% process automation.**

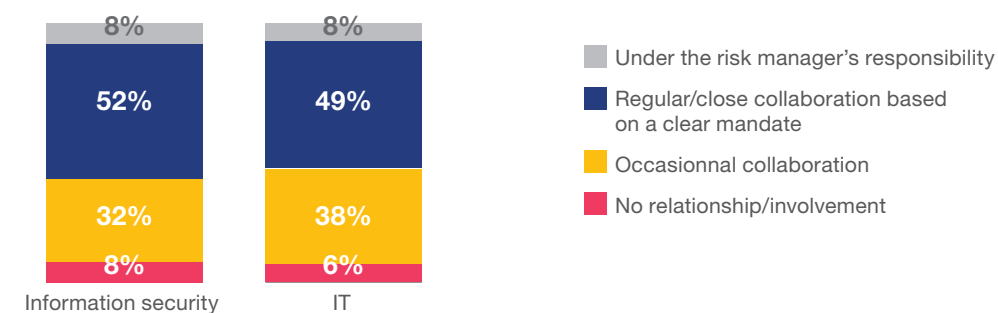
AI, Internet of things, drones and blockchain remain little used.

Among the main obstacles mentioned by risk managers to greater use of digital tools are the significant investments they represent for the function (**45%**) and the lack of perceived added value for the function (**39%**).

67% of risk managers implemented innovative technologies to improve the risk reporting process.

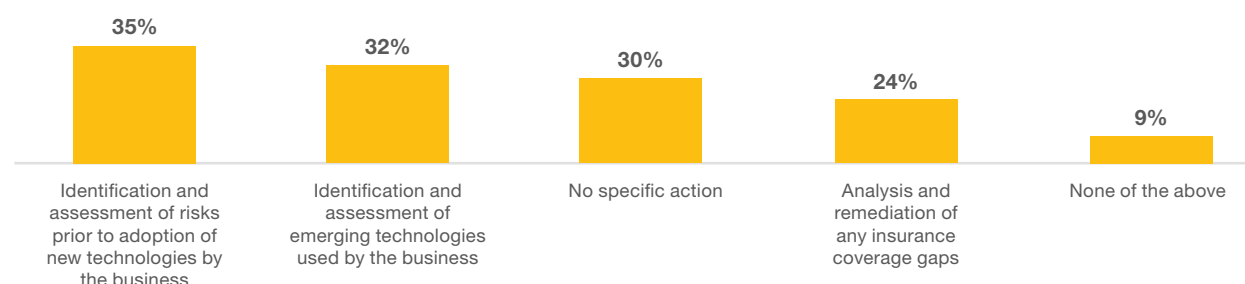
A strong and stable relationship with the IT and information security teams

Risk managers' interactions with IT and information security teams

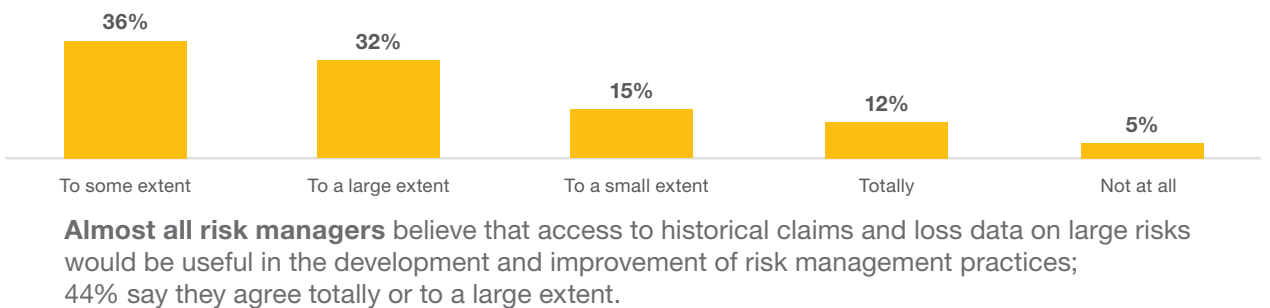


Risk managers' involvement in the management of risks arising from emerging technologies did not change in 2 years

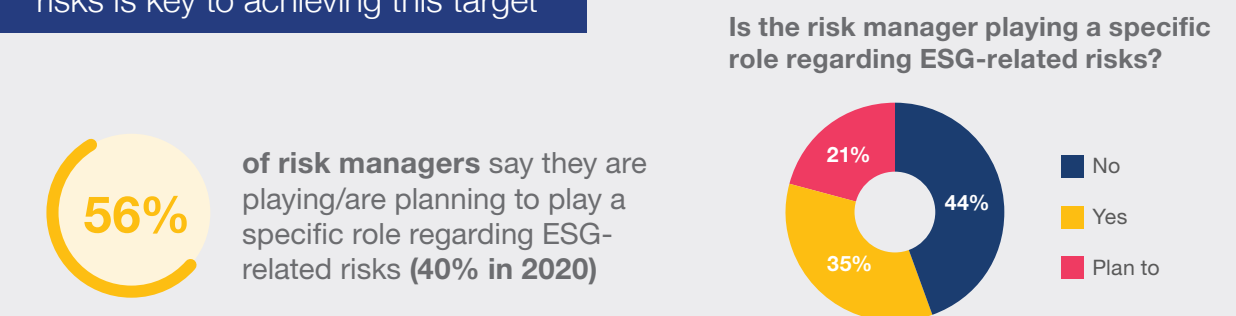
How do you deal with risks arising from emerging technologies?



Risk managers think open access to aggregated and anonymised historical claims and loss data on large risks would improve risk management practices

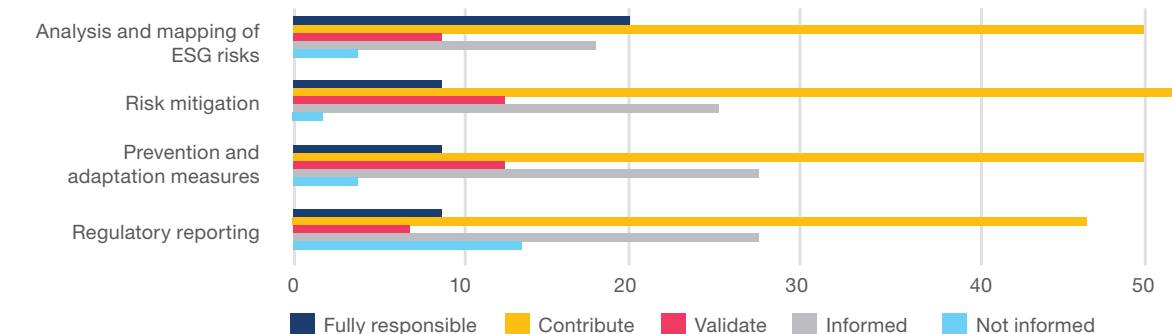


Transitioning towards sustainability has become a focal point and integrating ESG risks is key to achieving this target



Type of role played in regard to ESG

Regarding the type of role played in relation to ESG, risk managers mainly contribute to the analysis and mapping of ESG risks (70%). They are involved in the risk mitigation (63%), prevention and adaptation measures (58%) and regulatory reporting (54%).



Many risk managers are facing challenges integrating ESG-related into the ERM framework, facing notably difficulties of quantifying and qualifying sustainability risks (respectively 54% and 34%), and the limited knowledge of sustainability risks (29%). While the topic is becoming a major concern, not all risk managers yet feel sufficiently equipped to address it.

54% of the risk managers' organisations identify the **climate change risk** on the risk map, and 46% are working on transitional **climate change risk** (regulations, market, technology and reputational). Only 15% do not work on this risk.

Tougher insurance market conditions lead to alternative strategies

Results show the triple crunch that risk managers face in buying insurance protection:

- 78% | are heavily impacted or face a major impact: in terms of increase in premium
- 71% | in terms of reduction in capacity
- 62% | in terms of limitations and exclusions on specific risks

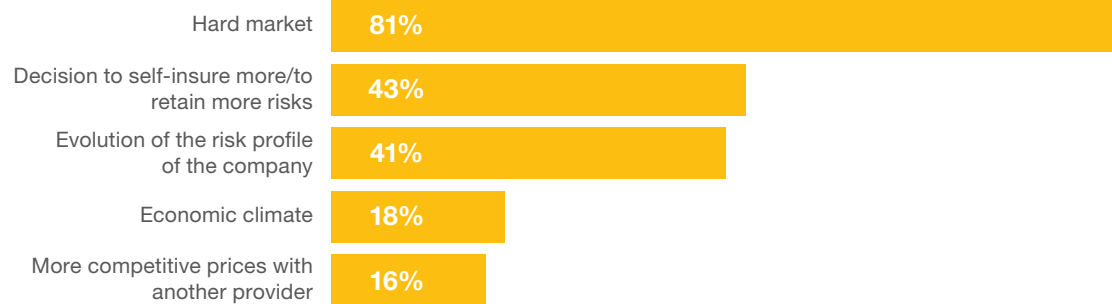


of risk managers have observed a **reduction in cyber risk coverage** in the last years

Consequently, risk managers have adapted their insurance strategy over the past 12 months consisting of:

- Changing the insurance buying patterns (review needs, limits...) • 66%
- Strengthening loss prevention activity • 40%
- Negotiating long-term agreement or roll-overs • 31%

Reasons for these changes



Risk managers are adapting their insurance strategy over the next 2 years focusing on:

- Risk retention • 73%
- Use of an existing captive • 35%
- Use of alternative risk transfer vehicle • 29%
- Creation of a captive insurance/re-insurance company • 12%

37.5%

of risk managers' organisations own or share a captive (stable from 2020)

15% in 2018 to 47% in 2022

The interest in captives has gone up significantly over the past 4 years.

In addition, 41% of the respondents believe that some of their company's activities or locations will become uninsurable in the future, illustrating the growing concern about insuring risks that are seen as systemic (e.g. cyber, climate change).

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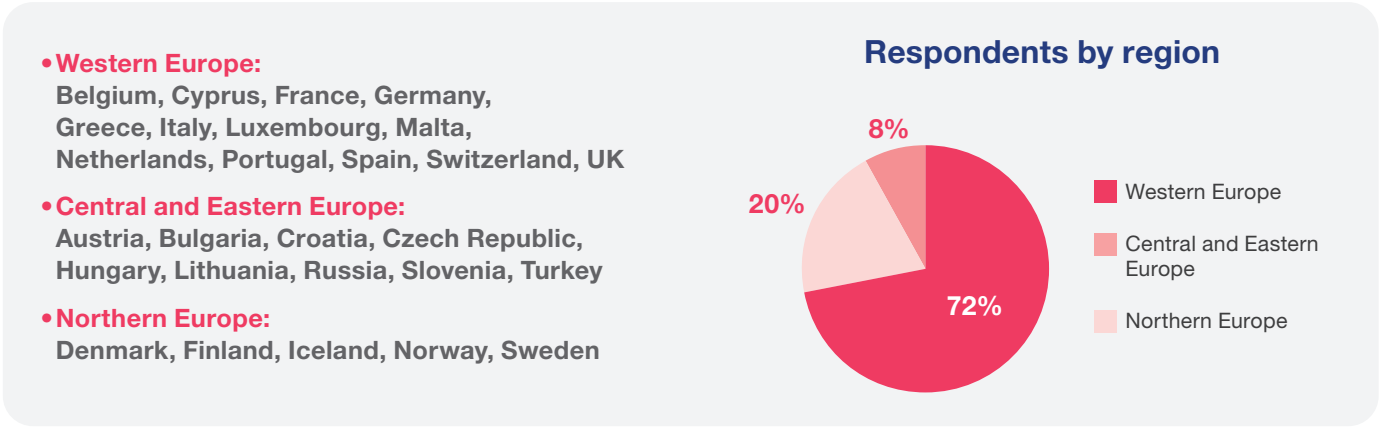
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Methodology and survey respondents

Methodology

The data in this report were collected from an anonymous web-based survey distributed through FERMA's 22 member associations and the PwC European network between January and March 2022.

Responses were received from 556 respondents in 27 countries aggregated into 3 clusters:



The dominance of Western European responses (72%) limited the ability to draw conclusions based on geography.

The survey included 53 questions divided into 6 categories:

- European Risk Manager Profile (16 questions)
- Insurance Management and Captives (10 questions)
- Risk management and Strategy (11 questions)
- Risk management and Sustainable Economy (4 questions)
- Risk management and Innovation (7 questions)
- Risk management and Other Lines of Defence (5 questions)

Some questions were triggered by the answers to others. Thus, the number of respondents can vary from one question to another. In addition, some questions allowed multiple choices, so the responses may add up to more than 100% in some cases.



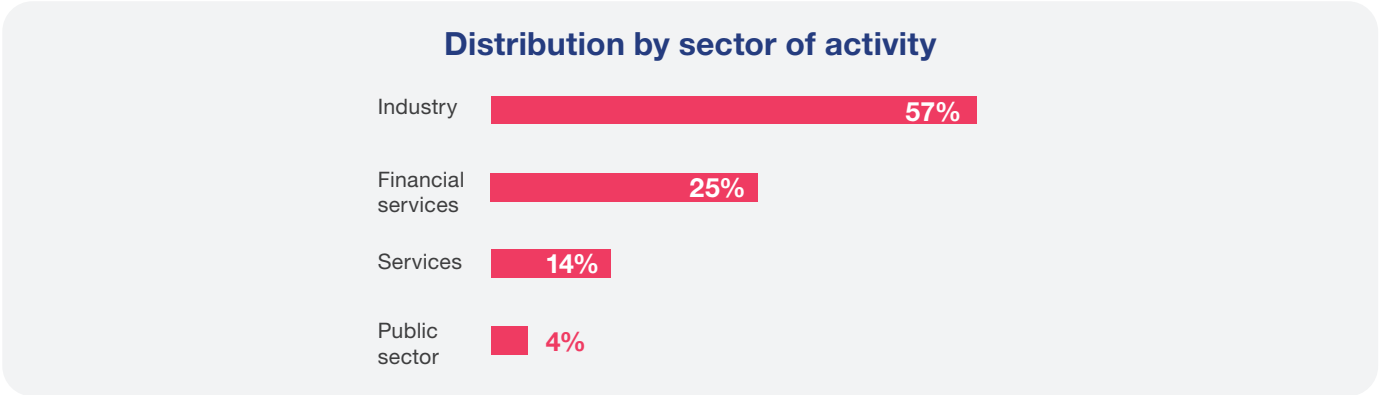
This year, to better understand and illustrate the answers collected via the survey, workshops were organised with 18 risk managers who responded to the survey.

The report comprises a detailed description of the survey respondents, a summary of how they saw risks in 2022 post Covid-19 crisis, an analysis of answers to the sets of questions listed and 8 country files summarising the data per country or per cluster. Some countries were grouped in clusters when the number of respondents was not significant enough. The UK is not included in any country file as the number of respondents is not representative (1%).

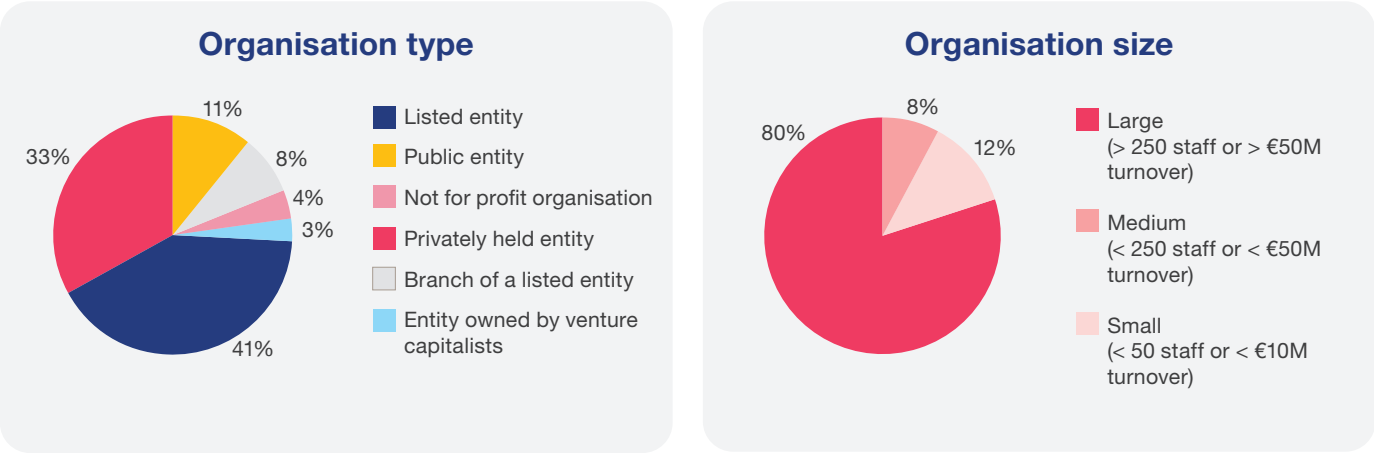
- **Benelux** (Belgium, Netherlands, Luxembourg: 18% of respondents)
- **Central & Eastern Europe** (Austria, Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Russia and Slovenia: 7% of respondents)
- **France** (12% of respondents, including Monaco)
- **Germany** (10% of respondents)
- **Italy** (9% of respondents)
- **Mediterranean countries** (Cyprus, Greece, Malta, Portugal, Spain, Turkey: 18% of respondents)
- **Nordic countries** (Denmark, Finland, Norway, Sweden, Iceland: 20% of respondents)
- **Switzerland** (5% of respondents)

Profile of survey respondents

Sectors and types of organisation

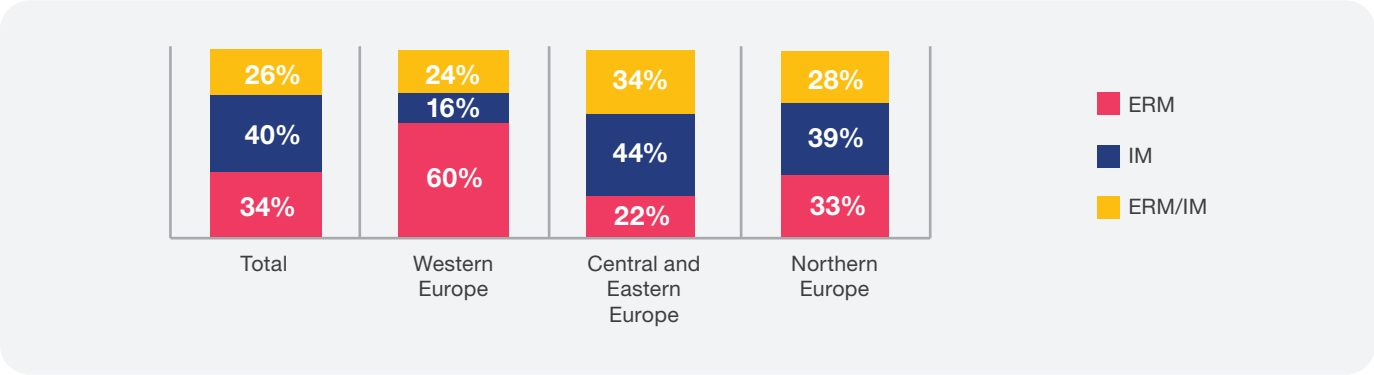


The respondents include mainly risk managers from large (listed or privately held) organisations. In small and medium size companies, risk management responsibilities are often covered by the CFO or legal officer.



Risk managers are mainly working at the corporate level (head office) of their organisations (79%), while 13% work at a national or country level. Only 8% are working at the division or regional level.

Three profiles of responsibility



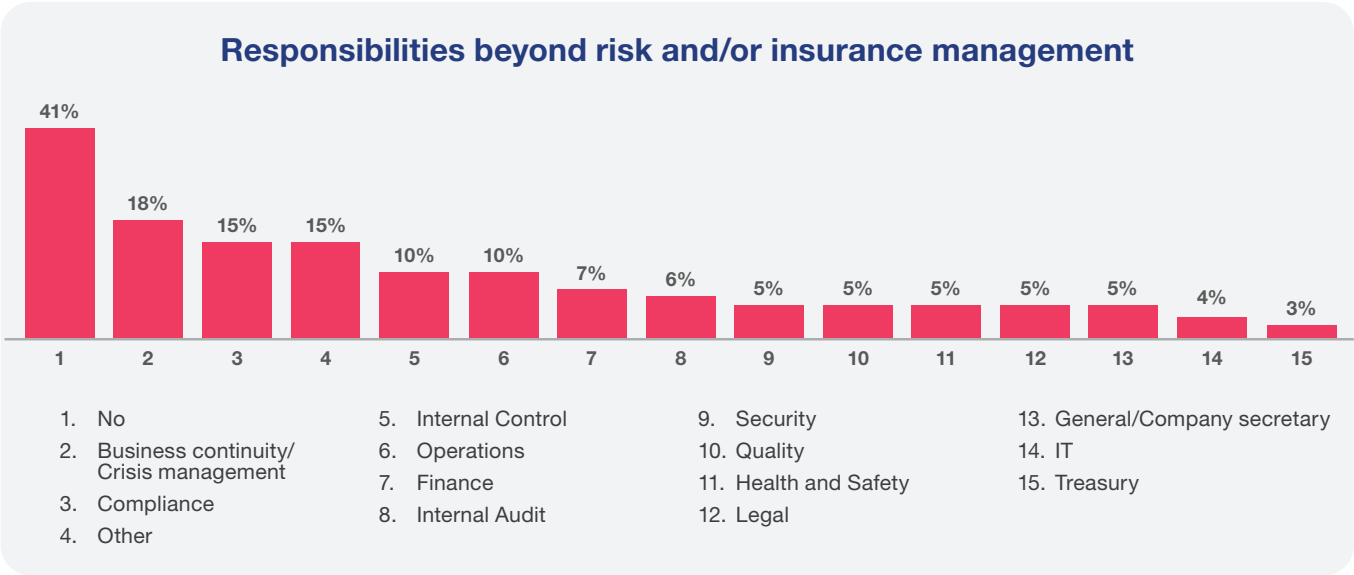
- **Enterprise risk management (ERM) profile:** oriented towards overall risk management of the organisation. Business risks are identified, analysed, treated and reduced.
- **Insurance management (IM) profile:** oriented towards insurable risks, including loss prevention and risk transfer.
- **Mixed ERM/IM profiles:** focused on insurance, loss prevention and wider risk management issues.

Some of the survey questions are specifically addressed to one profile, so the answers are representative of that profile and the related risk management activities.

Both ERM and IM teams are mainly composed of 2 to 3 full time equivalent staff (FTE), respectively 41% and 39%. Then, 31% of ERM teams have 1 full time member of staff, while 26% of IM teams have 4 to 10 FTE staff.

Risk managers' responsibilities

Most survey respondents (59%) have responsibilities beyond risk and insurance management. 18% oversee business continuity/crisis management, 15% compliance and 10% internal control.



Combined ERM/IM profiles (70%) and ERM profiles (68%) tend to have responsibilities in addition to risk and insurance management, notably in business continuity, while 59% of IM profiles do not have other responsibilities.

Activities under the responsibility of...

ERM: the scope of activities has evolved towards an increased strategic support to the organisation. The development of risk culture is in first place this year among the risk manager's activities, closely followed by the development of risk maps, which was second 2 years ago. The alignment and integration of risk management as part of business strategy moved from the 5th place to the 3rd, with 75% in 2022 compared to 67% in 2020. The definition of the risk appetite went up from the 6th to the 5th position (57% to 64%). This illustrates the movement of the risk managers toward a more strategic position within the organisation.

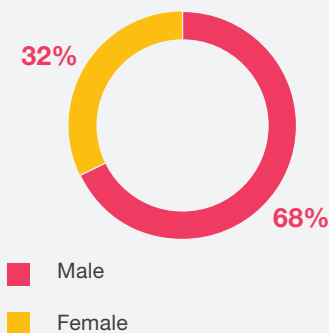


• **Insurance managers'** scope of activities is well established. **Against the list of 13 activities for the ERM profiles**, insurance policy management is ranked first (ranked 8th for ERM profiles). This is followed by assistance to other functional areas in contract negotiation, project management, acquisitions and investments.

Activities under the insurance manager's responsibility in 2022



Age and gender

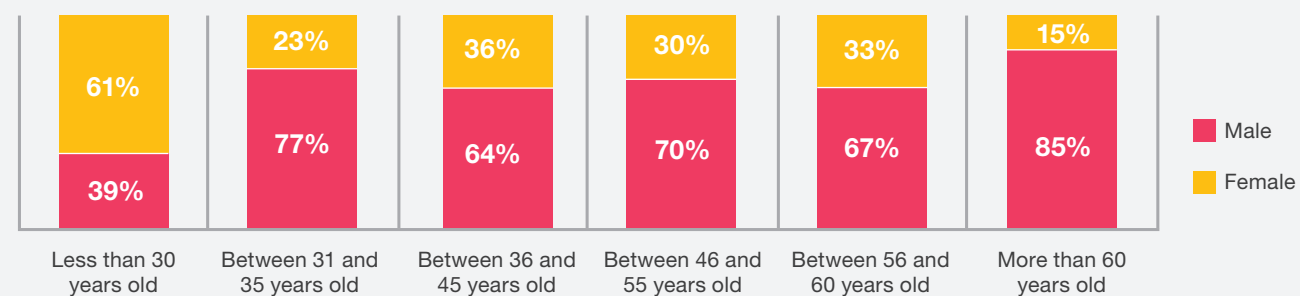


The proportion of women risk managers is unchanged.

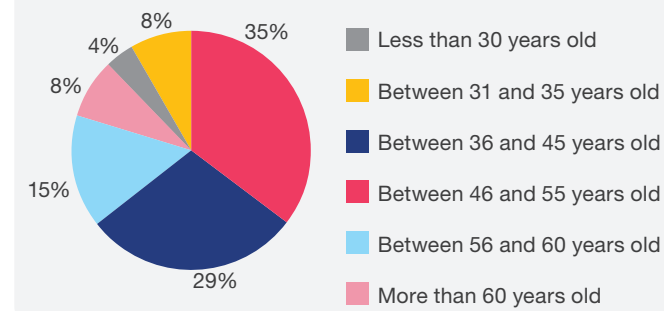
The sectors where women are the least represented (under 25%) are automotive, manufacturing and healthcare. They are most represented in the public sector and pharmaceuticals.

The youngest age group has the greatest proportion of women. Women represent 61% of risk managers under 30 years old, while they are only 15% among those more than 60 years old.

Gender breakdown by age



What is your age?

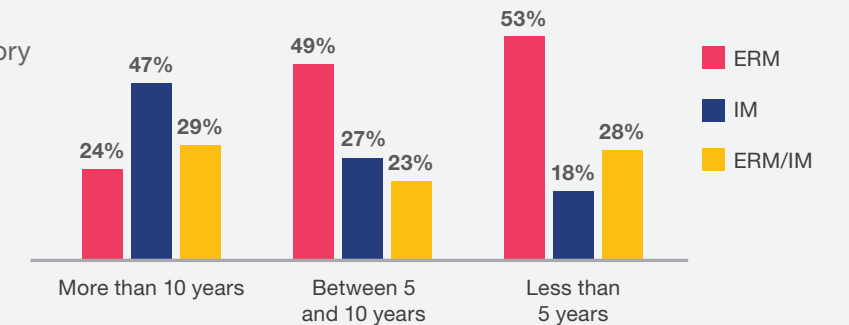


Risk management is still a profession for the experienced, with 64% of the respondents aged between 36 and 55 years old. Younger risk managers, under 36, made up 12% of the respondents in 2022.

Professional experience in risk management

Experience

Risk managers with more than 10 years' experience mainly work as IM (47%), while most of those in the ERM category (53%) have less than five years experience.

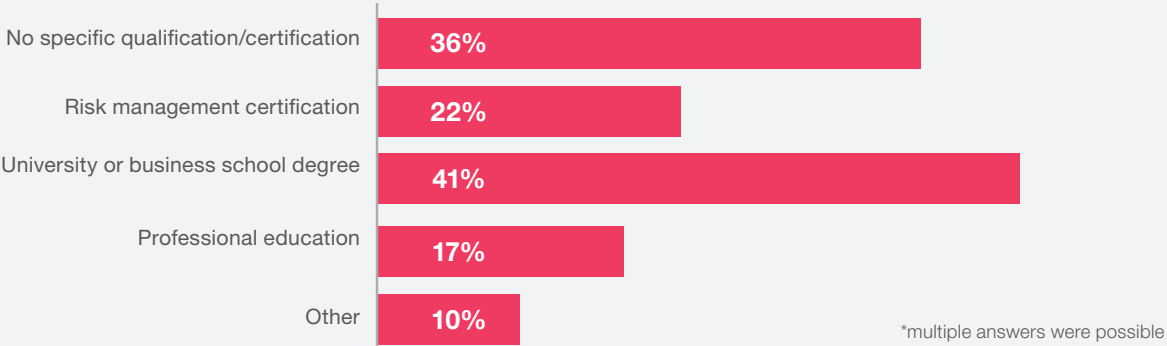


Qualification and certification in risk management

Two-thirds of risk managers have a qualification in risk and/or insurance management, including 22% with risk management certification.

The proportion of risk managers having a professional education diploma is similar across Europe. The proportion of risk managers with a university or business school degree is greater in Western Europe with 43% than in Northern Europe where it drops to 33%.

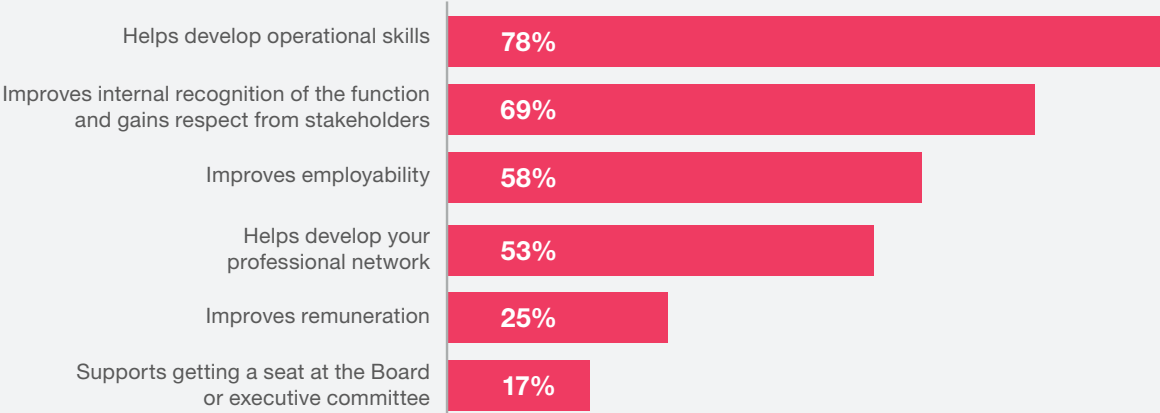
Specific qualification/certification in risk and/or insurance management



Risk managers recognised the importance of certification and confirm its added value.

The first perceived added value of a recognised certification is to help develop operational skills followed by internal recognition. The improvement of employability and the development of the professional network come next ahead of the improvement of the remuneration.

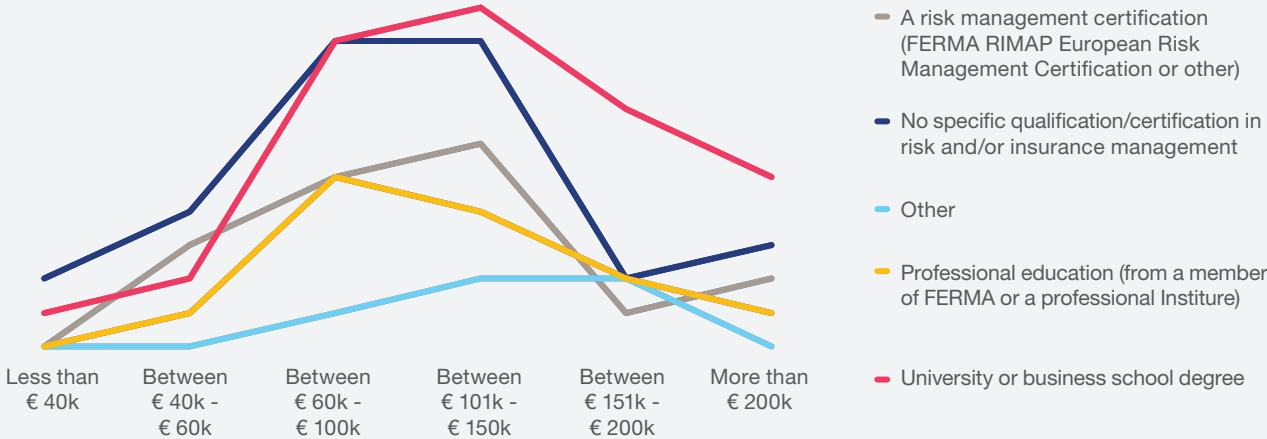
Ranking contributions of a recognised certification in risk management



Remuneration

Compared to 2020, remuneration is relatively steady.

Total annual remuneration



Function Recognition

49% of the respondents consider that the recognition of their function within the organisation is stable, and 46% feel that the function's recognition is evolving. Only 5% disagree and consider that the recognition is decreasing.



How do risk managers see the risk landscape in 2022?



Since 2018 and particularly during these last 2 years, multiple events have disrupted the European risk landscape: the pandemic, war and political uncertainties, economic developments, technological changes and growing environmental pressures, among them.

“Consciousness of risk has increased since something that seemed unlikely has now happened. So, risk is inside all topics, and it was always a topic.”

Quote from a risk manager during a workshop

The survey asked risk managers to select and rank the major threats to their organisation’s growth prospects at different time horizons (12 months, 3 years, and 10 years). The results are presented as follows:

- Top 5 short-term risks, compared below to previous surveys (2018 and 2020)
- Top 15 short-term risks, highlighting their evolution from the previous survey and the new risks identified
- Two Top 3 risks: at medium-term and at long-term perspective

Top 5 critical threats to the organisation’s growth prospects within the next 12 months

Cyber threats have remained the top priority over the years.

Supply chain or distribution failure enters in the Top 5 in 2022 at second place as a direct impact from the pandemic crisis. It is a major threat in many sectors.

The risks from geopolitical uncertainties come back into the Top 5 this year at the third position, because of the Ukrainian war and the geopolitical tensions it has created at international level, especially for European companies.



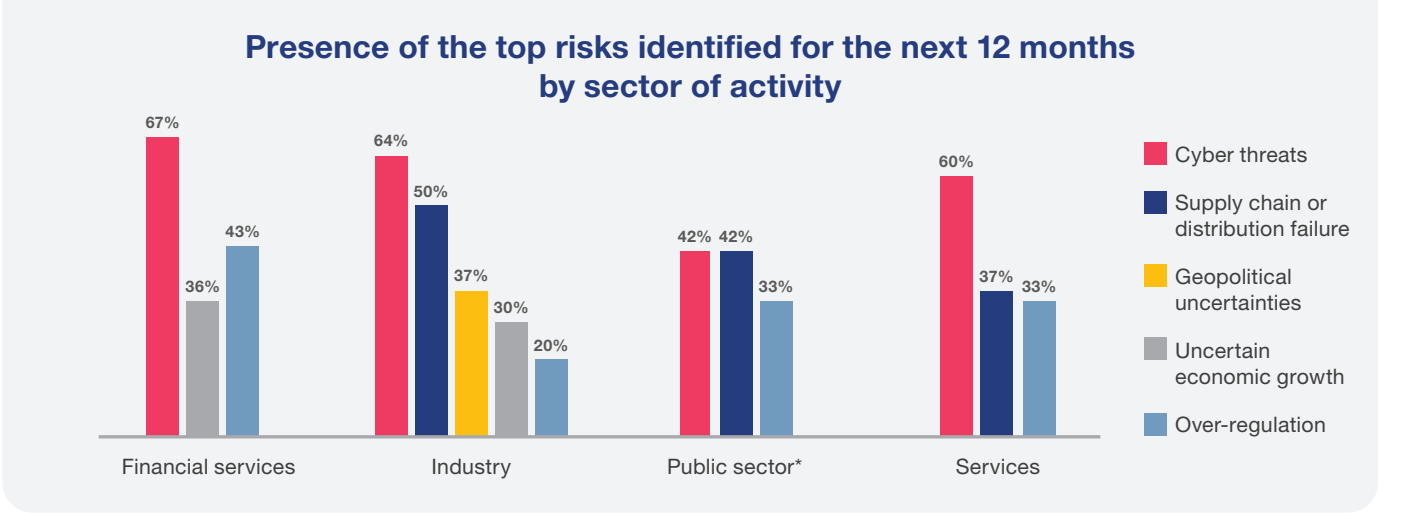
The current economic and political climate heightens the importance of the top concerns of risk managers:

- There has been a spectacular increase in cyber-attacks exploiting the increased number of digital connections during the Covid-19 lockdowns and the potential vulnerabilities from people working from home, as well as the increased digitalisation of operations.
- Supply chain or distribution failure draws attention to vulnerabilities in the supply chain. The Covid-19 crisis accelerated and magnified existing problems in the supply chain due to restrictions at borders which slowed or even halted the flow of raw materials and finished goods, thereby disrupting manufacturing. Due to the pandemic, many businesses stopped their operations or significantly reduced activity.

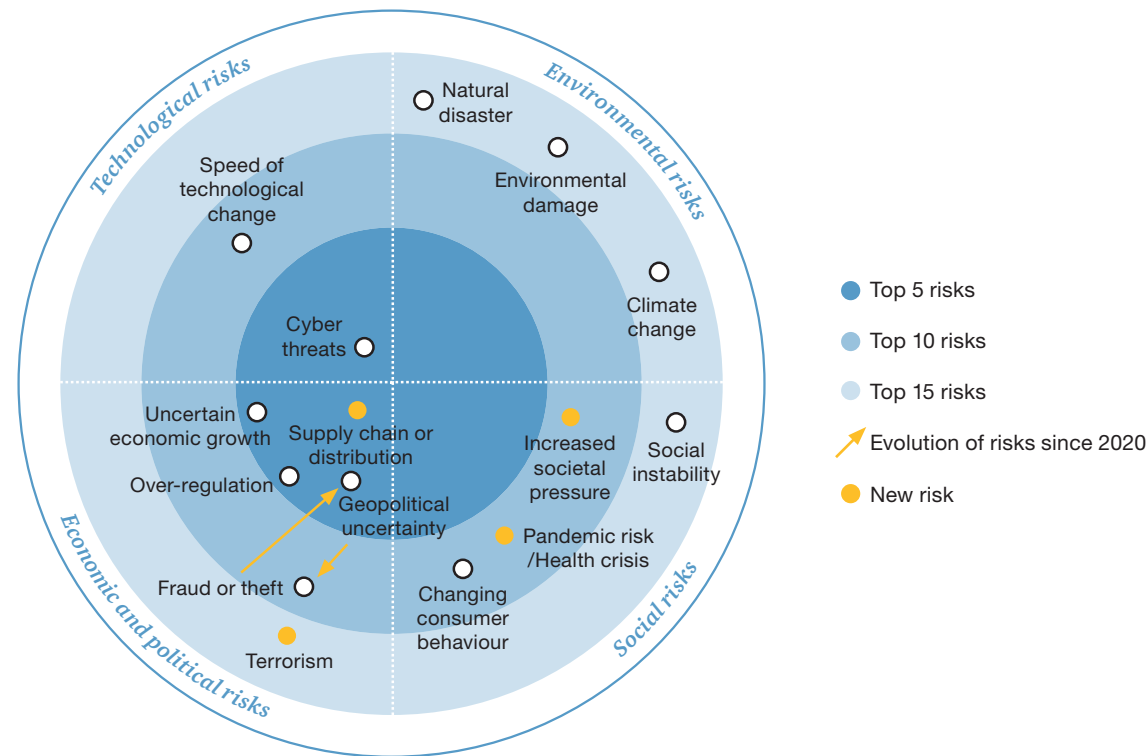
The blocking of the Suez Canal by a ship that got stuck in transit also demonstrated the vulnerability and dependence of supply chains.

- Geopolitical uncertainties are at a high level with the Ukrainian war impacting not only the European market but also the global market. Moreover, the sanctions imposed by governments against Russia are affecting the political scene and the economy.
- Uncertain economic growth is still prominent considering the many crises we have been through, and the current concerns about inflation and rising costs.
- Over-regulation takes into account the new regulations that are expected to emerge notably in the field of ESG with the European Green Deal and in the digital transformation.

Out of the 5 top risks identified by respondents as a whole, cyber threats and over-regulation rank in the top 5 across all sectors of activities. Supply chain failures are of less concern for financial services (9th position) than for industry and the public sector, while geopolitical uncertainties are significant only for industry (8th or 9th position for other sectors). The public sector is less concerned than other sector by uncertain economic growth (11th position).



Top 15 critical threats to the organisation's growth prospects within the next 12 months



This radar highlights 4 new risks in the Top 15 in 2022:

- Supply chain or distribution failure
- Pandemic risk
- Increasing societal pressure
- Terrorism

5 other risks have disappeared from the 15 most critical threats:

- Extreme weather events
- Asset bubbles in a major economy
- Brexit
- Exchange rate volatility
- Availability of key skills

Climate change and environmental damage have been split into 2 distinct risks: **climate change** (physical and transitional risk) and **environmental damage**. Both topics are considered as distinct risks with distinct strategies for organisations in dealing with them. They are not the most immediate issues in the eyes of risk managers, but climate change and natural disasters dominate the long-term threats.

A CEO Perspective

The 25th CEOs survey which gathers the opinions of 4446 CEOs in 89 countries (interviewed in October and November 2021), shows that CEOs and risk managers have **a common, increasing worry about cyber risks**. Nevertheless, 77% of CEOs have become more optimistic about prospects for economic growth since 2021.

The Top 5 risks for CEOs are:

1. Cybersecurity
2. Health crises
3. Macroeconomic volatility
4. Climate change
5. Geopolitical tensions

While only 22% of CEOs (at an international level) have made net zero commitments, the green transition is becoming a major point of focus. They are concerned to decrease the risk related to climate change and to answer preoccupations and expectations of clients, investors, and employees.

“Our survey findings reflect these and other tensions. For example, just 22% of survey respondents have made net-zero commitments (though the largest companies in our sample are further along). CEOs are most worried about the potential for a cyber-attack or macroeconomic shock to undermine the achievement of their company’s financial goals—the same goals that most executive compensation packages are still tied to. And they are less concerned about challenges, like climate change and social inequality, that appear to pose smaller immediate threats to revenue.”

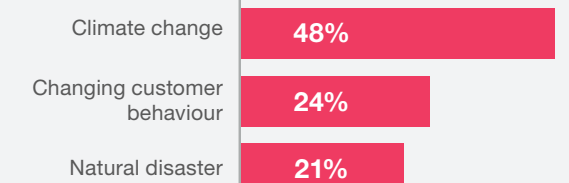
The 25th PwC CEOs Survey

Top 3 critical threats to the organisation's growth prospects within the next 3 and 10 years

Top 3 critical risks within the next 3 years



Top 3 critical risks within the next 10 years



This medium- and long-term risk ranking shows that the risk managers have one common concern whatever the time horizon: **changes in customer behaviour**. This threat could have different impacts depending on the sector of business activity. However, no matter what the sector, it mainly relates to ESG considerations, especially climate change, which are growing at the individual's level. Indeed, customers behave differently considering the environmental and social impact of their purchases and consumption.

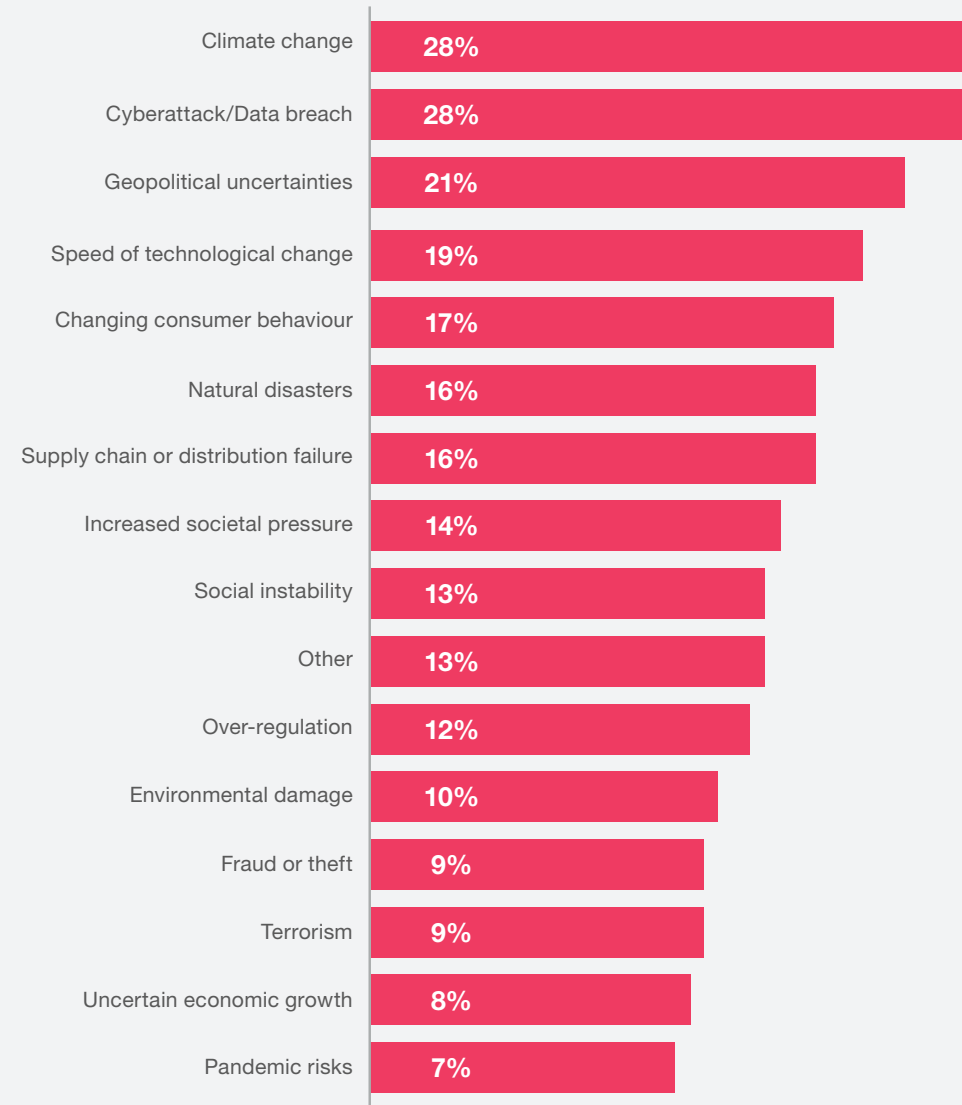
Cyber threats and uncertainty of economic growth remain major concerns for the next 3 years, as an extension of the immediate threats (within the next 12 months).

In the longer term, the transition towards a sustainable environment with a focus on climate change, natural disaster and environmental damage (5th position) is the major concern. This is in line with 2020 when climate change and environmental damage, and extreme weather events were in the 3 most critical threats within 10 years.

Despite the emphasis on the environment components of ESG, the risk assessment ranking still puts climate change as a long-term issue, even though it is a subject of concern in the organisations as they include it in their strategy and communication campaigns.

Part. I

Risks that lack consideration from organisations



We can observe that major concerns are also the ones seen as most lacking consideration, no matter what the time horizon:

- Climate change is lacking consideration while it is the most critical threat in the long-term;
- Cyberattacks (and data breaches) are the 1st short term threat and 2nd medium term critical threat;
- Geopolitical uncertainties are ranked as the third 3rd most critical threat to the organisation in the short term and the 6th in the medium and long term.

Evolution of the risk manager's position within the organisation and involvement in corporate strategy

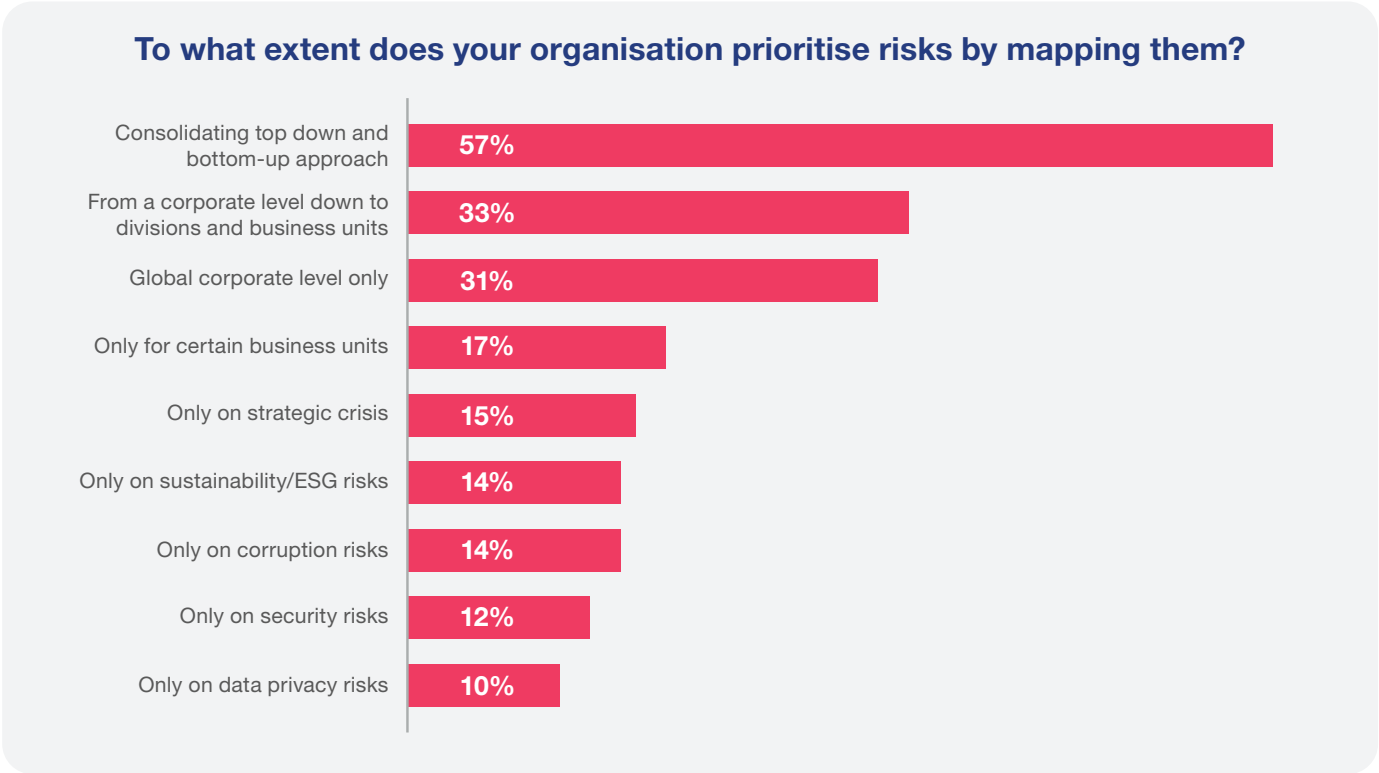
Organisations are now reassessing the potential impact on their strategy of risks that were previously were considered on a long horizon or of low probability. Organisational resilience has never been higher on the agenda of companies, and risk managers can enhance their role as business partners and take a greater part in strategic level discussions than ever before.

Strategic identification and assessment of risks

Risk mapping remains one of the most important activities on the risk manager's agenda. **ERM is diversifying risk mapping and developing specific risk assessment exercises.** This highlights a trend to continue assessing organisations' resilience in a context of transition towards more sustainability in a digital world. The current political crisis and post-pandemic situation are expected to amplify this trend, as organisations need to be assured they can reach the objectives they commit to.

The risk mapping approach most used in 2022 is a mixed top-down and bottom-up approach, followed by the top-down approach (corporate level down to divisions and business units), and the corporate level only approach.

Focused risk maps are performed by 15% of organisations. They cover the following scope: strategic risks, sustainability/ESG risks, corruption, and security and data privacy risks. Most of these topics are related to the digital and sustainability transitions.



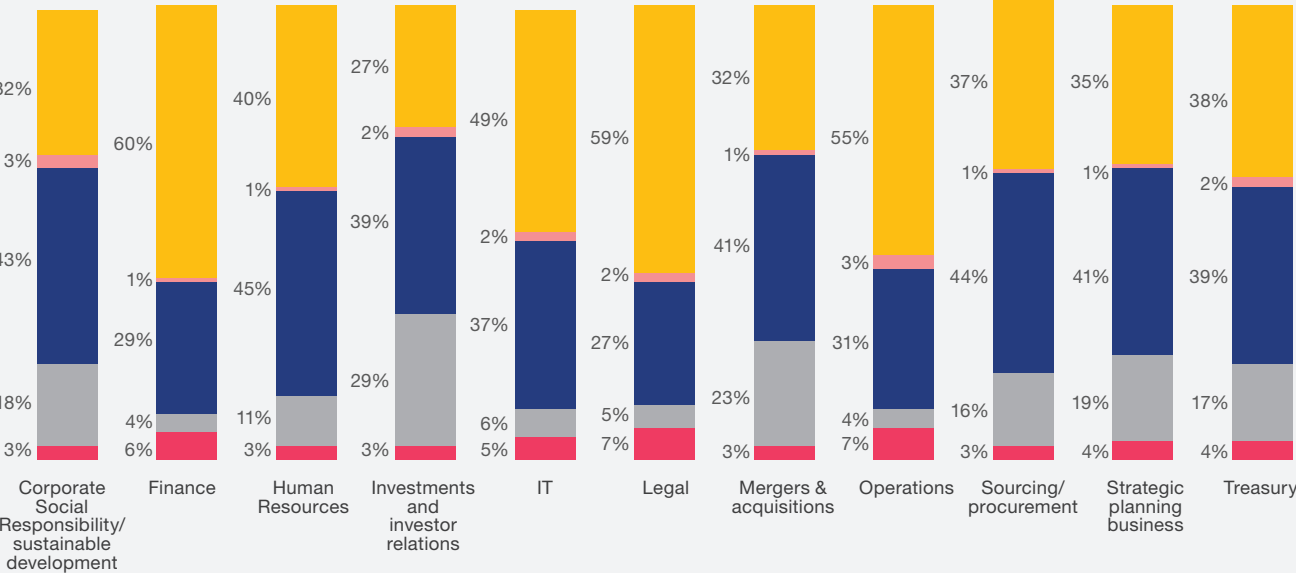
Levels of interactions with the 3 Lines of Defence

Dedicated risk assessments have sharpened the collaboration of risk management teams with the 1st line and other actors of the 2nd line of defence. On average, 42% of risk managers have regular, close collaboration with the first line of defence (37% in 2020), and 41% with the 2nd line (38% in 2020).

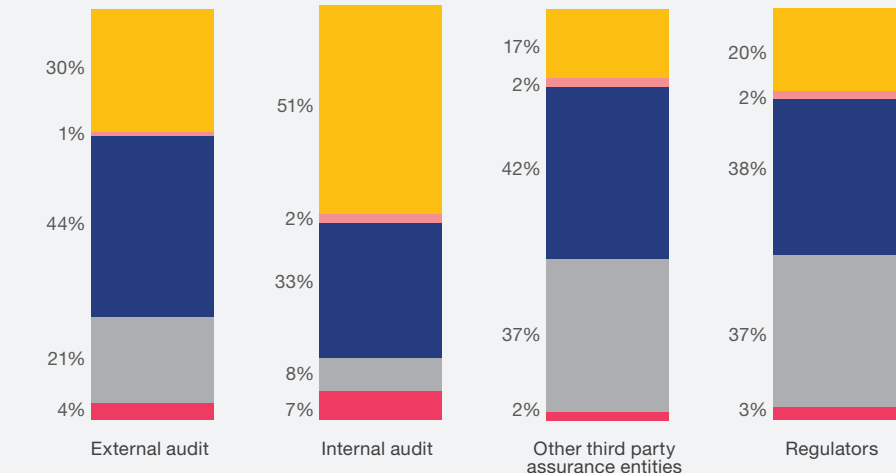
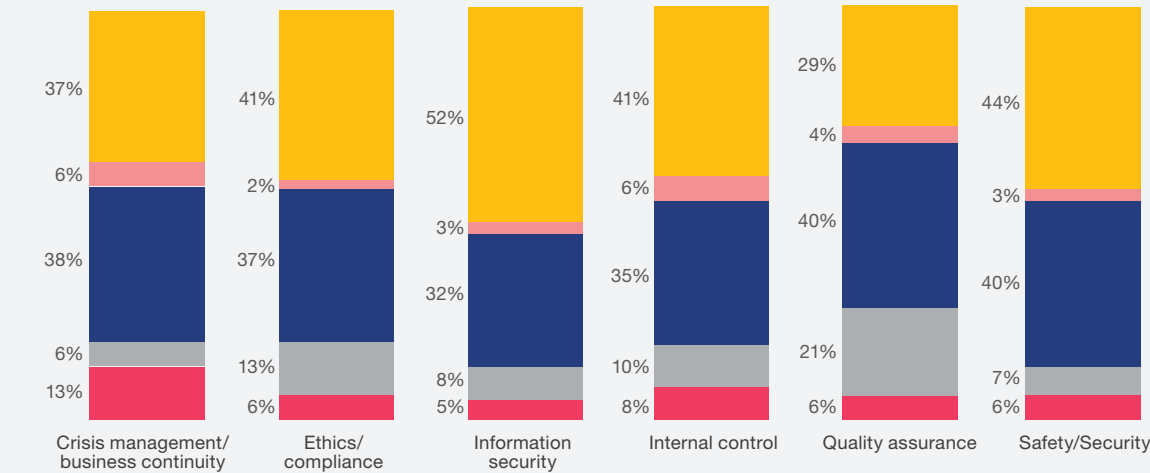
Functions in the organisations with which risk management connects most closely are finance, legal and operations.



On the 1st line, the greatest evolution of collaboration concerns the CSR department with whom close collaboration increased by 12%. Globally, the absence of a relationship decreased from 19% to 14%.

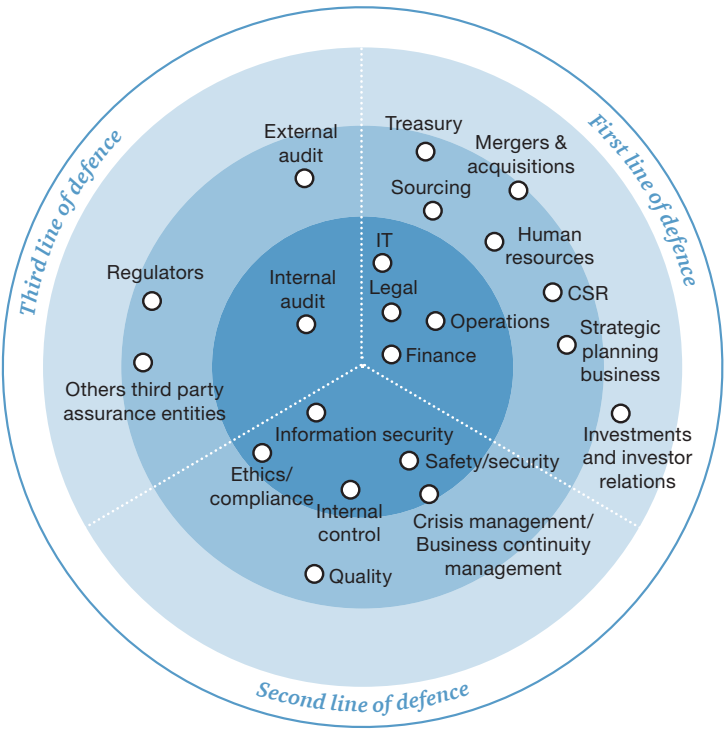


On the 2nd line, information security (see focus in part 3) and ethics/compliance are the functions where regular collaboration has evolved the most (respectively +7% and +4%). The strengthening of collaboration with compliance is particularly important as organisations will face new EU regulations in the coming years. Additionally, 19% of risk managers now have the crisis management/business continuity under their responsibility.



On the 3rd line, internal audit remains an important partner for the risk manager to provide assurance of the effectiveness of the control and mitigation plans. The collaboration between both functions is closer by 5% in 2022.

- Regular, close collaboration based on a clear mandate
- Recently moved to the risk manager's responsibility
- Occasional collaboration
- No relationship/involvement
- Under the risk manager's responsibility for an extended period of time



The radar below shows the lines of defence by levels of interactions:

- First rank partners – with whom the risk management function has a regular or close relationship, based on a clear mandate
- Second rank partners – with whom the risk management function has a more distant relationship and occasional collaboration
- Third rank partners – with whom relationships can be improved, as there is little or no relationship or involvement.

Impact of the development of other risk-related functions on the risk manager's role

57% of respondents conclude the risk manager is becoming the **risk conductor**. In 53% of cases, functions identify and assess risks in their scope, but there is a common language which allows the risk manager to consolidate the information to give a clear and comprehensive view to the top management.

In 16% of cases, the functions identify their own risks, but a common language is missing which reduces the overall risk insight. There is room for the risk manager to improve the risk culture.

Asked whether each function identifies its own risks, risk managers answered:



The risk manager's presence at a strategic level of the organisation

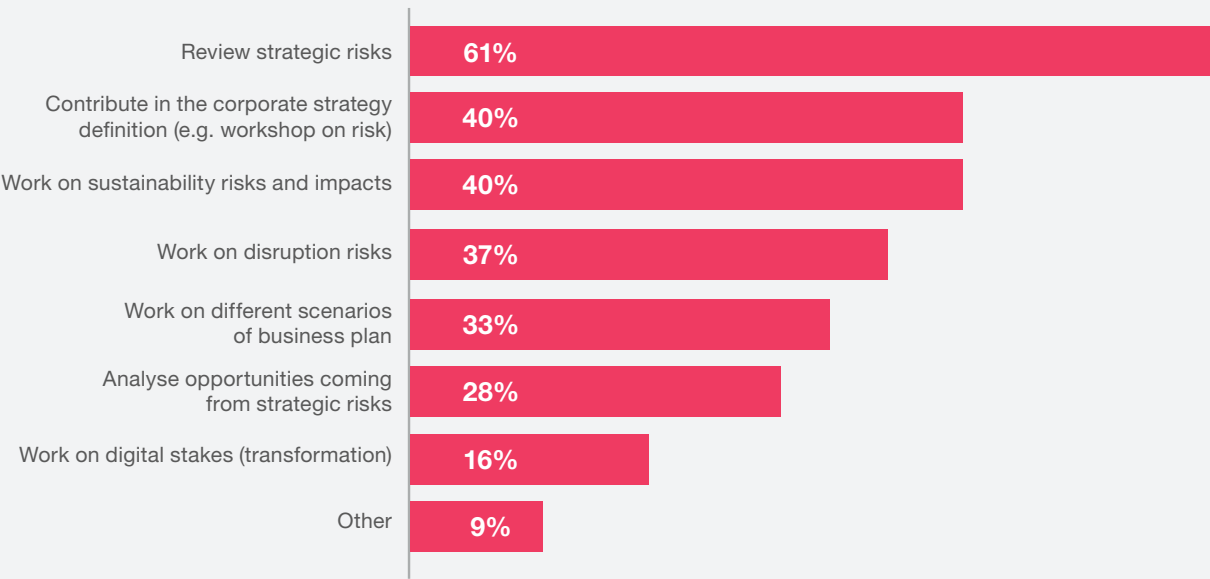
90% of risk managers are being involved in corporate strategy (fully, mostly, or partially).

ERM includes strategic risks in most cases (61%), and risk assessment is integrated into the strategy definition process in 40% of cases. Risk assessment is also integrated into the strategy definition process in 40% of cases.

With regards to strategic risks:

- 40% of risk managers contribute to assessing risks related to sustainability and its impact on the corporate strategy
- 37% work on disruption risks
- 16% work on digital stakes (transformation)

How is risk management involved in corporate strategy?

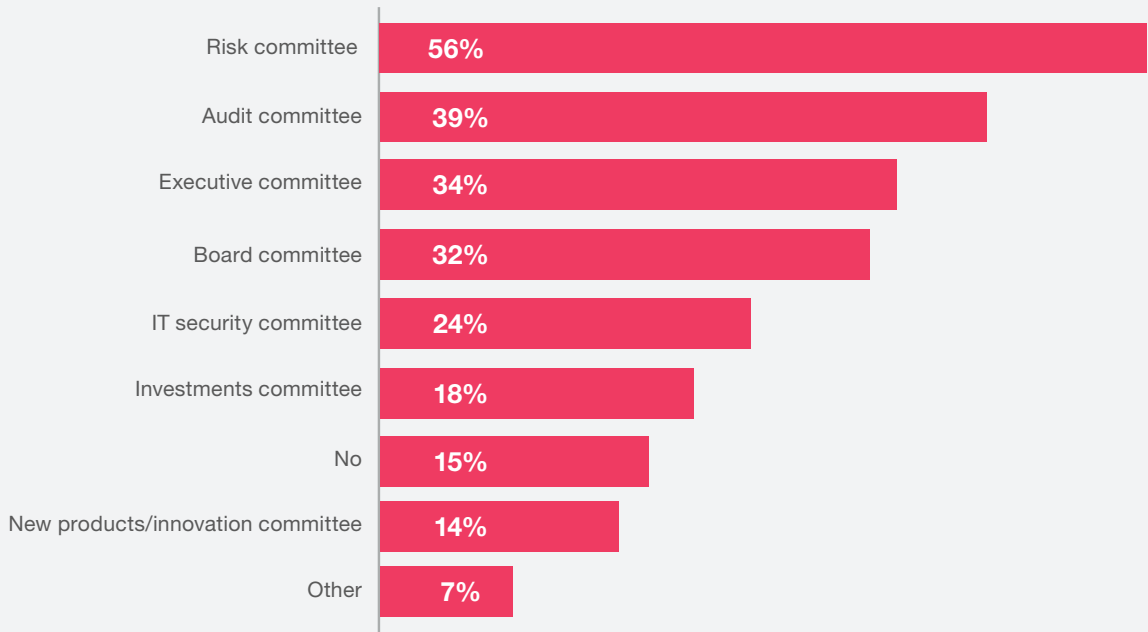


To work and report on such strategic activities, risk managers have dedicated committees and access to governance

Risk committees

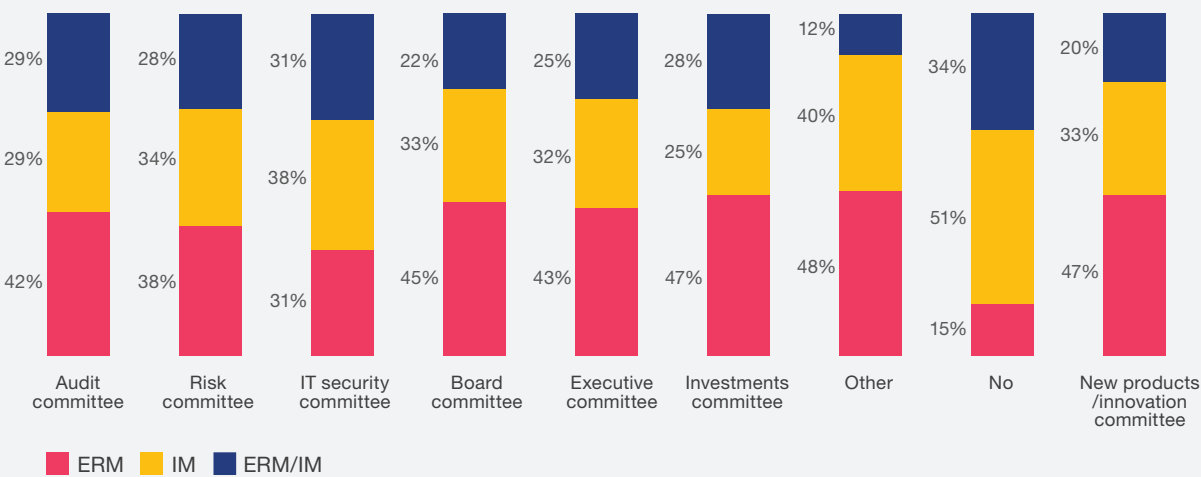
Depending on the type of profile of the risk manager, he/she takes part in various committees:

Risk management takes part in the committees



ERM profiles are more represented than IM of ERM/IM profiles in risk and audit committees as well as at Board and in executive committees (around +15% for each committee).

Risk management profiles taking part in committees



Board and top management interactions

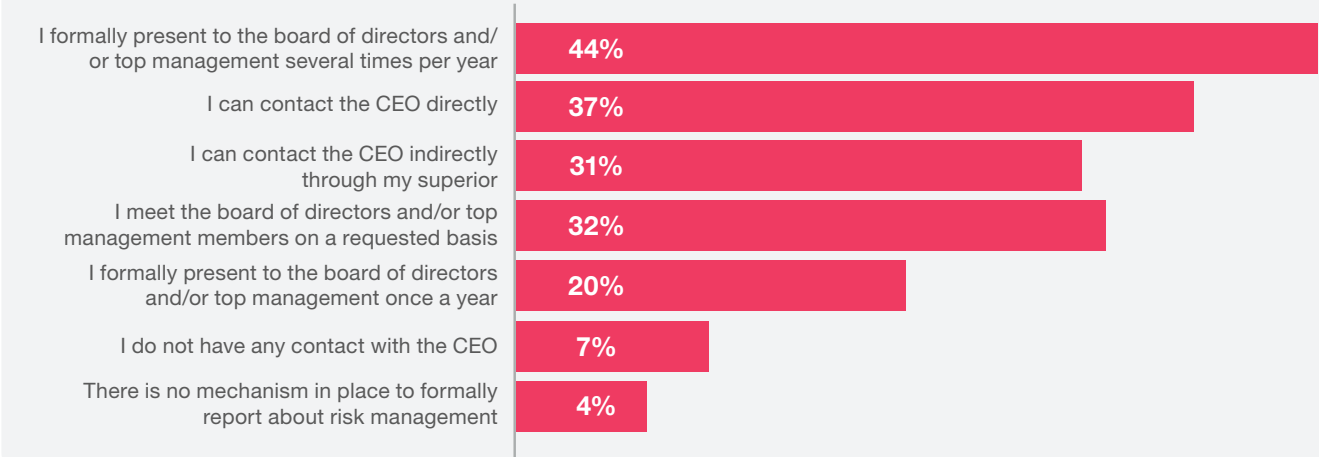
The Covid-19 crisis impacted the frequency of risk discussions at Board/top management level for three-quarters of the respondents.

13% | to a large extent 37% | to some extent 26% | to a small extent 24% | not at all

This demonstrates that when the organisation is facing a crisis, the Board/top management will look for more risk insights.

Part. II

How does risk management interact with the Board and top management?



In 2022, 44% of the respondents formally present to the board of directors several times per year, 32% on a requested basis, 20% once a year.

37% can contact the CEO directly (44% in 2020), 31% indirectly through their superior.

Only 4% of the risk managers say that there is no mechanism in place to formally report about risk

management (8% in 2020), and 7% say that they do not have any contact with the CEO.

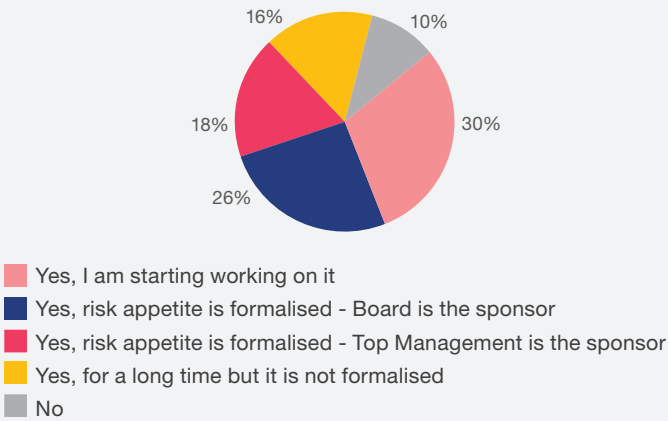
There is no significant difference between ERM and IM risk managers in terms of reporting. However, 60% of ERM managers formally present to the Board and/or top management several times a year, while it is only 27% of IM managers (22% in 2020). Nevertheless, the role of insurance managers is strategic in the current context of the hard insurance market (see part 4).

Risk appetite within the organisation

90% of the respondents are working on risk appetite within their organisations:

- 30% have started to work on risk appetite within their organisation,
- 26% formalise the risk appetite and the board is sponsor,
- 18% formalise the risk appetite and the sponsor is the top management, and
- 16% have been working on risk appetite for a long time, without formalising it.

Are you working on risk appetite within your organisation?



The risk manager's contribution to sustainability transition



Risk managers are increasingly involved in environment, social and governance-related (ESG) risks in their organisations

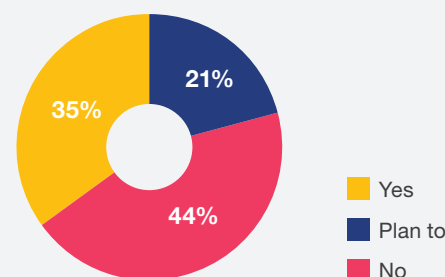
+16%

The share of risk managers playing or planning to play a specific role regarding ESG-related risks has grown significantly from 2020 to 2022.

In 2022, this included more than half of the panel interviewed (56%).

This growing role of the risk manager reflects the raising importance of ESG-related opportunities and risks for organisations. The more ESG is perceived as strategic and critical for business transition, the more risk managers have a pivotal role to play to ensure the ESG approach is embedded in the organisation's strategy. Managing the related risks efficiently will enable the organisation to seize opportunities.

Is the risk manager playing a role regarding ESG-related risks in her/his organisation?



An enhanced collaboration with CSR/sustainability team

+12%

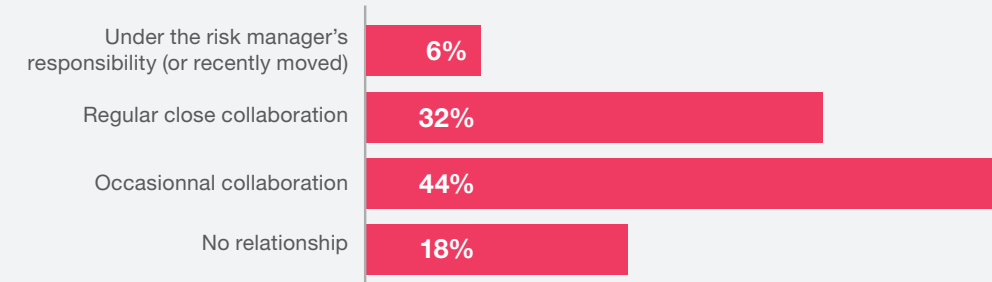
Only 20% of respondents said they had a close collaboration with the CSR department in 2020. Now 32 % say they have a regular, close collaboration based on a clear mandate in 2022.

This stronger collaboration between risk management and CSR indicates a better alignment between the ERM and sustainability approaches.

“Although ESG-related risks threaten the companies’ objectives, sustainability is at the same time a fantastic opportunity for many organisations. The risk management community needs to work together with professionals in the sustainability function to build resilience and take advantage of the opportunities.”

Quote from a risk manager during the webinar

Risk manager's interactions with CSR/Sustainability



The percentage of risk managers having no relationship with ESG decreased from 29% in 2020 to 18% in 2022.

Understanding ESG risks in depth is the key challenge for risk managers

This chart provides insights into the 5 greatest challenges for risk managers in integrating ESG-related risk into the risk management process.

Among them, measuring and defining the risks rank as the top 2 challenges. ESG-related risks are particularly complex to analyse and assess because of their extended impacts to the value chain.



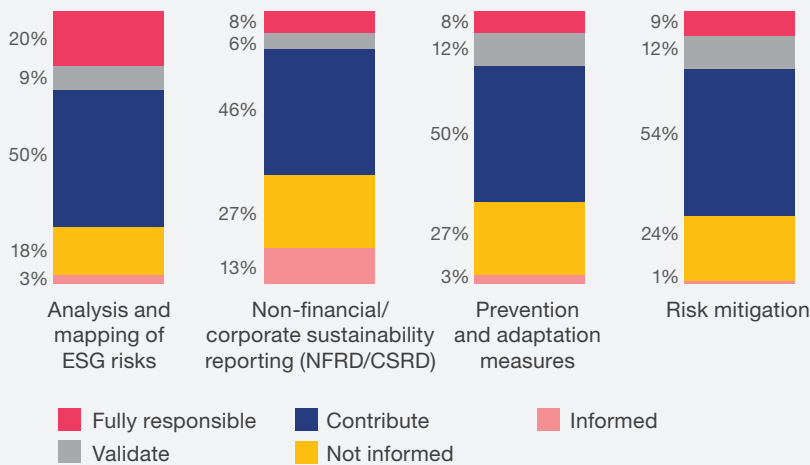
Consistent with the increasing collaboration between risk management and sustainability, limited collaboration ranks last in the top 5 challenges for risk managers to integrate ESG-related risks into the ERM approach.

Up-scaling competencies on ESG issues

In 2022, the proportion of respondents citing lack of knowledge as a constraint in participating on ESG matters fell to 29% from 70% in 2020. This positive development can be explained by a greater contribution of the risk manager in ESG-related matters.

They contribute to:

Risk managers’ contribution to ESG-related risks



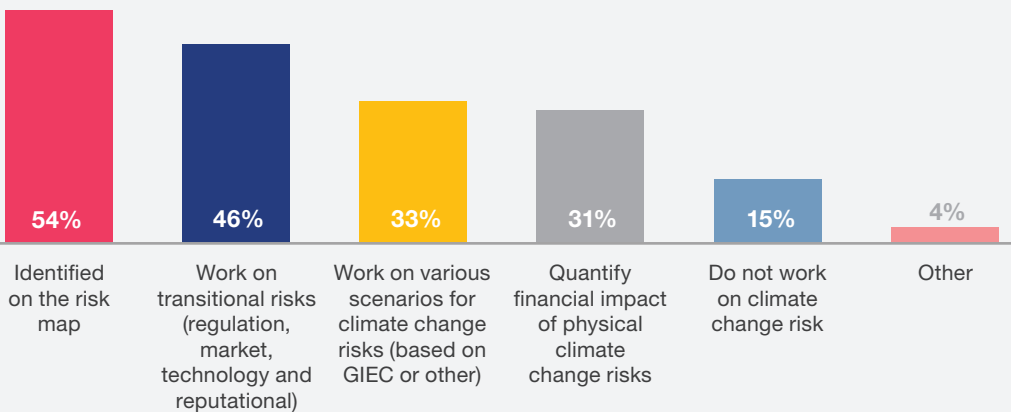
> As risk managers’ awareness and competencies in relation with ESG matters grew during the past 2 years, the biggest challenge is now a technical one to define and measure the risks. It should be noted that as disclosure and transparency expectations are rapidly growing, there is a clear need for more precise assessment of companies’ exposure to sustainability risks.

Climate risk: A growing focus for risk managers in collaboration with specialised teams in the organisation

Today, climate risk is part of most risk assessments (54%), and dedicated approaches are being developed:



How do organisations work on climate risks?



Despite the work being done, 28% of risk managers still say that climate risk lacks management attention.

Climate risk is the number one critical threat for organizations on a 10-year projection while it ranks respectively 13th and 8th at short and medium term.

As pointed out by a risk manager during the workshops:

“In the short-term climate change is dealt with as a transition matter and in some instances as an opportunity for developing new businesses, but should the organisations fail to address it, it will turn into a critical risk”.

Another risk manager also commented during the workshop:

“Climate risk is more on the agenda than the results indicate. Indeed, when dealing with short term supply chain risks (ranked 2nd in the short term) some organisations (e.g. in the food industry) are already dealing with the impacts of climate risk.”

We expect the dialogue on climate risk to continue and strengthen, supported by detailed risk analyses.

Simple versus double materiality

Raising expectations for companies to act with responsibility and to care for the present and future society brings new challenges for enterprise risk management.

There is an international debate on simple versus double materiality. Would it be sufficient to consider risks only for their impact on a company - financial materiality? Or is there a need to integrate consequences of risks on the environment and stakeholders of the company - impact materiality?

Different voices and trends disagree on that principle, with an EU position clearly supporting double materiality and consideration of companies’ impact on environment, people and broadly society.

Therefore, top management should be aware of all the potential risks the business model may have on its ecosystem and ensure appropriate resources are in place to actively manage these risks and limit their associated impacts.

With this in mind, quantitative and qualitative data on sustainability risks will probably remain at the top of the challenges for risk manager for some time.

* Public sector is less representative as only 4% of respondents (refer to survey sample).



Part. III

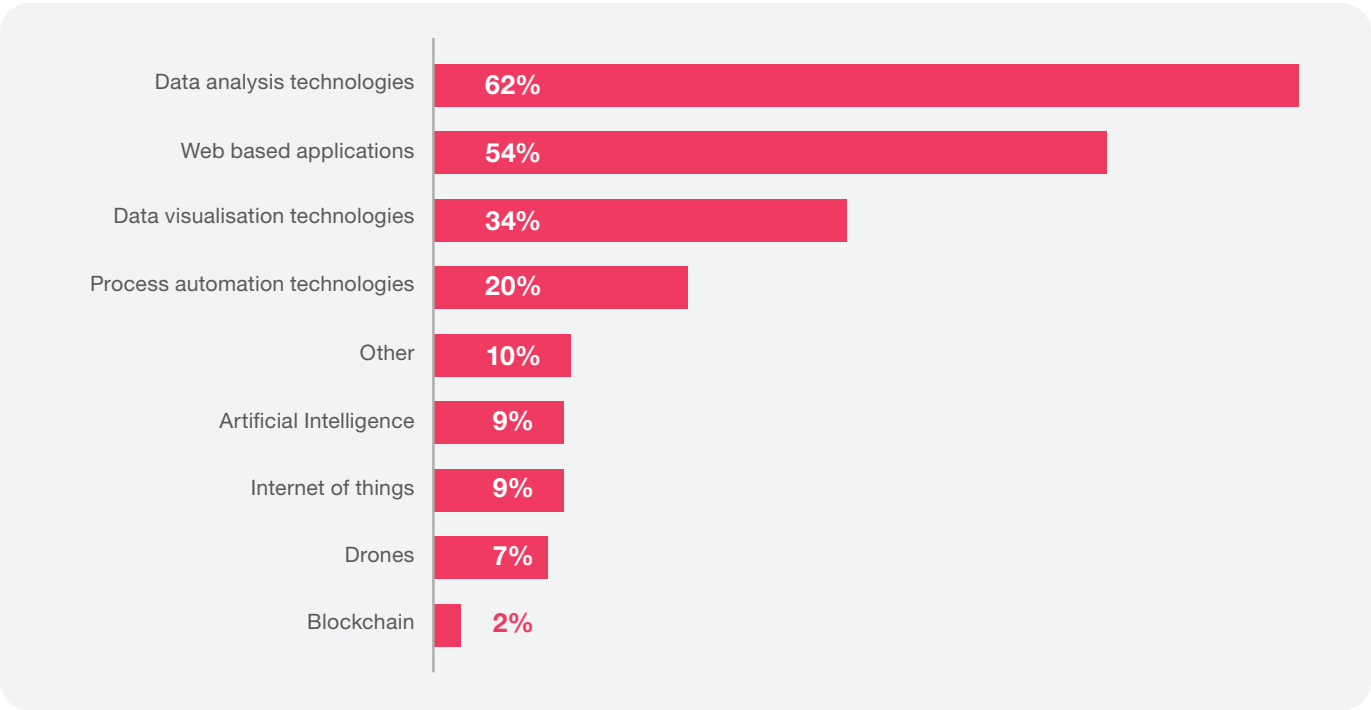
The role of the risk manager in the digital transformation

Over the last 2 years, the pandemic accelerated the transition to digital, for example, with the need for remote working. However, digitalisation and tools implementation for the risk management function are developing more gradually. The technologies used today are mainly like the ones from 2020, and obstacles to invest more in them remain.

Transition towards more digital risk management practices continues

The use of data analysis increased by 9%, while web-based applications decreased by 4% and process automation by 8%. Other use of technologies such as data visualisation, artificial intelligence (AI), Internet of things, drones or blockchain is stable.

Technologies used to perform ERM/IM activities



73% of the risk managers interviewed use at least one of 3 top technologies.

ERM use more process automation than other profiles (+6%) and no blockchain. IM use more web-based applications and drones than other profiles (respectively +14% and +7%).

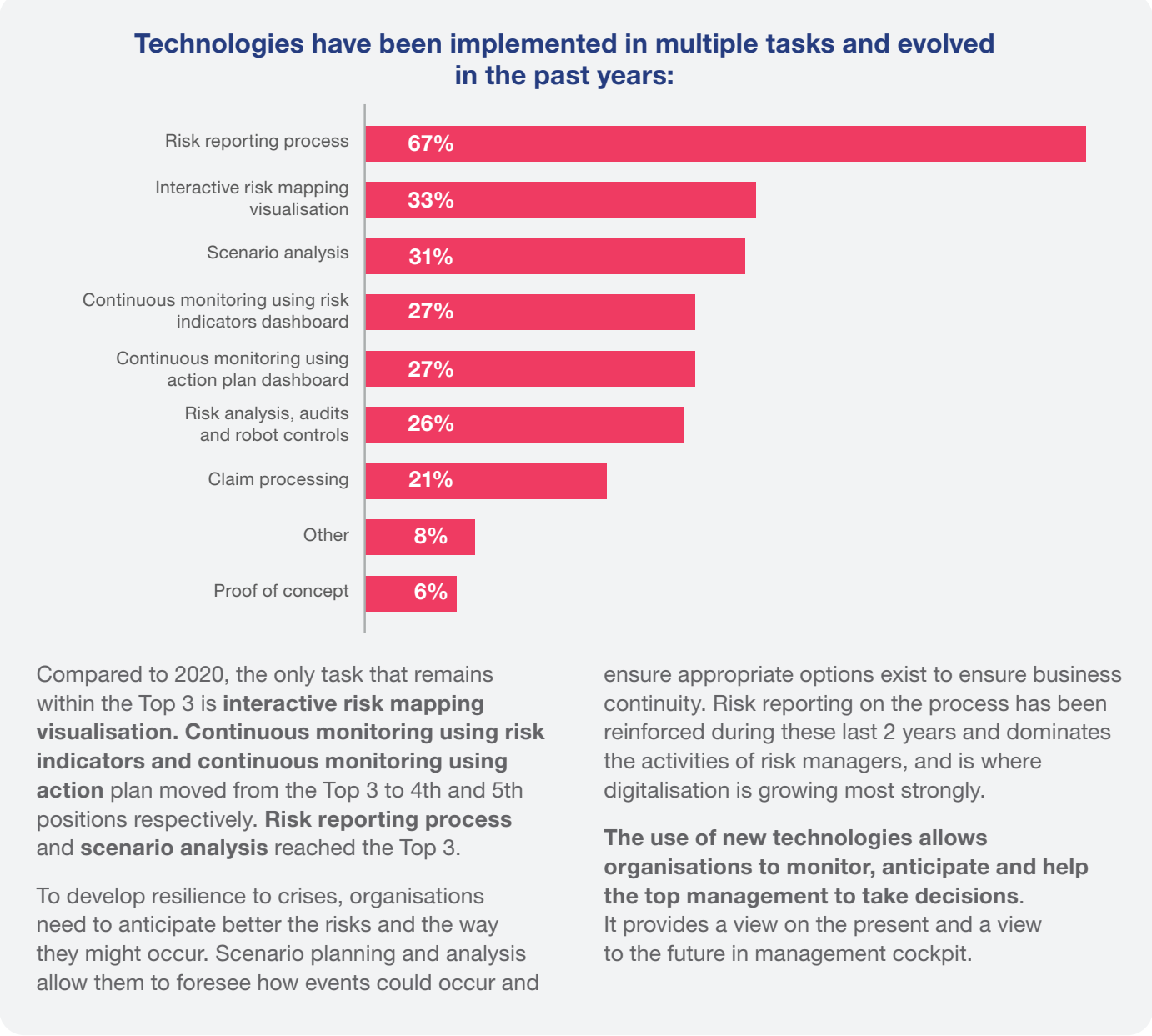
Most risk managers continue to use locally based IT tools, such as software for governance, risk

management, and compliance. The main applications are reporting activities such as risk registers, risk mapping, dashboards and dashboard analysis. New technologies such as blockchain, Internet of things and drones, had been growing in previous years but experienced a small decreased compared to 2020.

“No major change in terms of digitalisation was observed, and the focus was drawn on the first line of defence to increase the efficiency of operational processes. Risk managers have been working more with data analysis but did not make any use or implementation of new tools.”

Quote from a risk manager from workshop

The purpose of these technologies in the risk management performance



Data visualisation is the third most used technology, little changed since 2020 with 34% of respondents. Data visualisation is mostly used for the following purposes:

1. Interactive risk mapping visualisation • **33%**
2. Continuous monitoring using risk indicators dashboard • **27%**
3. Continuous monitoring using action plan dashboard • **27%**

The development of the use of data is slower than widely predicted

Risk managers face obstacles, gradually diminishing, that limit their ability to take full advantage of digital transformation. The 2 most important of these obstacles are:

- the **heavy investment** it represents for the function (for 45% of the respondents versus 55% in 2020),
- the **lack of perception of the added value** for the function (for 39% versus 52% in 2020).

“The obstacles are not about the financial aspects, but rather the time to invest in such projects and the perceived benefits. Risk managers are today not convinced about the use of technology to perform their activities as they can go faster manually than using information systems.”

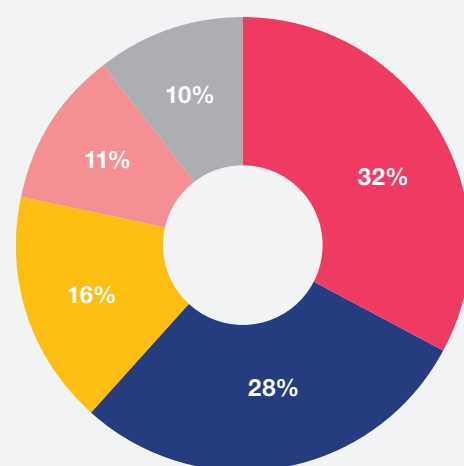
Quote from a risk manager from workshop

This can explain the high percentage of respondents highlighting the lack of added value. Today, the benefits do not outweigh the costs. They depend on the quality of the data integrated into the system, and risk managers need a customised solution. Therefore, a successful project requires the investment of time.

If such a project is transversal to the company and partially pushed by regulation (e.g. CSRD, taxonomy), investment is easier to decide.

Other obstacles remain and concern about 20% of risk managers: the low maturity of organisations, the internal reluctance to change, the lack of access to data and the lack of skills within the function. However, on this last obstacle, access to technology skills grew within the function and remains internal in 79% of the cases.

Technology skills access



“Digital tools are becoming a must but what you find on the market in the field of risk management is not adapted because it is a standard product. We do not need a one size fits all solution. We need a customised solution. Also, it requires a lot of time and money to develop a solution that brings value, and it is difficult to find a good partner. Top management is not prepared yet to make this investment in risk management. Successful experiences observed: either the solution has been developed internally or they have been using a tool for a long time.”

Quote from a risk manager from the webinar

- Internal skills within the risk management team
- Skills within the IT department
- Central corporate team support
- Skills provided by an external service provider
- No technology skills

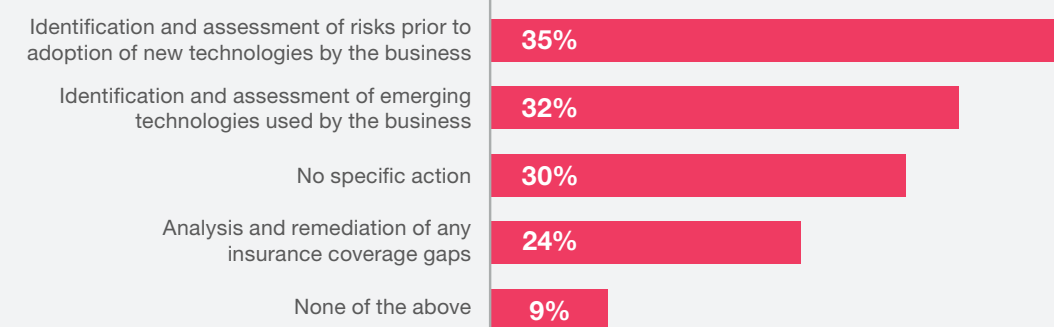
Risk management contributes to the digital transformation of organisations

While risk managers are working on their own function’s digitalisation, they contribute to dealing with the risks arising from emerging technologies used or likely to be used within the organisation. Their involvement remains stable on the analysis and remediation of any insurance gaps, and slightly decreases by 7% on the identification and assessment of emerging technologies used by the business.

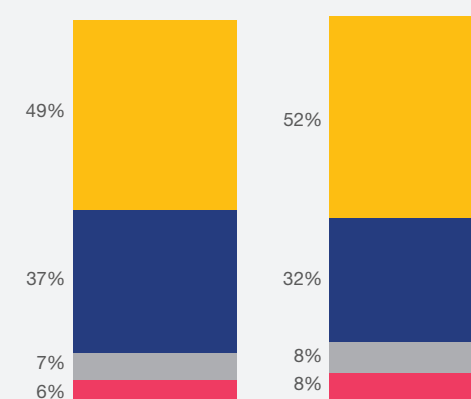
Helping organisations to limit their exposures from new initiatives before adoption also slightly decreased by 2% even though cyber, data, and digital threats remain in the main concerns.

We could explain this evolution as evidence that the IT team is more trained and equipped by the risk manager, and therefore more autonomous and able to produce its own risk analysis before launching a new tool.

How do you deal with risks arising from emerging technologies?



Interaction of risk managers with IT and information security teams



Risk managers maintain a high level of collaboration with IT, closer by 6% in 2022 (49% versus 43% in 2020), and with information security teams (52% in 2022 versus 45% in 2020).

“The collaboration between the IT and the risk manager is growing and becoming tighter, helping the transfer of knowledge between both departments and allowing IT to do their own risk analysis.”

Quote from a risk manager during workshop

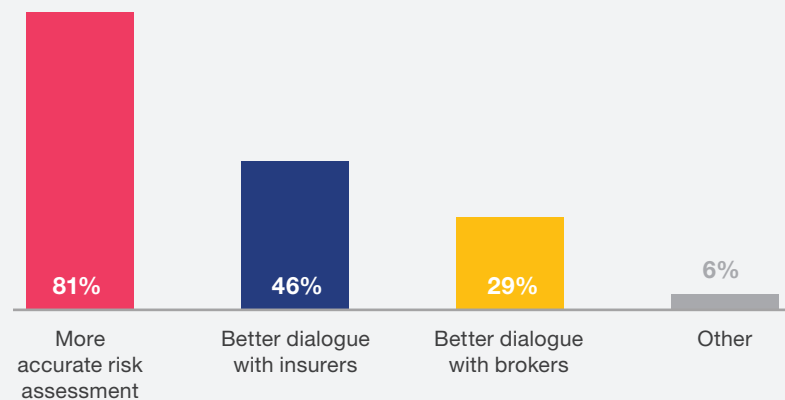
- Regular, close collaboration based on a clear mandate
- Occasional collaboration
- Under the risk manager’s responsibility (now or for an extended period of time)
- No relationship/involvement

Access to aggregated and anonymised historical claims and loss data on large risks improves risk management practices

12% of the respondents agree fully with the statement above, 32% consider it would improve practices to a large extent, and 36% to some extent.

Only 15% think the improvement would be small and 5% saw no improvement with such data access.

Benefit from more access to data on historical claims and losses for risk management practices



“When you have access to open data, you can compare your company with the market. Compliance and data protection can be part of the explanation for the reluctance of risk managers to provide their data to others.”

Quote from a risk manager from the webinar

Part. IV

Insurance market conditions drive alternative solutions for risk management

Tougher insurance market conditions are still the risk managers' top concern

Insurance market conditions evolved in the last 2 years even if the market was already hardening before the pandemic, and now the Ukrainian war has added even more pressure. Identifying the most suitable strategies to cover risks is a priority.

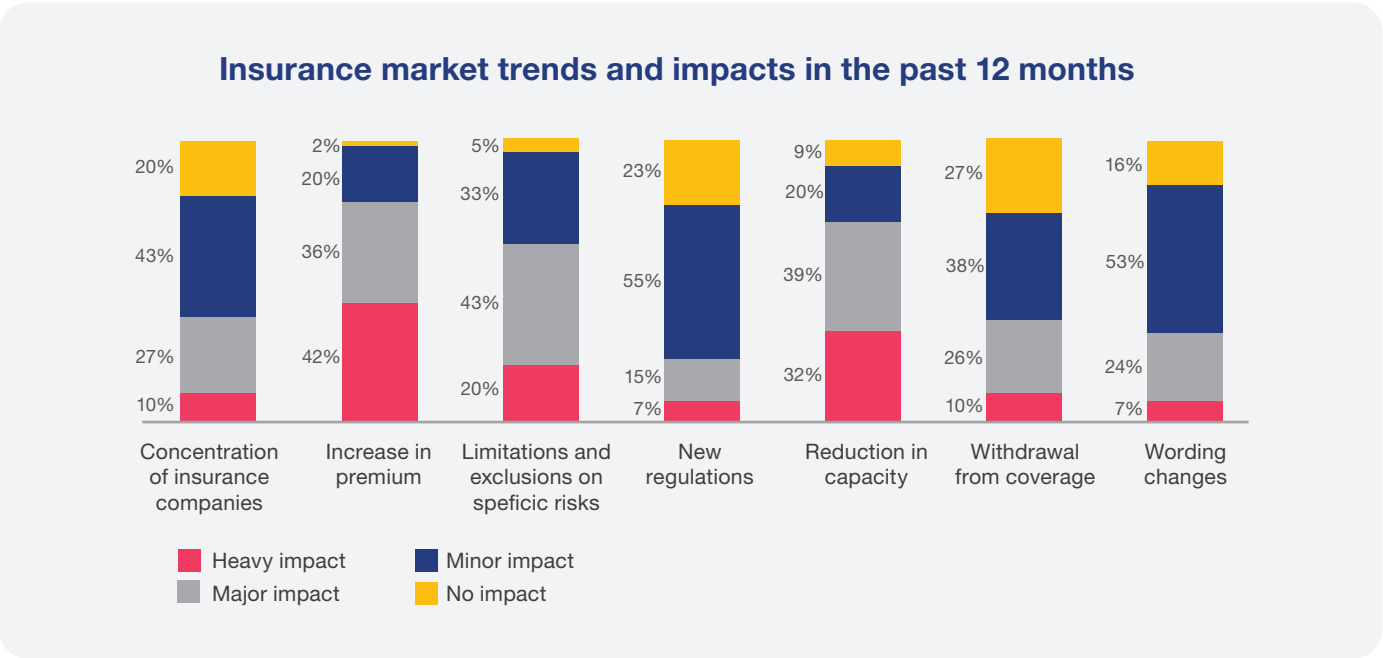
Insurance managers must understand the trends of the market and provide appropriate analysis to decision makers, to continue adapting strategies to cover risks the most efficiently.

Insurers can work with customers to better adapt to climate change by investing in more resilient infrastructure and supply chains and providing advice to help clients address the physical and transition risks. However, meaningful change will require collective action across sectors of the industry, including public-private partnerships in which insurers can collaborate with business insurance customers, regulators, local governments and policymakers to mitigate climate risk.

This sort of collaborative effort can take the form of developing holistic catastrophe risk models, investing in data collection and climate adaptation research, and fostering coherent and consistent climate policies and regulatory frameworks, among other initiatives.

PwC Study, Insurance 2025 and Beyond: Insurance reimagined: spotlight on trust, convergence, and transformation.*

* <https://www.pwc.com/gx/en/industries/financial-services/publications/financial-services-in-2025/insurance-in-2025.html>



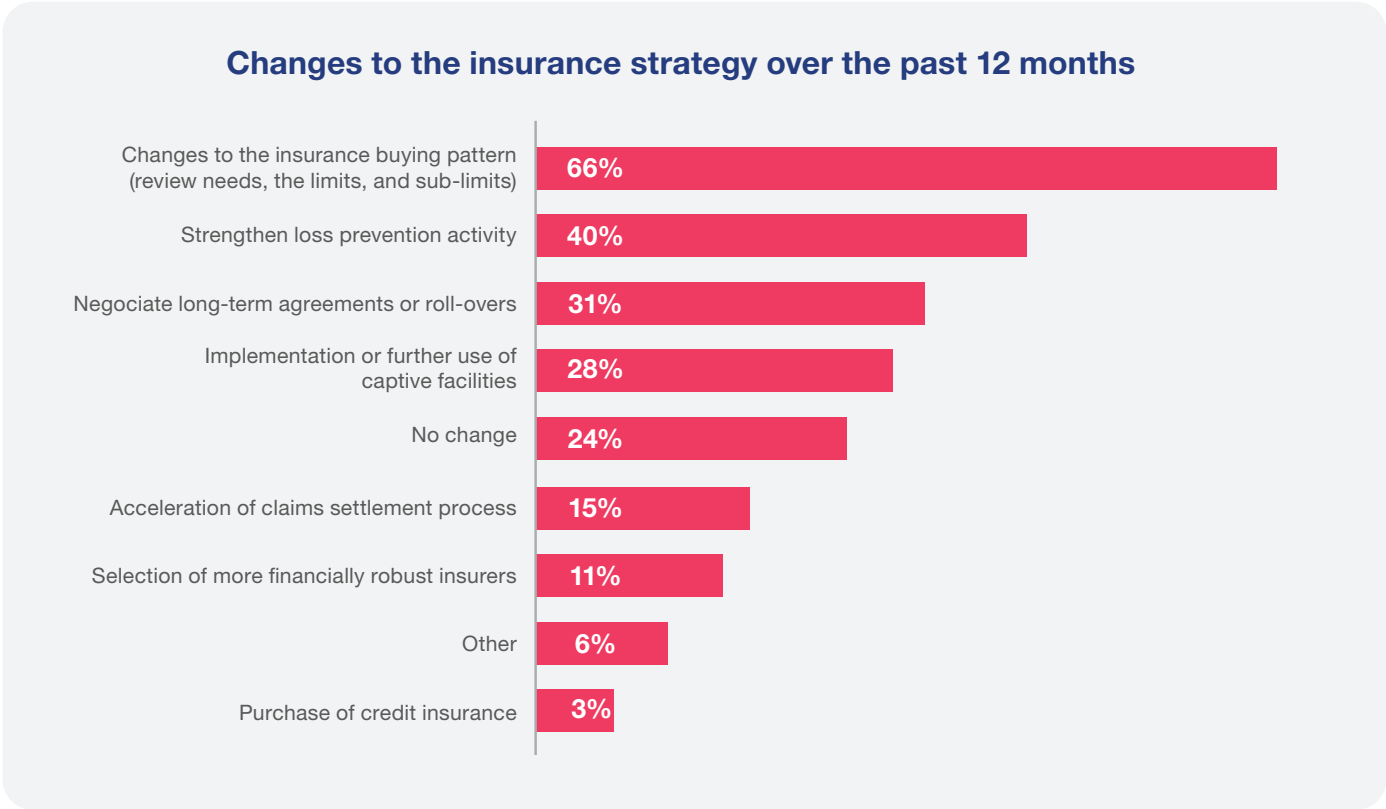
These trends had different intensities of impact. The insurance managers identified **increase in premium** as the one with the heaviest impact, far behind the second trend of **reduction in capacity** (32%) and the third with **limitations and exclusions of specific risks** (20%).

In 2020, risk managers with an IM profile regarded limits and exclusions of emerging/specific risks in insurance contracts and change in market conditions as their main concerns about the insurance market.



Insurance strategies were reassessed in the past 12 months

Risk managers continued to adapt to the hard insurance market.



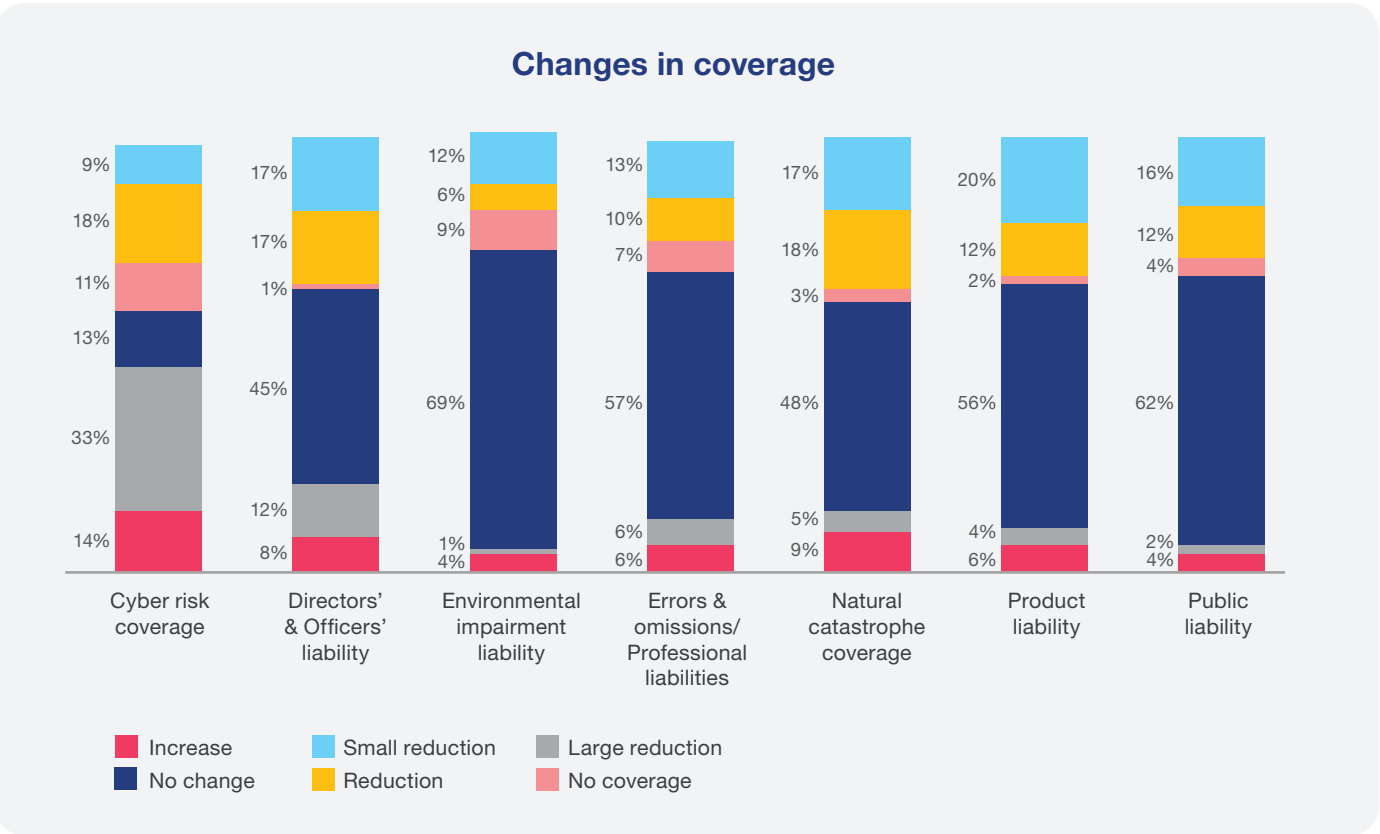
- Changes to the insurance buying pattern (66%): highest increase in terms of insurance strategy (50% in 2020).
- Strengthen loss prevention activity (40% in 2022 and 60% in 2020).
- Negotiate long-term agreement (31% in 2022 and 53% in 2020).

These changes were mainly decided because **the market was hardening** (for 81% of the respondents).

For 43% of the organisations, there was a decision to **self-insure and/or retain more risks**, and for 41% the **risk profile of the company evolved** and needed adaptative measures. Other reasons for a few respondents were the economic climate and the competitive prices observed with another provider.

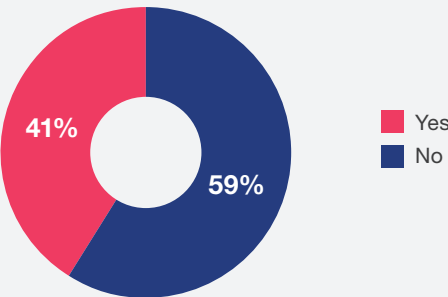
Captives are confirmed as an attractive strategy

Cyber insurance shows the greatest change in coverage with 50% reporting a reduction, 33% large. D&O has also seen a contraction in coverage.



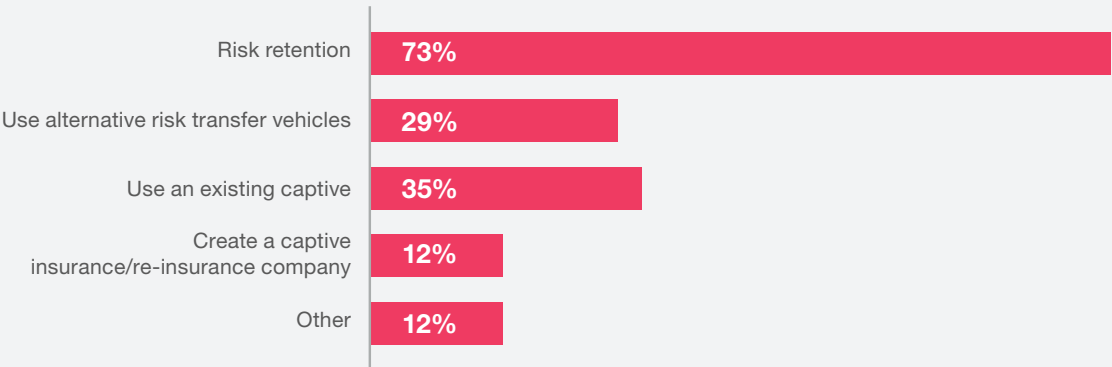
41% of the respondents considered that some locations and business activities may become uninsurable in the future. When asked about the activities, cyber risk and environment related activities are predominating.

Do you think some business activities or locations could be uninsurable in the future?



Risk financing strategies over the next 2 years: evidence of the importance of captives

Over the next 2 years, what will be your strategy in regards to the financing of your risks?



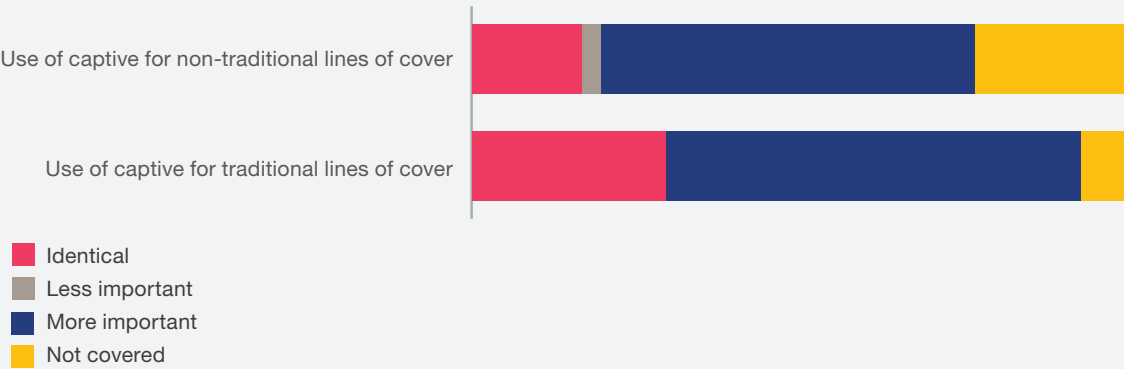
35% of the respondents expect to use an existing captive in the next two years (27% in 2020), while 12% decided to create one (16% in 2020). Indeed, the risks confronting European companies and the hardening insurance market highlight the growing concerns of risk managers regarding emerging risks and their need for viable solutions.

Risk retention remains the main method for financing risks dealing with the insurance market evolution (73% in 2022 versus 76% in 2020). The use of alternative risk transfer vehicles decreased (29% in 2022 versus 46% in 2020).

Estimation of captive involvement in the next 2 years

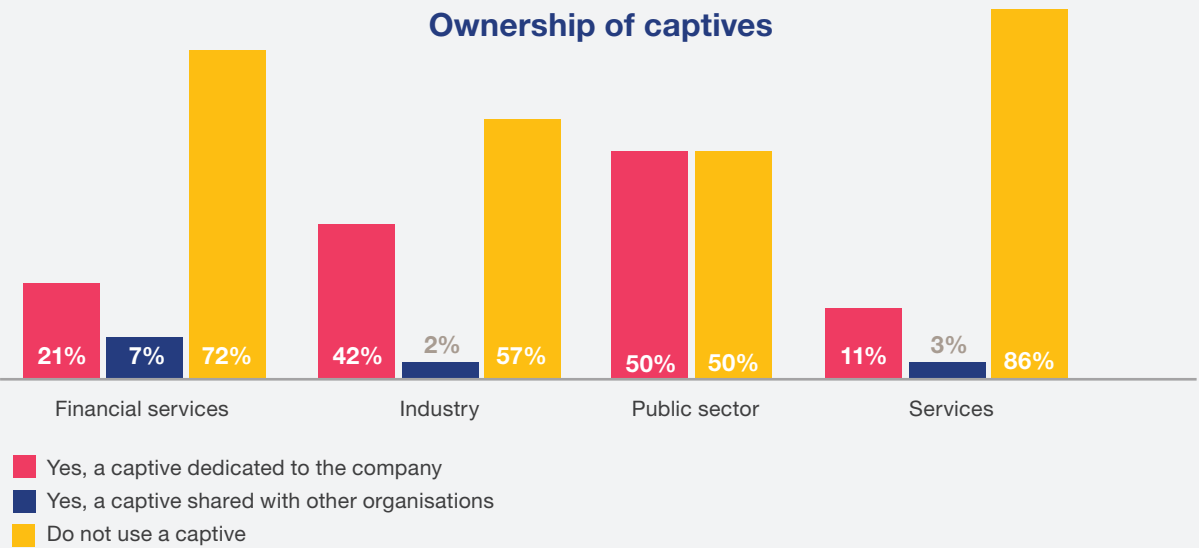
Risk managers confirm captives are a valuable tool to manage traditional and non-traditional lines of cover. The respondents expect their captives’ activities to cover more lines of business over the next 2 years.

Involvement of captives in lines of business within the next 2 years



- Traditional lines of cover: e.g. employee benefits, general/third party liability, employers’ liability/workers’ compensation, property, terrorism, automotive liability, professional liability
- Non-traditional lines of cover: e.g. medical stop-loss, crime, political risk, trade credit, surety, intellectual property, supply chain risks, cyber risks, climate change...

Ownership of captives



The use of captives increased over the years: in 2022, 38% of respondents are using captives, either their own or a one shared with other organisations.

This demonstrates the continuing attractiveness of captives when risks are still and more difficult or expensive to place on the insurance market.



Contact us for further information

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