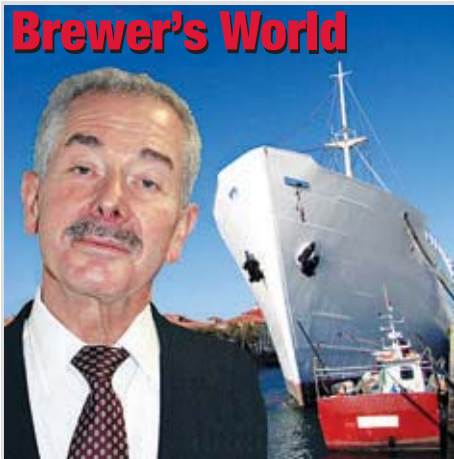


## NEWS



**Brewer's World**

SIGNPOSTS along the road to Copenhagen, as *Insurance Day* has reported, already offer ways forward in the environmental debate. So does the Danish capital itself, beyond its function as the location for the December 2009 meeting of the United Nations Framework Convention on Climate Change.

A brisk walk from the city centre, in the self-governing and proudly independent suburb of Frederiksberg (which houses a 17th-century palace made glorious by Frederik VI), is the world's second-largest business school, set on a vast campus. Copenhagen Business School has given whole-hearted backing to innovative projects, including the Executive MBA in Shipping and Logistics programme, known for short as the Blue MBA.

Since being launched in 2001, the Blue MBA has become greener by the year. University president, Finn Junge-Jensen, who has a good deal to occupy him through responsibility for 15,000 students and 800 staff and the wise spending of a €128m (\$177.4m) budget, takes personal interest in this executive leadership course. Little wonder it has attracted senior people from near and far, from shipping, energy, insurance and law. Gard, Codan and OW Risk Management are among the savvy organisations which have lent senior people to the intake of 35 students. "Students" is hardly the right word, for these are all decision-makers when back at their desks and the emphasis is on the practical application of knowledge.

Under its enterprising programme director, Irene Rosberg, the Blue MBA has become widely recognised for helping groom the next generation of shipping leaders and the key to this success is what it calls its holistic approach to integrating the disciplines needed. Rosberg says that from the beginning, the shipping MBA has encouraged participants to discern new means of mobilising sustainable energy and making maritime transport more environmentally friendly. She wants the executives, with the support of their companies, to add value to the shipping industry as a whole alongside improving the performance of their own organisations.

One participant who has achieved this decisively is Bo Cerup-Simonsen, vice-president of Maersk Maritime Technology. His work was recognised this year when he won the prestigious Weibach prize for Danish maritime research. His project showed how fuel prices, CO<sub>2</sub> taxes, operating costs and capital costs affect the optimal speed of a fleet. Cerup-Simonsen went on to analyse the greening of supply chains, and found that market participants might not do this without stronger legislation and regulation or a clear market impetus. Cerup-Simonsen gained added benefit from the course by collaborating with Thomas Eefsen, a senior project manager at FORCE Technology, who is a co-ordinator for the Danish Green Ship of the Future project.

Rosberg makes much of the diversity of the students as a strong point of the course. Notably, there is an impressive number of female participants, considering shipping and insurance are still male-dominated.

Above all, the Blue MBA is a flagship for making people think in a wider context. What is happening in this leafy suburb which was once the centre of the kingdom of Denmark is much needed after the last few years of easy credit and buoyant trade, when strategy seemed to be devised in automaton mode by many of the top people in insurance and shipping. The MBA department has underscored the need for fresh thinking, by launching what it calls the Research Centre for Maritime Transport, Management and Logistics, which will draw on the prodigious skills cluster of the entire business school.

And still the bright ideas come pouring out of Denmark, which has such a huge role in international trade. In July the government, backed by the mighty shipowner Maersk and the rest of the Danish shipping industry, will propose what could be the world's first global tax: a levy on bunker fuel which would raise up to \$12bn per year for an international fund aimed at curbing greenhouse gas emissions from ships and assisting the developing world. Denmark will urge the International Maritime Organisation to put forward the scheme at the climate change summit, truly putting Copenhagen on the agenda.

**James Brewer**

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# Hard market tops Airmic members' list of worries

**Amy Tiernan**

CONCERNS about talk of a hardening market have now overtaken insurer security as the leading issue for risk managers as they face increasing financial pressure.

John Hurrell, chief executive of the Association of Insurance and Risk Managers (Airmic), told *Insurance Day* that in the first quarter of this year the number-one issue for Airmic members was insurer security. However, risk managers have now "turned the corner" on this issue, Hurrell said, as they have realised the problem is not a systemic risk for the market but only specific to two to three insurers.

He added: "Those insurers have now taken steps to resolve this issue for our members and these steps have been effective. [The recession] has also created a level of transparency in insurers' business and has been a signal to the market to stick to what you know."

However, concerns about insurers' security are now receding as other recession-related issues are taking precedence, warned Hurrell.

Talk of a hardening market is

now a real concern for Airmic members, as most are under instructions to lower costs. Hurrell said: "Whether the market hardens or not, if the trend is for a correction in pricing, we implore the market to differentiate between good and well-managed risks."

The way in which insurers tackle price correction is therefore critical, Hurrell warned, adding that insurers should only penalise those less successful in managing their risks.

He said the market should also reflect accurate premium reductions for higher deductibles. "If insurers record price movements then clients will choose to cancel a lot of covers and restrict covers," he warned.

Other recession-related risks causing concern to Airmic members involve credit, reputation, brand and supply chains.

However, Hurrell warned that the insurance market has "not ventured very far" in providing insurance products that cover the number of soft risks now facing businesses.

He said: "If the insurance market wants to remain relevant to our sector, it needs to start thinking, investing in and expanding its offering to represent today's business model."



Hurrell: insurers have not 'ventured very far' with new products

## Firms using ratings to evaluate insurers

WHILE fears over the hardening market have been dominating buyer concerns ahead of this year's Airmic conference, a survey by AIG UK has revealed that many companies are now excluding carriers that fall below a required agency rating, writes Amy Tiernan.

A poll of major insurance buyers carried out by AIG UK revealed that more than 80% of risk managers have started measuring their insurer counterparty risks more frequently and in far greater depth over the past year.

This has led to four out of five companies adding termination clauses in case of an insurer downgrade, nearly two-thirds spreading their insurance programme among more carriers and 29% retaining more risk via captives.

According to the survey, risk managers are using rating agency data to assess the relative strength of insurance partners but are also increasingly interested in meeting their underwriters face to face in order to understand their risks better and gain reassurance around any exposures.

Philippe Gouraud, head of the major accounts practice at AIG UK, said: "We have found this cement trust in underwriters, which is often more relevant than third-party information from

agencies and others. Good relationships with claims managers also help to underpin the association with an insurer."

Other important sources for assessing an insurer's security include advice from brokers, reviewing carriers' reinsurance, claims-payment performance and media coverage.

This increased insurer scrutiny has brought added benefits for risk managers, with 76% of respondents commenting that they now have a better understanding of their exposures.

Gouraud added: "As insurers operate within a highly regulated environment it helps maintain market confidence and discipline. Therefore, insurance remains a relatively safe haven and a viable partner for transferring risk."



Gouraud: face-to-face meetings 'cement trust' in insurers

## Budgets fail to match growing risk concern

THE GROWING recognition of the importance of risk management at financial institutions has not been matched by higher risk-management budgets, according to research conducted by Marsh.

The broker found that despite 87% of senior management now perceiving risk management as being more important, less than half have increased budgets for risk-management expenditure.

Carrick Lambert, industry practice leader for the financial institutions practice in Europe, the Middle East and Africa at Marsh, said it was "disappointing" that the new thinking regarding risk management was not being backed up by extra spending at the financial institutions.

"More money needs to be invested in risk management as business practices are fundamentally overhauled, which is crucial in terms of strengthening the overall risk-management function and restoring stakeholder confidence," Lambert added.

Marsh's research comprised interviews of risk and insurance professionals in more than 120 financial institutions and also revealed that slightly more than half the respondents use insurance techniques for external risk transfer and that other mecha-

nisms such as contractual guarantees and outsourcing only have limited applications.

Business continuity emerged as the most significant operational risk for financial institutions but only 19% of respondents who said they anticipate an increase in their risk-management budget mentioned business continuity planning as an area for greater spending.

Liability concerns also appeared high on the agenda, with management liability and legal risks seen as priorities.

Charles Beresford-Davies, head of Marsh's UK financial institutions practice, noted that fraud has become a significant concern for businesses as such activity is historically shown to rise during any period of economic downturn. He said: "This correlates with the recent experience of many of our clients, who are showing increased incidence of claims in areas such as mortgage fraud, breach of mandate allegations, mis-selling, Madoff-type events, shareholder disquiet and regulatory investigations."

"With all this evidence, it is our strong recommendation that all financial institutions review and update their risk-management infrastructure."