



## **Keynote speech of AGCS Group CEO at European Risk Management Awards 2018**

Ladies and Gentlemen, Mr. President, good evening!

It is a great honour to be here today, surrounded as I am by the great and the good of the European risk management community, and the rising stars of a profession that is itself on the rise.

Why are we here today, and why am I so pleased to be speaking? We're here to celebrate excellence in risk management, and to celebrate the creativity, professionalism and dedication of our colleagues. I congratulate all award nominees and applaud the winners who will soon be revealed. That is a good enough reason to be here, but beyond that, I feel that our industry is at a cross roads – a time of change and of opportunity. Indeed these awards indicate the way the wind is blowing: they point us towards the future direction of the industry, and the growing importance of what we do, as well as the changes that we must embrace, not least in the job profiles of all of us. I'm not here to tell this distinguished audience what to do but please allow me to share my thoughts with you, both as a CEO of a major carrier and as a part of the risk management community in the spirit of an open dialogue.

Let me start by referring to someone who definitely knows a thing or two about risk.

Henry Paulson, who was Secretary of the US Treasury over the period of the financial crisis, and ex-CEO of Goldman Sachs, writing in the Financial Times earlier this month made a clear statement. He said "We are living in an age of alarming risk."

He said "Over the course of my 50 year career, with the exception of the 2008 financial crisis, I have never seen the public and private sectors buffeted by so much risk. These new risks are not financial, but they are unprecedented in their character, not just their scope."

Now that's quite a strong statement.

He was referring to the risks of global geopolitics: populism and nationalism, regulatory uncertainty, and the increasing isolationism of states and barriers to international commerce under the guise of 'national security'.

But I expect his words ring true to many in this room tonight, and not just for political risks. The risk landscape has never been so complex, so interconnected, so fast changing. Technology is breeding new threats as well as new business models – which themselves may be threats. Traditional risks such as natural catastrophes or extreme weather continue to challenge us, and others such as cyber are fast maturing – but also evolving daily. Non damage business interruption, reputational risk, the increasing exposure to intangible assets, volatility and consolidation in the corporate environment, and a creeping erosion of trust in business – the list is long and diverse, as you all know well.

In parallel all major industries and sectors including our own are currently undergoing a major change that will fundamentally redefine value creation and business models. Whether it's the increasing

demand from customers for customization or personalization , the growth of autonomous mobility, the connectivity of the Internet of Things or the endless list of Artificial Intelligence use cases: We all need to be immersed in the trends that are shaping our industries so we can help our businesses to understand the risks around emerging and emerged technologies.

So how should we respond to this 'tornado' of risk and the resulting disruption of sectors? Quite simply, through fundamental transformation: a transformation that must flood through our industry: a transformation of the way we work, of how we understand the challenge, of what we offer, and how we deliver it. And this is coming – either we adapt or we face obsolescence at best, and irrelevance at worst.

I see several major building blocks to this transformation, and the foundation will be based on the raw material of our industry. No, not capital, but people . With the right people, anything is possible. This means not only casting the net wide to attract the best talent to our industry for the future and to encourage diversity of minds, but also evolving ourselves to embrace the new capabilities and job profiles that will be needed: technological savviness, data science, digitalisation, collaboration, agility, and the ability to learn and change, repeatedly. As AIRMIC's Julia Graham recently said in Commercial Risk Europe: "The reinvention of the risk manager role has to go hand in hand with the reinvention of organizations - and must reflect the scope and scale of such transformation." Julia is right and this equally applies to the insurance profession.

This calls for a new mind-set of collaboration and exploration, of trial and error. In this new world of risk, we must ourselves take risks by experimenting and investigating options that may fly...or may sink. Many ideas will fail, but far worse than failure is to not explore and to fail to keep pace with the changes in our industries and beyond. Irrespective of failures, we need to continue to explore the new challenges in an agile way. Test, check, refine, proceed, fail and start again. That's what matters in these times.

To expand our understanding of the risk landscape, we all should embrace new technologies to boost risk analysis: this not only means expanding our knowledge to understand the technological opportunities, but actively trialling these technologies in practice. For example, exploring new analytic tools to understand supply chain risks, or to identify next generation litigation risks, or simply to facilitate the cumbersome and outdated practices that we see far too often in our business (and here I accept that the insurance industry must shoulder much the responsibility for many of these).

With this expanded talent pool and new analytic capabilities, risk monitoring and mapping has to reach next levels: we must spend more time and resources to identify emerging risks and assess their impact, to raise awareness in other corporate functions and the C-suite, to monitor market and political developments and technical trends - to set the agenda and lead the conversation around risk.

And with this talent and technology, we will be able fight the tendency to commoditization that we see in many service industries. Looking at the insurance business, I often hear complaints in the market about pricing - that rates are too low - and I think to myself: "We have only ourselves to blame". Why? Because we allow ourselves to confuse price with value. If we fail to deliver products and services that add value, why should we then complain about price, because how else can the customer judge us? We live in an experience economy where customisation, service, and flexibility are the new normal – but we still act in silos or offer products that are designed to be in any color you

like, as long as it's black. My advice to you is "Be demanding" – don't accept black if you really need white with pink spots and whatever that special something may be...

You may well point out that choice is declining in the market as consolidation increases for both brokers and insurers. I say: "Don't fear M&A". Consolidation may mean less choice in some respects, but where there's demand there will be supply – and especially if we approach the challenge with a risk management mind-set, rather than thinking purely in terms of risk transfer.

I believe this is the key challenge for both the risk management industry and insurance: to move from an operational or deal by deal focus to more of an enterprise risk management mind-set and entrepreneurial approach – aiming for strategic risk management that moves far beyond traditional approaches and products. For example, based on an interdisciplinary dialogue about risk, to explore new risk management solutions such as alternative risk transfer, multi-line products, specialist consulting services, parametric coverages and a closer engagement with external partners, such as insurtechs, academia and the capital markets – this will allow us to take a genuinely holistic view of the risk environment that we and our clients face. Traditional risk methods still have much value, but they will need to be enhanced - be more predictive and connected – be able to deal with the next generation of risks.

And partnership will be the name of the game because the risks we will face are not just those of traditional risk transfer. The new generation of risks will require a collaborative approach with internal and external partners, bringing together the best of the traditional with the best of the new. The sheer complexity, volatility and speed of this new risk landscape can best be met in partnership.

FERMA is itself a sort of partnership: a federation of the best of European Risk Management, and I see a leading role for this community to navigate the industry and your profession through the challenges of tomorrow. Never has Risk Management been so relevant or the opportunity so great. And exceptional times need an exceptional response – which means exceptional people who can revolutionize risk management.

In a few moments we'll see some of the best of the best – and I applaud them and congratulate them because these standards of excellence are required to consolidate the progress the industry has made, to encourage new talent, and to achieve our full potential and, most importantly, to try and trial new approaches with a literal risk taking attitude. These exceptional colleagues are the cutting edge of our industry. Judging by the nominees tonight, there are many reasons to be cheerful - the risk management profession is in good hands. We are strong as a community leveraging the diversity of its talents and putting the experience of all of us to good use by embracing not only the future but also the here and now.

Amidst all the challenges and hard work, we should remind ourselves of what our industry delivers in practice: keeping people and businesses healthy, and helping them back on their feet when all else fails. That's something to be proud of...and of course let's also have some fun along the way! Thank you very much indeed for your time, and please enjoy the Awards.

It's a great pleasure to be here tonight. Enjoy your dinner !

Chris Fischer Hirs,  
AGCS Group CEO  
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