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.

Dirk Wegener,
President of FERMA

Charlotte Hedemark Hancke,
Chairman of the 2022 FERMA Survey Committee
and Board Member of FERMA

Rami Feghali,
Partner, Head of Risk & Regulatory,
PwC EMEA

Françoise Bergé,
Partner, Risk & Regulatory,
PwC France
Key findings

Survey respondents

- **Sector of activity**
  - 57% Industry
  - 25% Financial services
  - 14% Services
  - 4% Public sector

- 32% of risk managers are women
- 65% have more than 10 years’ experience
- 74% work in large listed or privately held organisations

1/3 of respondents are solely dedicated to enterprise risk management (ERM) activities, 1/3 perform both ERM and insurance management (IM) activities and 1/3 are specifically dedicated to IM activities.

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

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

- Yes: 36%
- No: 64%

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

Post pandemic, Ukrainian war, and successive extreme weather events

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.

In 2020, 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.

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.

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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.
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

<table>
<thead>
<tr>
<th>IT</th>
<th>Information Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>32%</td>
<td>6%</td>
</tr>
<tr>
<td>36%</td>
<td>6%</td>
</tr>
<tr>
<td>52%</td>
<td>8%</td>
</tr>
<tr>
<td>49%</td>
<td>8%</td>
</tr>
</tbody>
</table>

- Under the risk manager’s responsibility
- Regular/close collaboration based on a clear mandate
- Occasional collaboration
- No relationship/involvement

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

<table>
<thead>
<tr>
<th>Type of role played in regard to ESG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis and mapping of ESG risks</td>
</tr>
<tr>
<td>Risk mitigation</td>
</tr>
<tr>
<td>Prevention and adaptation measures</td>
</tr>
<tr>
<td>Regulatory reporting</td>
</tr>
</tbody>
</table>

- Fully responsible
- Contribute
- Validate
- Informed
- Not informed

How do you deal with risks arising from emerging technologies?

<table>
<thead>
<tr>
<th>How do you deal with risks arising from emerging technologies?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification and assessment of risks prior to adoption of new technologies by the business</td>
</tr>
<tr>
<td>Identification and assessment of risks emerging technologies used by the business</td>
</tr>
<tr>
<td>No specific action</td>
</tr>
<tr>
<td>Analysis and remediation of any insurance coverage gaps</td>
</tr>
<tr>
<td>None of the above</td>
</tr>
</tbody>
</table>

- 36%
- 32%
- 30%
- 24%
- 9%

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.

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

<table>
<thead>
<tr>
<th>Risk managers think open access to aggregated and anonymised historical claims and loss data on large risks would improve risk management practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>To some extent</td>
</tr>
<tr>
<td>To a large extent</td>
</tr>
<tr>
<td>To a small extent</td>
</tr>
<tr>
<td>Totally</td>
</tr>
<tr>
<td>Not at all</td>
</tr>
</tbody>
</table>

Almost all risk managers believe that access to historical claims and loss data on large risks would be useful in the development and improvement of risk management practices; 44% say they agree totally or to a large extent.

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

<table>
<thead>
<tr>
<th>Is the risk manager playing a specific role regarding ESG-related risks?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>Plan to</td>
</tr>
</tbody>
</table>

56% of risk managers say they are playing/are planning to play a specific role regarding ESG-related risks (40% in 2020).

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%).
Key findings

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

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

- 81% Hard market
- 43% Decision to self-insure more/to retain more risks
- 41% Evolution of the risk profile of the company
- 18% Economic climate
- 16% More competitive prices with another provider

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).
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:

- **Western Europe**: Belgium, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Switzerland, UK (72% of respondents)
- **Central and Eastern Europe**: Austria, Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Russia, Slovenia, Turkey (8% of respondents)
- **Northern Europe**: Denmark, Finland, Iceland, Norway, Sweden (20% of respondents)

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

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**

<table>
<thead>
<tr>
<th>Distribution by sector of activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>Financial services</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Public sector</td>
</tr>
</tbody>
</table>
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.

**Organisation type**
- Listed entity: 33%
- Public entity: 11%
- Not for profit organisation: 8%
- Privately held entity: 4%
- Branch of a listed entity: 4%
- Entity owned by venture capitalists: 3%

**Organisation size**
- Large (> 250 staff or > €50M turnover): 80%
- Medium (< 250 staff or < €50M turnover): 8%
- Small (< 50 staff or < €10M turnover): 12%

**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.

**Responsibilities beyond risk and/or insurance management**

- 1. No
- 2. Business continuity/Crisis management
- 3. Compliance
- 4. Other
- 5. Internal Control
- 6. Operations
- 7. Finance
- 8. Internal Audit
- 9. Security
- 10. Quality
- 11. Health and Safety
- 12. Legal
- 13. General/Company secretary
- 14. IT
- 15. Treasury

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.

**Activities under the ERM risk manager responsibility in 2022**

- Development, implementation, and assessment of a risk culture across the organisation: 84%
- Development of risk maps: risk identification analysis, evaluation, prioritisation and reporting: 82%
- Alignment and integration of risk management as part of business strategy: 78%
- Definition of enterprise risk management governance, framework, processes, and/or tools: 71%
- Definition of the risk appetite strategy/statement: 64%
- Design and implementation of risk controls/prevention: 63%
The proportion of women risk managers is unchanged. 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**

- Insurance policy management, claims handling and loss prevention: 87%
- Assistance to other functional areas in contract negotiation, project management, acquisitions and investments: 55%
- Design and implementation of a risk financing strategy including insurance and alternative solutions: 55%
- Design and implementation of risk controls/prevention: 37%
- Definition of the risk appetite strategy/statement: 36%
- Development of risks maps: risk identification, analysis, evaluation, prioritisation and reporting: 32%

**Age and gender**

- Male: 32%
- Female: 68%

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**

- Less than 30 years old: 61%
- Between 31 and 35 years old: 23%
- Between 36 and 45 years old: 36%
- Between 46 and 55 years old: 30%
- Between 56 and 60 years old: 33%
- More than 60 years old: 15%

Male

- Less than 30 years old: 77%
- Between 31 and 35 years old: 64%
- Between 36 and 45 years old: 70%
- Between 46 and 55 years old: 67%
- Between 56 and 60 years old: 85%
- More than 60 years old: 39%

Female

- Less than 30 years old: 23%
- Between 31 and 35 years old: 26%
- Between 36 and 45 years old: 24%
- Between 46 and 55 years old: 27%
- Between 56 and 60 years old: 15%
- More than 60 years old: 61%

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.

**What is your age?**

- Less than 30 years old: 39%
- Between 31 and 35 years old: 77%
- Between 36 and 45 years old: 64%
- Between 46 and 55 years old: 70%
- Between 56 and 60 years old: 67%
- More than 60 years old: 85%

**Experience**

- More than 10 years: 24%
- Between 5 and 10 years: 27%
- Less than 5 years: 18%

**ERM**

- More than 10 years: 47%
- Between 5 and 10 years: 27%
- Less than 5 years: 18%

**IM**

- More than 10 years: 49%
- Between 5 and 10 years: 23%
- Less than 5 years: 18%

**ERM/IM**

- More than 10 years: 53%
- Between 5 and 10 years: 28%
- Less than 5 years: 24%
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%.

Compared to 2020, remuneration is relatively steady. 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.

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.

### Specific qualification/certification in risk and/or insurance management

<table>
<thead>
<tr>
<th>Qualification/Certification</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No specific qualification/certification</td>
<td>36%</td>
</tr>
<tr>
<td>Risk management certification</td>
<td>22%</td>
</tr>
<tr>
<td>University or business school degree</td>
<td>41%</td>
</tr>
<tr>
<td>Professional education</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
</tbody>
</table>

*multiple answers were possible*

### 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.

### Ranking contributions of a recognised certification in risk management

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helps develop operational skills</td>
<td>78%</td>
</tr>
<tr>
<td>Improves internal recognition of the function and gains respect from stakeholders</td>
<td>69%</td>
</tr>
<tr>
<td>Improves employability</td>
<td>58%</td>
</tr>
<tr>
<td>Helps develop your professional network</td>
<td>53%</td>
</tr>
<tr>
<td>Improves remuneration</td>
<td>25%</td>
</tr>
<tr>
<td>Supports getting a seat at the Board or executive committee</td>
<td>17%</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Top 5 critical threats to the organisation’s growth prospects within the next 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber threats have remained the top priority over the years.</td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

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

Out of the 5 top risks indentified 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).

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.
- 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.

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

Data breach
Uncertain economic environment
Climate change
Cyberattacks
Supply chain or distribution failure
Uncertainty of political perspective
Increase societal pressure
Over-regulation
Natural disaster
Geopolitical uncertainty
Social instability
Fraud or theft
Supply chain or distribution failure
Environmental damage
Changing consumer behaviour
Speed of technological change
Regulation
Terrorism

Top 5 risks in 2018
Top 5 risks in 2020
Top 5 risks in 2022

Cyber threats
Uncertain economic growth
Geopolitical uncertainties
Over-regulation
Changing consumer behaviour

Cyber threats
Uncertain economic growth
Availability of key skills
Data fraud or theft
Over-regulation

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

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.

Presence of the top risks identified for the next 12 months by sector of activity

<table>
<thead>
<tr>
<th>Presence of the top risks identified for the next 12 months by sector of activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>Cyber threats</td>
</tr>
<tr>
<td>Supply chain or distribution failure</td>
</tr>
<tr>
<td>Geopolitical uncertainties</td>
</tr>
<tr>
<td>Uncertain economic growth</td>
</tr>
</tbody>
</table>

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

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.

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 were in the 3 most critical threats (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
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 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.

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).

To what extent does your organisation prioritise risks by mapping them?

<table>
<thead>
<tr>
<th>Risk Mapping Approach</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidating top down and bottom-up approach</td>
<td>57%</td>
</tr>
<tr>
<td>From a corporate level down to divisions and business units</td>
<td>33%</td>
</tr>
<tr>
<td>Global corporate level only</td>
<td>31%</td>
</tr>
<tr>
<td>Only for certain business units only</td>
<td>17%</td>
</tr>
<tr>
<td>Only on strategic crisis</td>
<td>15%</td>
</tr>
<tr>
<td>Only on sustainability/ESG risks</td>
<td>14%</td>
</tr>
<tr>
<td>Only on corruption risks</td>
<td>14%</td>
</tr>
<tr>
<td>Only on security risks</td>
<td>12%</td>
</tr>
<tr>
<td>Only on data privacy risks</td>
<td>10%</td>
</tr>
</tbody>
</table>
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.

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.

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.

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:
- Yes, each function identifies its risks and a common language is adopted (53%)
- Risks are identified with a top down methodology (16%)
- No common risk language is developed, but each function identifies its risks (29%)
- Risks are not identified (2%)

*Finance includes first line activities as accounting and reporting as well as financial control which is part of the second line.
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?

- Review strategic risks: 61%
- Contribute in the corporate strategy definition (e.g. workshop on risk): 40%
- Work on sustainability risks and impacts: 40%
- Work on disruption risks: 37%
- Work on different scenarios of business plan: 33%
- Analyse opportunities coming from strategic risks: 28%
- Work on digital stakes (transformation): 16%
- Other: 9%

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

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

- Risk committee: 56%
- Audit committee: 39%
- Executive committee: 34%
- Board committee: 32%
- IT security committee: 24%
- Investments committee: 18%
- New products/innovation committee: 14%
- Other: 7%

Risk management profiles taking part in committees

ERM, IM, ERM/IM
The Covid-19 crisis impacted the frequency of risk discussions at Board/top management level for three-quarters of the respondents. This demonstrates that when the organisation is facing a crisis, the Board/top management will look for more risk insights.

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).

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?

- Yes, I am starting working on it
- Yes, risk appetite is formalised - Board is the sponsor
- Yes, risk appetite is formalised - Top Management is the sponsor
- Yes, for a long time but it is not formalised
- No
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.

An enhanced collaboration with CSR/sustainability team

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

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.
Risk managers’ contribution to ESG-related risks

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:

- Analysis and mapping of ESG risks: Fully responsible (20%), Validate (39%), Contribute (13%), Informed (9%), Not informed (1%)
- Non-financial/corporate sustainability reporting (NFRD/CSRD): Fully responsible (18%), Validate (50%), Contribute (30%), Informed (10%), Not informed (1%)
- Prevention and adaptation measures: Fully responsible (8%), Validate (6%), Contribute (12%), Informed (12%), Not informed (2%)
- Risk mitigation: Fully responsible (9%), Validate (30%), Contribute (13%), Informed (10%), Not informed (1%)

> 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:

- 46% of risk managers say that they work on transitional risks
- 1/3 say they work on climate scenarios and quantification of physical risks (respectively 33% and 31%).

How do organisations work on climate risks?

- 54% Identified on the risk map
- 46% Work on transitional risks (regulation, market, technology and reputational)
- 33% Work on various scenarios for climate change risks (based on GIEC or other)
- 31% Quantify financial impact of physical climate change risks
- 15% Do not work on climate change risk
- 4% Other

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

<table>
<thead>
<tr>
<th>Technologies used to perform ERM/IM activities</th>
<th>62%</th>
<th>54%</th>
<th>34%</th>
<th>20%</th>
<th>10%</th>
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<td>Data analysis technologies</td>
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<td>Data visualisation technologies</td>
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</table>

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

<table>
<thead>
<tr>
<th>Technologies have been implemented in multiple tasks and evolved in the past years:</th>
<th>67%</th>
<th>33%</th>
<th>31%</th>
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<td>Risk reporting process</td>
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<td>Interactive risk mapping visualisation</td>
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<td>Continuous monitoring using risk indicators dashboard</td>
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<td>Continuous monitoring using action plan dashboard</td>
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<td>Risk analysis, audits and robot controls</td>
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<td>Proof of concept</td>
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Compared to 2020, the only task that remains within the Top 3 is interactive risk mapping visualisation. Continuous monitoring using risk indicators and continuous monitoring using action plan moved from the Top 3 to 4th and 5th positions respectively. Risk reporting process and scenario analysis reached the Top 3.

To develop resilience to crises, organisations need to anticipate better the risks and the way they might occur. Scenario planning and analysis allow them to foresee how events could occur and ensure appropriate options exist to ensure business continuity. Risk reporting on the process has been reinforced during these last 2 years and dominates the activities of risk managers, and is where digitalisation is growing most strongly.

The use of new technologies allows organisations to monitor, anticipate and help the top management to take decisions. It provides a view on the present and a view to the future in management cockpit.
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.

How do you deal with risks arising from emerging technologies?

| Identification and assessment of risks prior to adoption of new technologies by the business | 35% |
| Identification and assessment of emerging technologies used by the business | 32% |
| No specific action | 30% |
| Analysis and remediation of any insurance coverage gaps | 24% |
| None of the above | 9% |

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

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

Technology skills access

| Internal skills within the risk management team | 32% |
| Skills within the IT department | 28% |
| Central corporate team support | 16% |
| Skills provided by an external service provider | 11% |
| No technology skills | 10% |

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.

"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

"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
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.

“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
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.

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.

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 remapped: spotlight on trust, convergence, and transformation.

Insurance strategies were reassessed in the past 12 months

Risk managers continued to adapt to the hard insurance market.

Changes to the insurance strategy over the past 12 months

- Changes to the insurance buying pattern (66%): highest increase in terms of insurance strategy (50% in 2020).
- Strengthen loss prevention activity (40%)
- Negotiate long-term agreements or roll-overs (31%)
- Implementation or further use of captive facilities (28%)
- No change (24%)
- Acceleration of claims settlement process (15%)
- Selection of more financially robust insurers (11%)
- Other (6%)
- Purchase of credit insurance (3%)

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 adaptive measures. Other reasons for a few respondents were the economic climate and the competitive prices observed with another provider.

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

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

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.
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).

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.

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

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk retention</td>
<td>73%</td>
</tr>
<tr>
<td>Use alternative risk transfer vehicles</td>
<td>29%</td>
</tr>
<tr>
<td>Use an existing captive</td>
<td>35%</td>
</tr>
<tr>
<td>Create a captive insurance/re-insurance company</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>12%</td>
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</tbody>
</table>

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).

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.