



Kinsey Allen International is one of the world's leading executive search firms specialising in the financial and professional services markets. We provide a full range of executive search and interim solutions from our offices in the UK, Australia, continental Europe, the US, Middle East and Asia.

Tailoring each search to meet individual client needs, our highly specialised approach, depth of market knowledge and reputation within the industry allow us to deliver an unrivalled search solution.

This research was completed alongside the Institute of Risk Management (IRM)

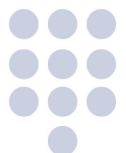


Leading the risk profession

The Institute of Risk Management (IRM) is the world's leading enterprise-wide risk education Institute. They are independent, well-respected advocates of the risk profession, owned by practising risk professionals.

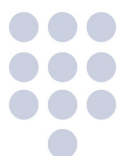
They provide qualifications, short courses and events at a range of levels from introductory to expert and support risk professionals by providing the skills and tools needed to deal with the demands of a constantly changing, sophisticated and challenging business environment.

The IRM operate internationally with members and students in over 90 countries, drawn from a variety of risk-related disciplines and a wide range of industries.



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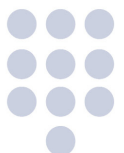
1. Executive Summary

Kinsey Allen International and the Institute of Risk Management (IRM) surveyed 90 senior risk professionals to:

- Identify the impact of Solvency II on organisations, risk professionals and the risk function
- Understand how risk teams will change and grow over the next 12 – 18 months
- Outline senior risk professionals' expectations with regards to compensation over the next 12 – 18 months
- Appreciate the future of the risk professions within the insurance industry

Key findings have been detailed in this report. Headlines include:

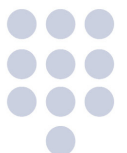
- 44% of senior risk professionals expect their teams to grow over the next 12 – 18 months
- Solvency II now accounts for over 50% of a senior risk professionals work load
- 65% of respondents are expecting to see an increase to their compensation package over the next 12 months
- 85% of respondents felt Solvency II would increase their personal value
- 65% expect to see more risk professionals promoted to Board level positions
- 45% of respondents do not think Solvency II will meet its objectives
- Over 60% of respondents would leave their permanent role for an interim assignment
- Over 50% of respondents working on Solvency II have no formal qualification in risk management



2. Objectives

The objectives of this research can be defined as to:

- Identify the impact of Solvency II on organisations, risk professionals and the risk function
- Understand how risk teams will change and grow over the next 12 – 18 months
- Outline senior risk professionals' expectations with regards to compensation over the next 12 – 18 months
- Appreciate the future of the risk professions within the insurance industry



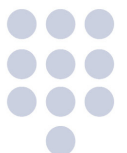
3. Methodology

An online survey was distributed directly to the following:

- 250 members from the IRM's Solvency II Special Interest Group
- 140 Kinsey Allen International senior risk contacts

In addition, the survey was promoted to visitors of both the Kinsey Allen International and IRM websites alongside Linked In connections of key risk specialists within Kinsey Allen International.

A total of 90 people participated in the survey.



4. Results

4.1. A typical respondent

A typical respondent can be described as:

A Risk Manager who is permanently employed within a general insurance organisation who employ 500 – 1,000 individuals. This Risk Manager has responsibility for a team of less than 10, of which less than 5 are Solvency II experts.

82% of respondents have opted for an internal model (vs the standard FSA model) to introduce the Solvency II framework.

4.2. Key findings

Full detail of the survey and its results can be found in Section 5 of this report. Key findings are highlighted below.

4.2.1. Risk teams are expected to grow over the next 12 months

70% of respondents are currently working in risk teams comprising less than 10 people. Within these teams less than half of the individuals are Solvency II experts.

Over the next 12 months almost 45% of respondents expect to increase the size of their team. Over 50% of these hires are expected to be permanent employees and 46% be a mix of both permanent and interim personnel.

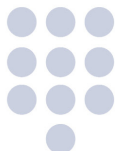
This increase in staff is due to the amount of time senior risk professionals are dedicating to Solvency II as the 2013 deadline approaches. Almost half of the respondents stated that they now dedicate over 50% of their daily role to Solvency II – this is a notable increase in comparison to this time last year for most respondents, with over a quarter describing the increase as significant.

Investment in permanent headcount would suggest that senior risk professionals are confident that the workloads within risk departments will continue once Solvency II becomes a more business as usual function.

4.2.2. Compensation packages are expected to continue to rise over the next 12 months

60% of respondents have seen an increase in compensation over the last 12 months and although almost 70% described this as more than expected, 65% are anticipating another rise over the next 12 months.

85% of those expecting a rise envisage it to be up to 25%.



When providing insight into individual bonus payments, 30% of respondents had seen/anticipated an increase, in comparison with their last bonus payment, and almost 60% specified their bonus was in-line with previous payments. Only 12% indicated they had experienced a decrease in bonus payment, half of whom noted this as 'significant'.

Almost 30% of respondents received long term incentives in addition to their basic salary and bonus payments. These packages are typically worth 10 - 50% of an individual's overall compensation package, with almost 45% of respondents receiving 25 - 50%.

These figures demonstrate that the fight for the most talented risk professionals is set to continue as the insurance sector is forced to compete with the compensation expectations set by the large insurers. The insurance sector could learn from some of the strategic compensation packages in place across the banking sector succeeding in both initial attraction and long-term retention of top talent.

4.2.3. More Risk professionals are expected to be promoted to Board level

85% of respondents stated that the importance of Solvency II will increase their personal value over the next 12-18 months. The expectation of most (66%) is that this will be reflected by the receipt of a higher basic salary. 43% expected their bonus to be a sign of their increased value and almost a quarter felt the increase would come as a mix of basic salary, bonus and shares.

It is perhaps no surprise therefore that 66% of respondents expect to see more Risk professionals promoted to Board level positions over the next 12 – 18 months. Of this 66%, almost a third stated that this rise of risk professionals in the boardroom was 'highly likely'.

These figures demonstrate the continued rising importance of Risk as a profession post-credit crunch. Organisations within the wider financial services landscape have learned from the errors made pre-2007 and are pushing for risk management and corporate governance to be firmly positioned on the Board agenda. This Board level recognition was reinforced by respondents with 53% describing their organisations' Board of Directors as having a good understanding of the challenges relating to Solvency II.

4.2.4. Almost half those participating did not feel that Solvency II would achieve its objectives

Respondents were optimistic that their organisations were progressing well with the implementation of Solvency II, with 95% declaring that they would meet the 2013 deadline.

80% of respondents described their organisations current position of implementation as 'where we should be' or 'way ahead' in relation to the FSA guidelines and their



competitors. When asked to rate their progress against their personal expectations however, only 70% appeared personally satisfied with progress made – perhaps a reflection of the high achieving individuals who are now choosing Risk as a highly rewarding and challenging career choice.

Despite this positive feedback at an organisational level, the macro picture is not looking so optimistic, with 45% of respondents saying that they do not feel Solvency II will achieve its objectives.

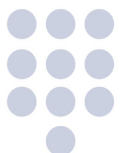
The reasons for this could be seen as a growing unease that Solvency II is overly conservative and leaves many concerns of the insurance industry unaddressed. There is also a markable difference between the principals of Solvency II and the small print in the regulatory guidance. ABI's Director of Financial Regulation and Taxation Peter Vipond has recently been quoted saying:

“It has now been ten years since the principles of Solvency II were proposed. Yet we have still to agree the rules. This is bad news for all. For regulators and firms, it makes a proposed start date of January 2013 difficult. For insurers the current draft of the rules are poorly thought through in places, leading to them holding unnecessarily high levels of capital, ultimately penalising consumers.”

Risk professionals have been outspoken about their fears that Solvency II's output penalises the growth of insurers and does not guarantee the financial stability or consumer protection. The heavy emphasis on models have the potential to detract from the role of a risk professional if it's not approached correctly and proactively.

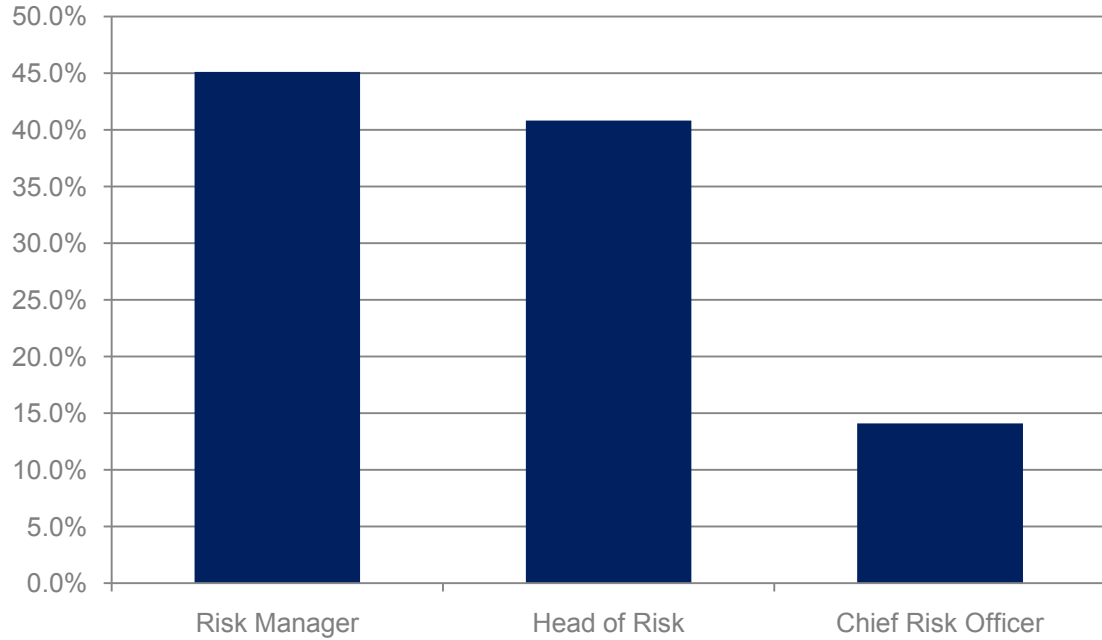
In addition to this, there are concerns over the timings linked to delivery of Solvency II and whether the evolving EU legislation will lead to a dilution of scrutinisation in some countries.

The survey also indicated that over 50% of respondents had no qualification in risk management. This is an indication that, given the shortage of suitably qualified and skilled individuals, teams are being filled with people who have their primary qualifications in other areas (e.g. accountancy, insurance, audit, actuarial). This links to the skills gaps identified by nearly half of respondents, acknowledging that both general risk management skills, and those particularly relevant to the sector such as economic capital modelling, are in short supply.

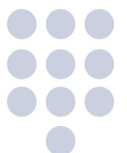
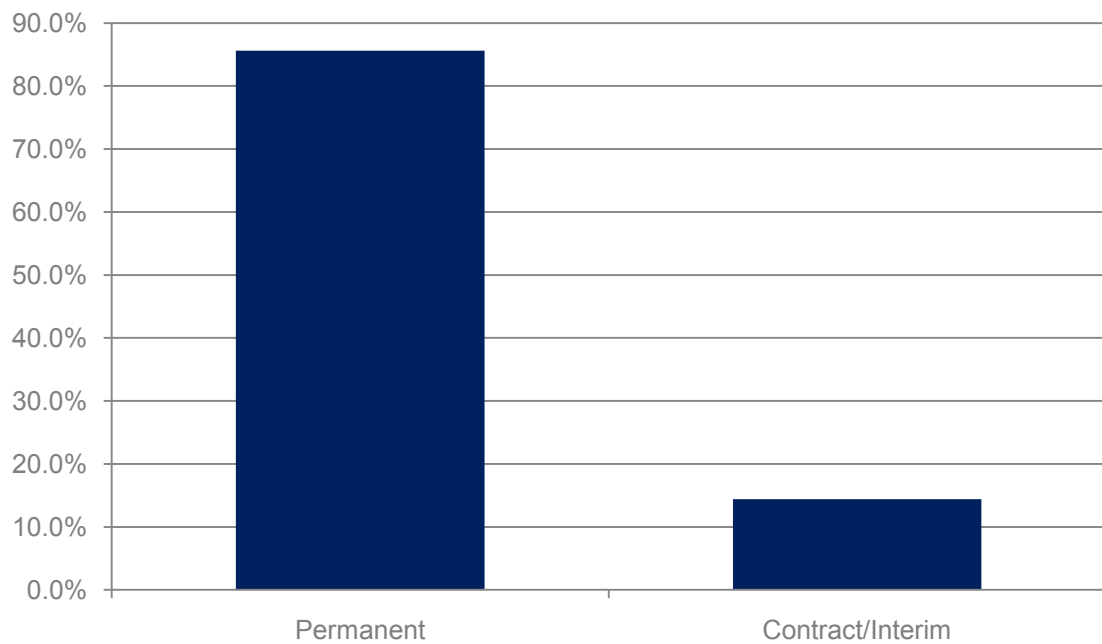


5. Questionnaire & Results

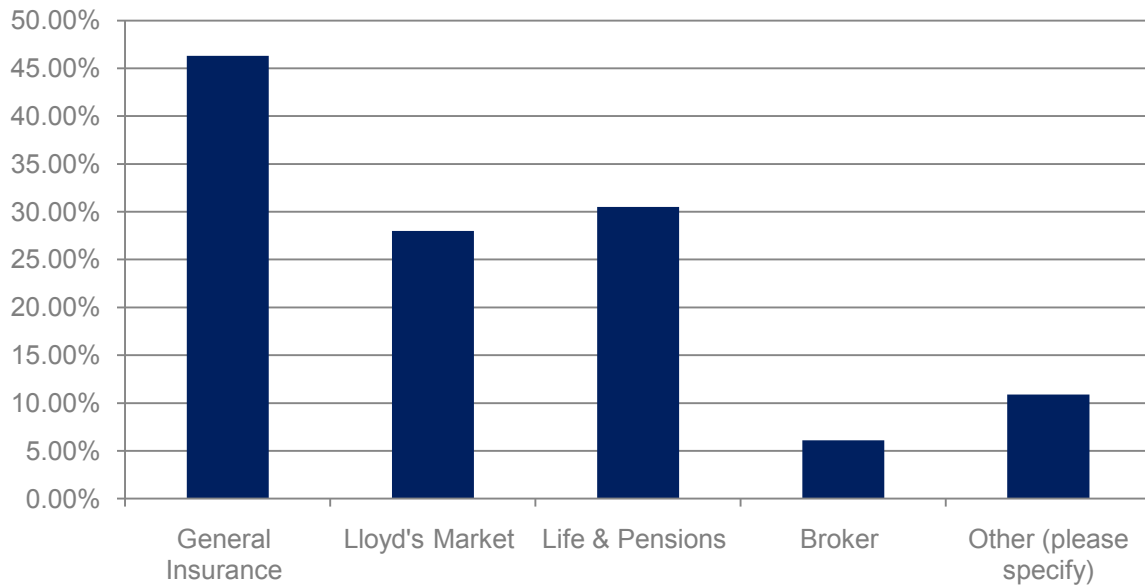
1) Which of the below best describes your current role within the organisation?



2) What is your employment status?



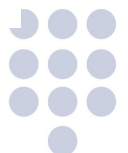
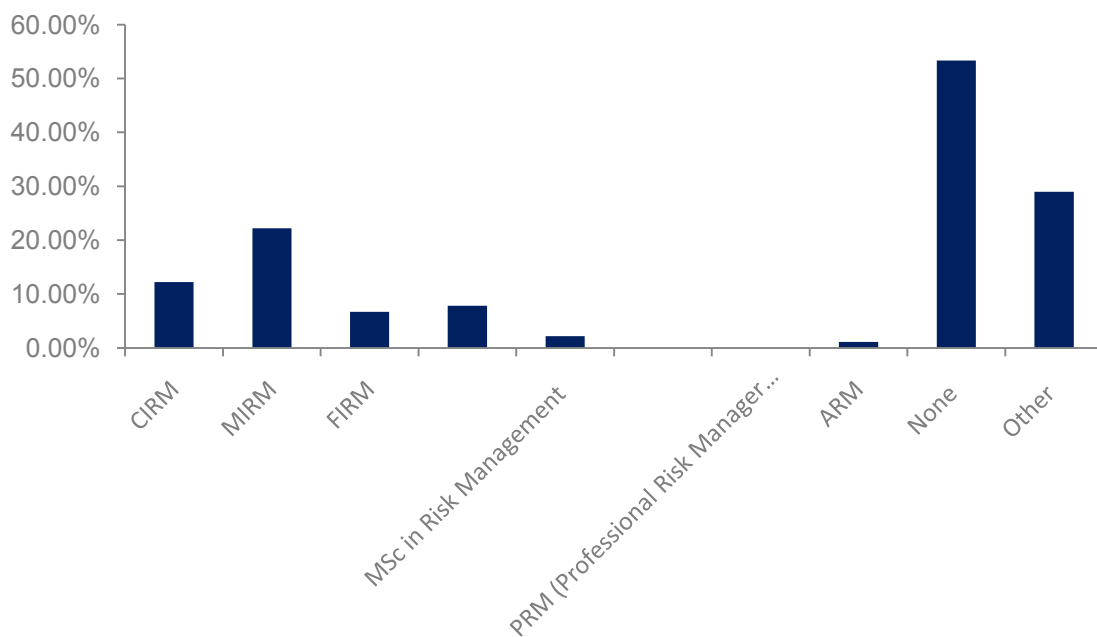
3) Which of the following best describes your organisation?



Other:

- Health
- Reinsurance
- Banking, Asset Management
- Composite
- Specialty insurer / reinsurer
- Energy trader
- Professional
- Media & Events Company

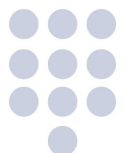
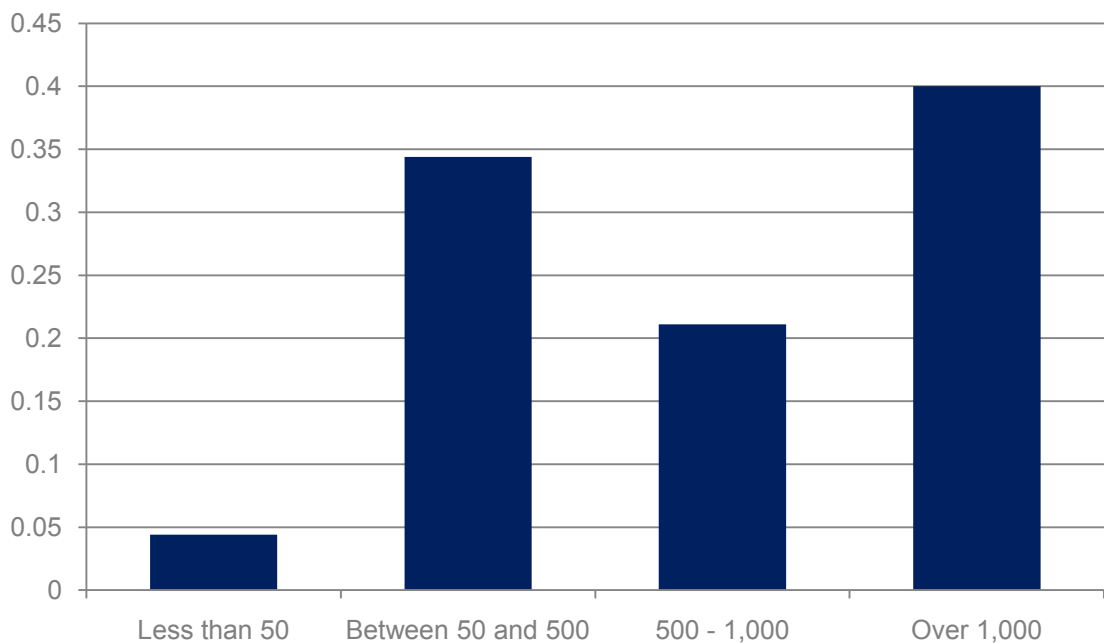
4) What qualifications do you hold in risk management?



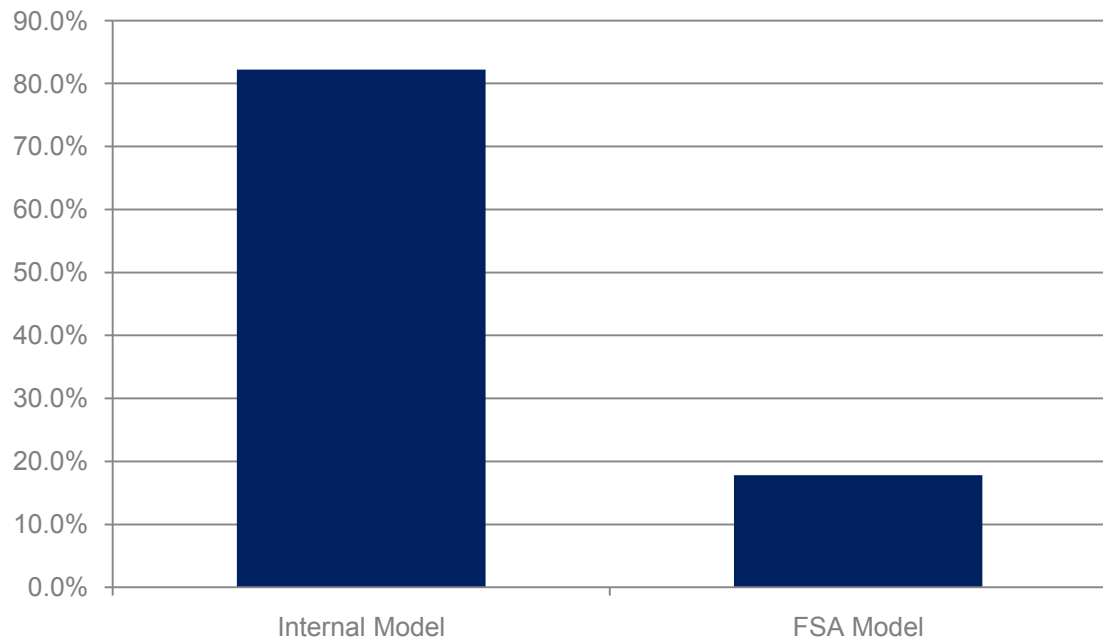
Other:

- Qualified accountant and Prince II
- ALARM Risk Practitioner
- BA (Hons) Risk Management, DipCII
- GARP member
- BA (Hons) Risk Management
- Bachelor of Financial Services
- PIOR
- Professional Accountant
- Studying towards IRM International Diploma
- FCII & MBA
- Fellow of the Institute of Actuaries
- MBCI
- ACA
- FCA
- MBA, FCII
- QBE (x2)
- ACII
- PRINCE, Financial Risk Manager (Part 1)
- B.A., J.D
- Working towards MIRM
- ACII MBA part qualified actuary
- BA Risk Management
- PhD with Honors in Economics and Finance and Masters with honours in Finance

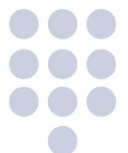
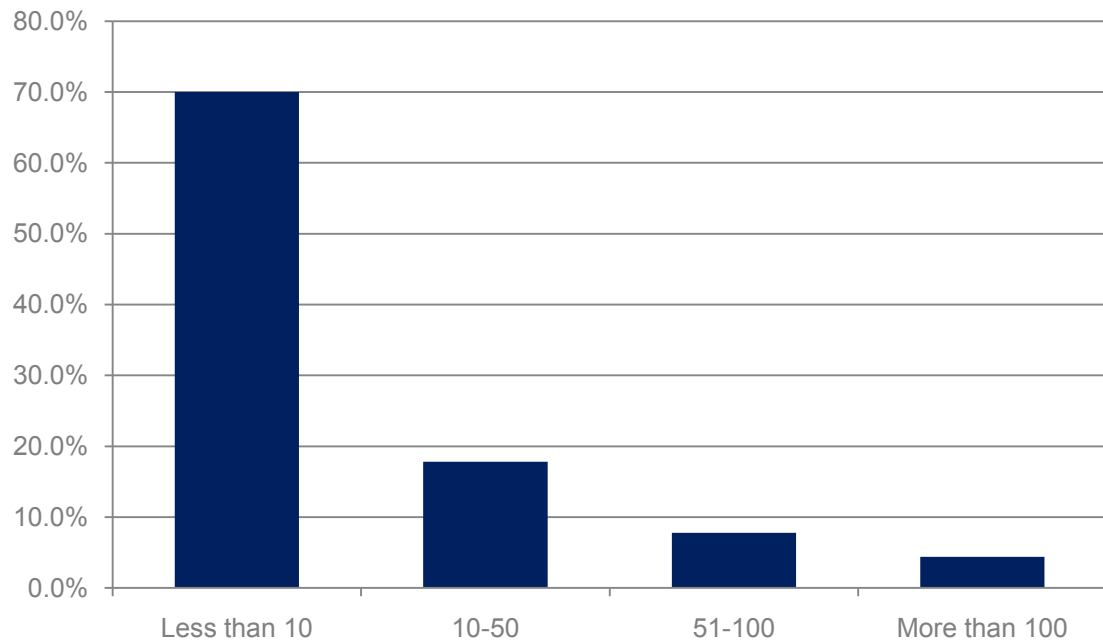
5) How many people are employed by your organisation?



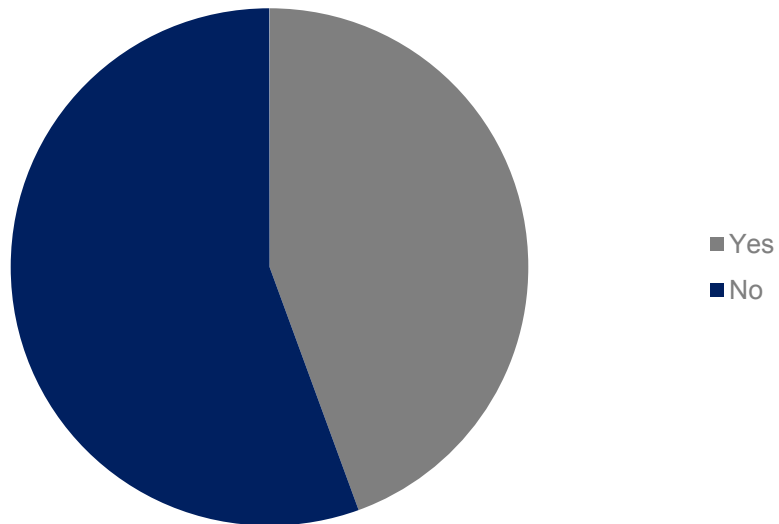
6) When introducing the Solvency II framework, has your organisation opted for an internal model or the standard FSA model?



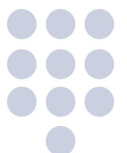
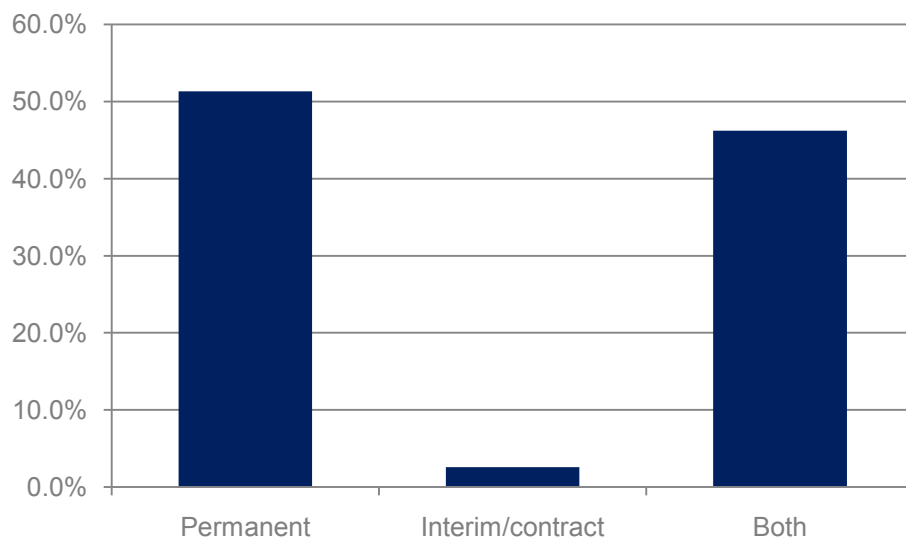
7) How many people are in your Risk team?



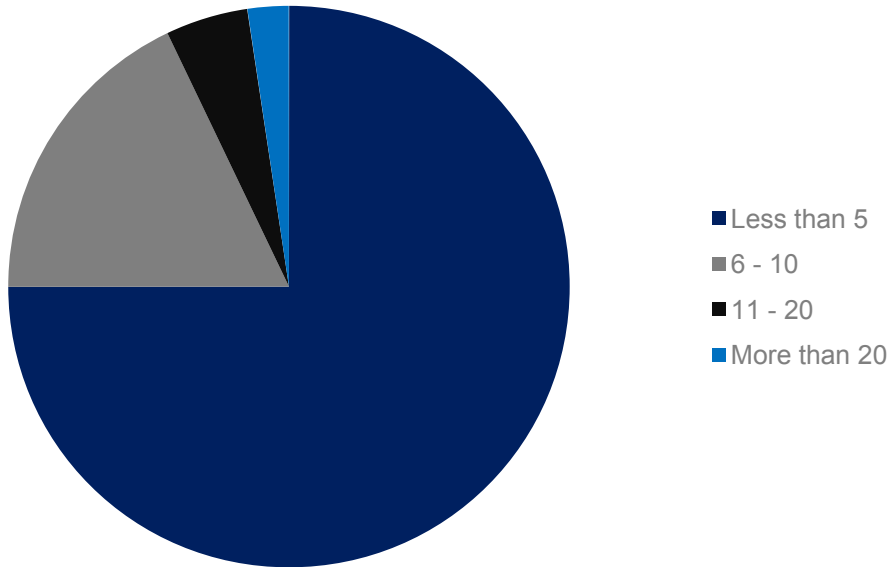
8) Do you expect your team to grow over the next 12 months?



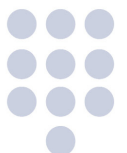
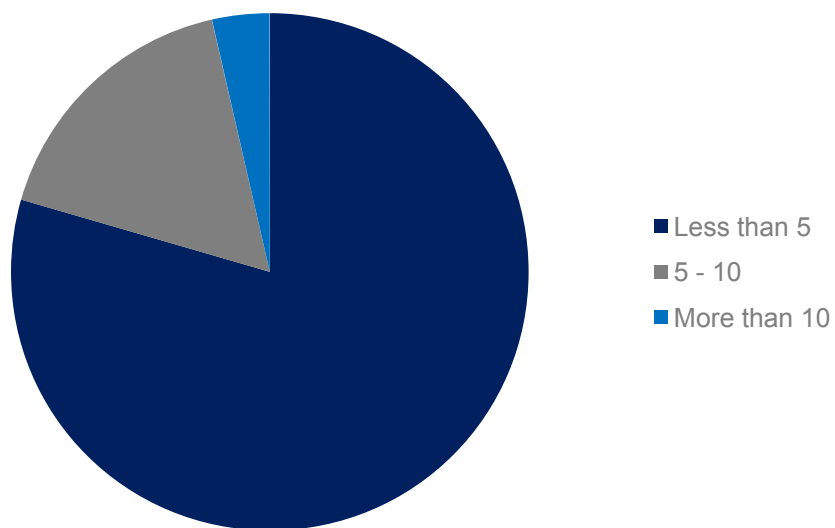
9) Will this growth be in permanent or interim/contract employees?



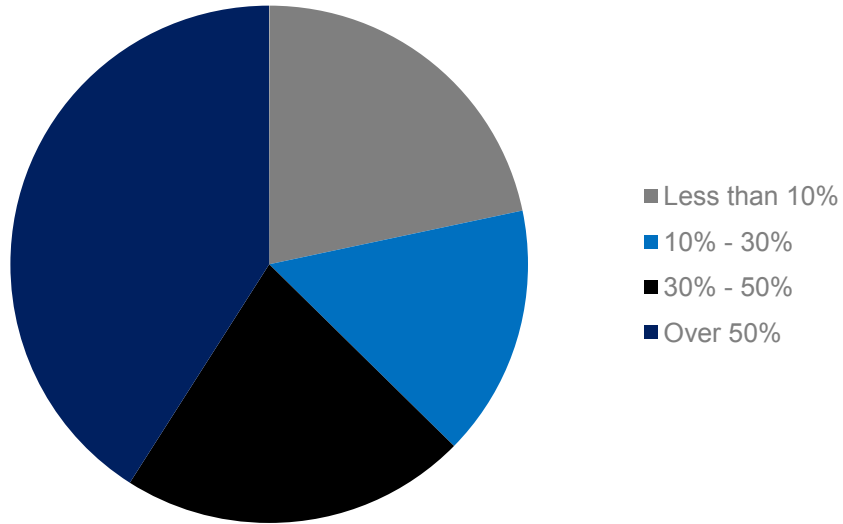
10) Within your team, how many are Solvency II experts?



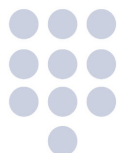
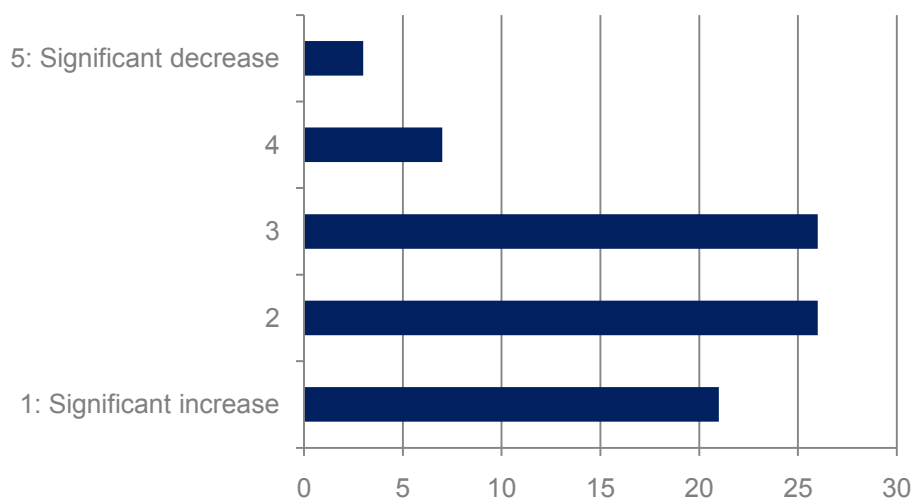
11) How many of these Solvency II experts are permanent?



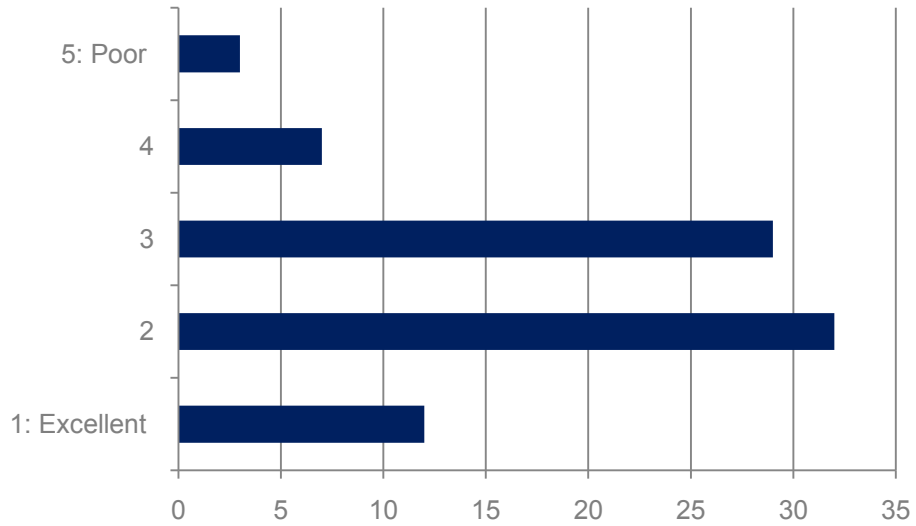
12) What percentage of your daily role is dedicated to Solvency II?



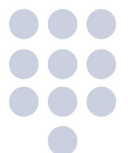
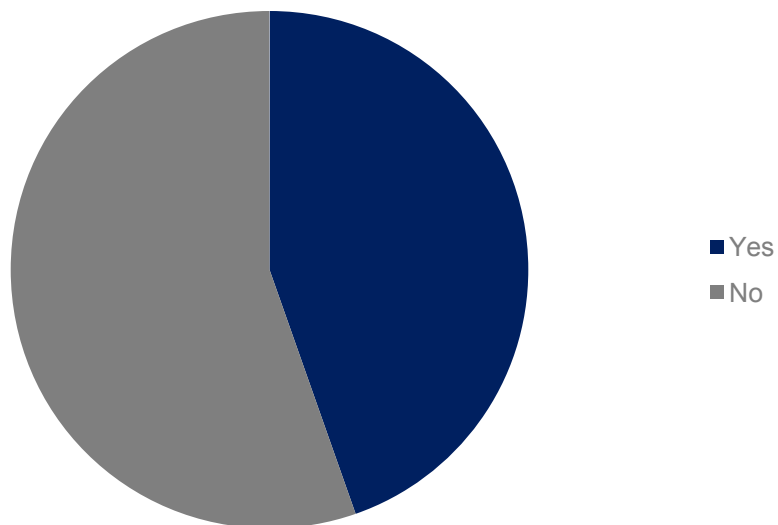
13) On a scale of 1 - 5, with 1 being a significant increase, how does the daily percentage outlined above compare to this time last year?



14) On a scale of 1-5, with 1 being excellent, how would you rate your Board of Director's understanding of the challenges relating to Solvency II?



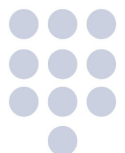
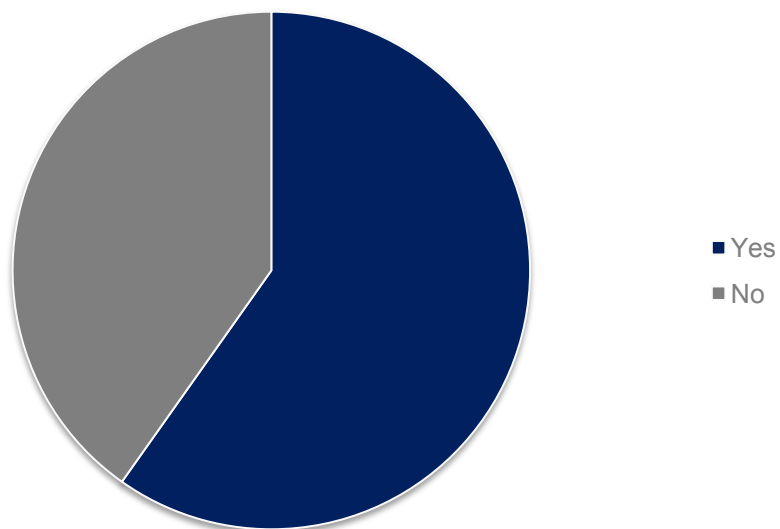
15) Are there any notable skills gaps within your team?



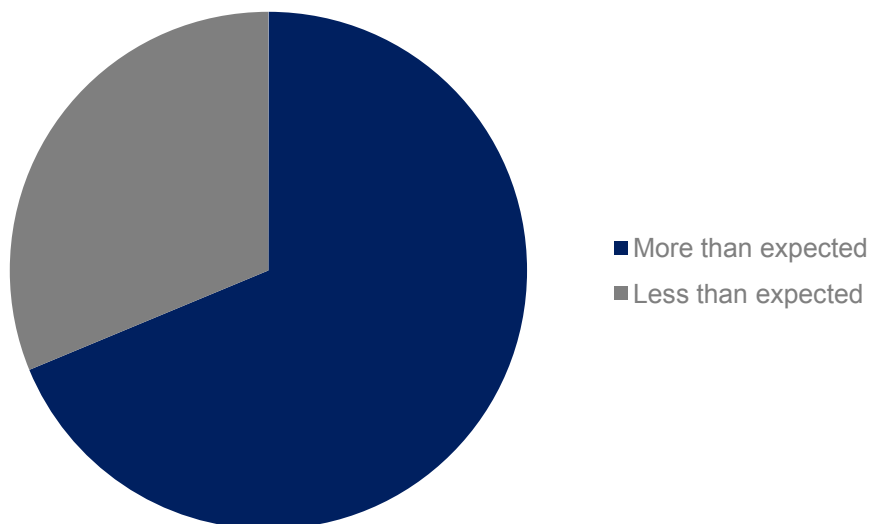
16) Please provide detail of these gaps?

- Financial risk expertise
- Even as experts in their field SME's tend to interpret the guidance differently
- Capital modelling Prudential regulation
Financial risk management
- Strong mathematical modelling skill set -
having to employ consultant for this
- Modelling
- Quantitative analysis skills, Risk team
will join with capital modelling team as a
result of this so gap will be closed
internally
- Modelling knowledge
- Documentation and process design
- Poor ability to connect defined tasks with
embedding actions
- Knowledge surrounding ORSA and how to
implement it
- Embedded Solvency II knowledge (process
/ governance, not requirement)
- Actuarial skills
- Risk MI expertise
- Further Financial Risk skills will be required
under new Head of Financial Risk
- Qualifications in Risk Management
- Understanding of Solvency II

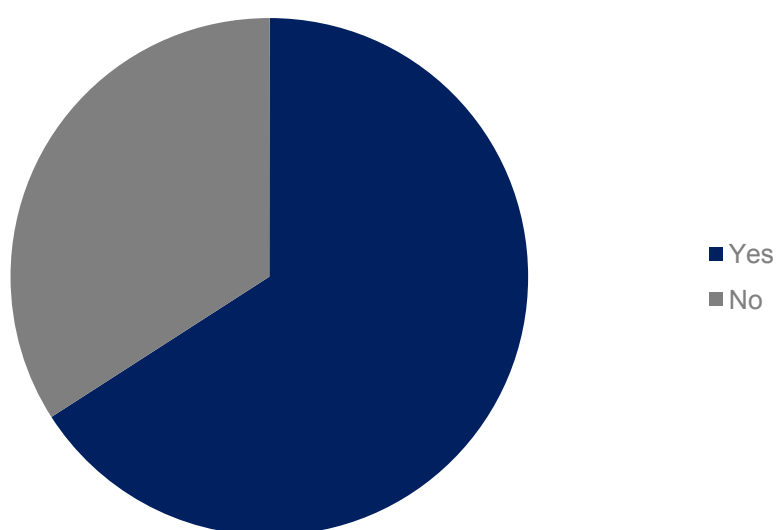
17) Have you seen an increase in your compensation package over the last 12 months?



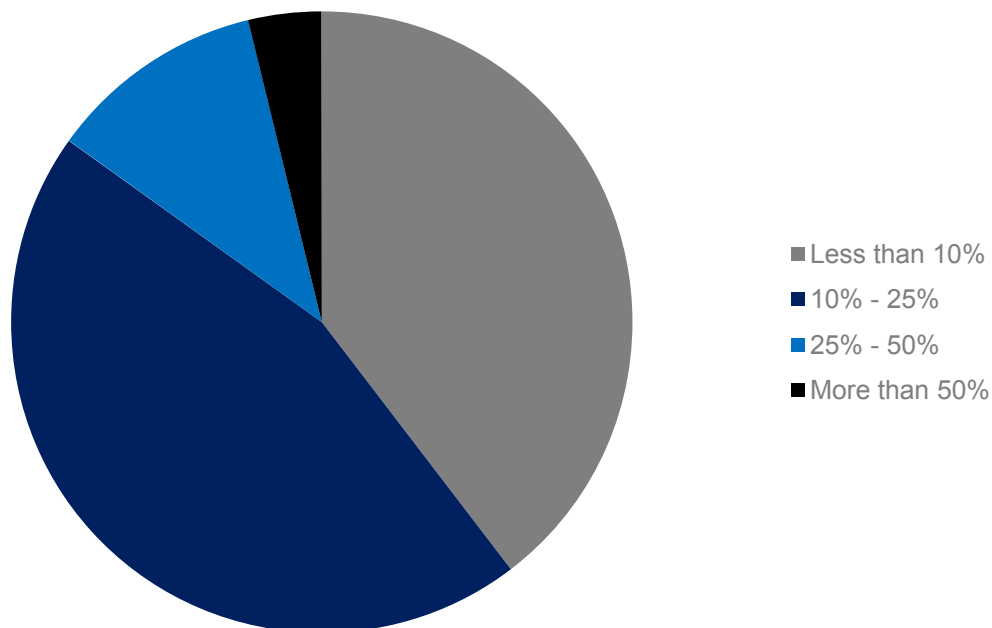
18) Is this increase more or less than expected?



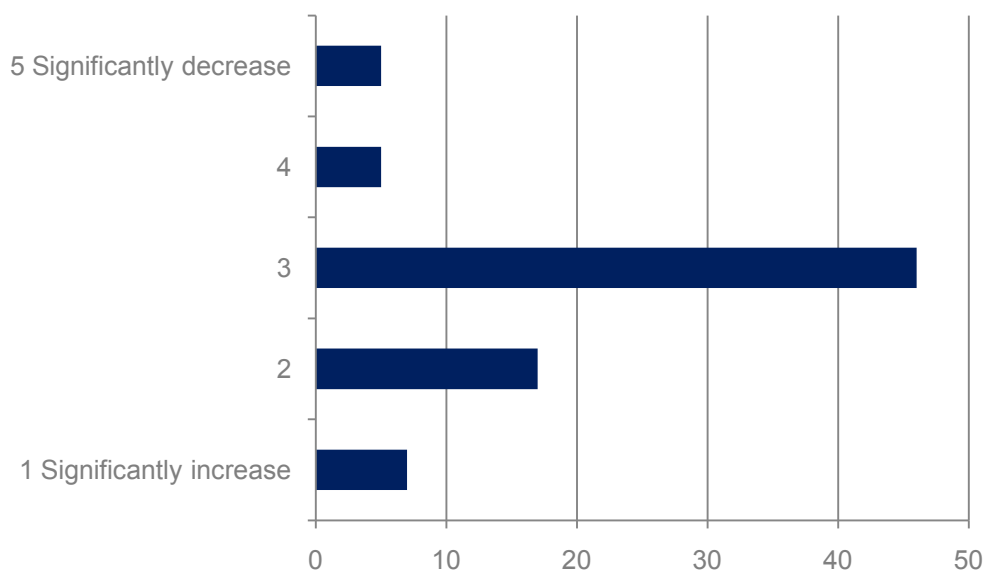
19) Are you expecting a rise in your compensation package over the next 12 months?



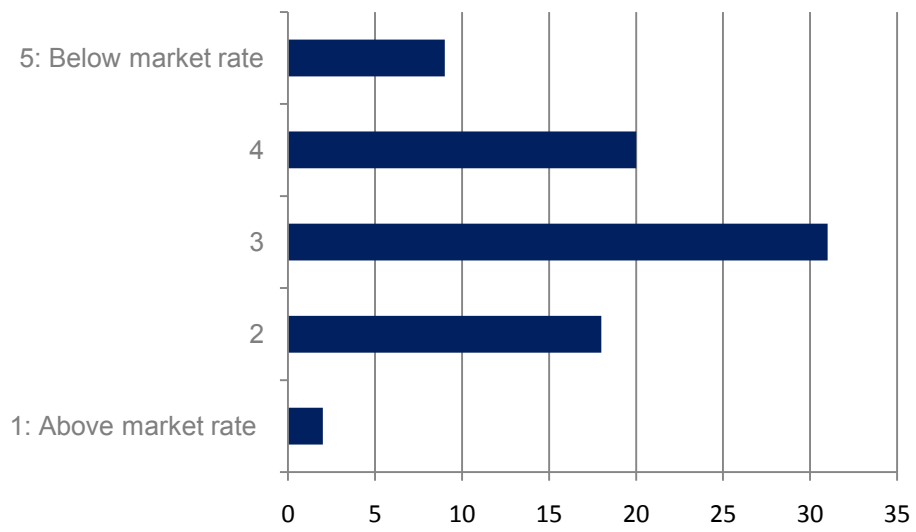
20) What percentage are you expecting?



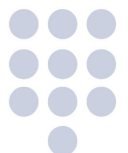
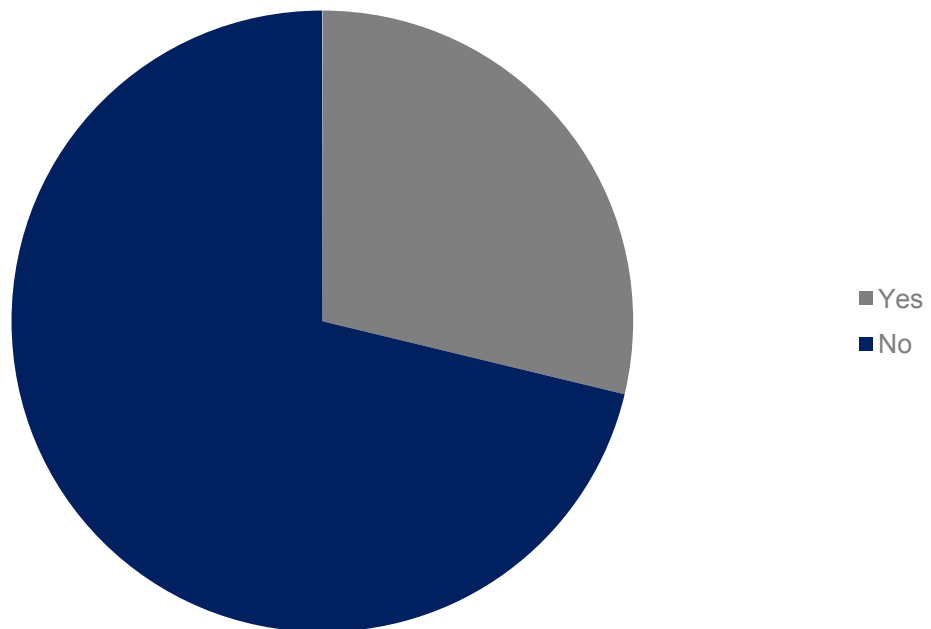
21) On a scale of 1 - 5, with 1 being a significant increase, please rate your expectations with regards to your next/most recent bonus (2009 bonus paid or payable 2010)?



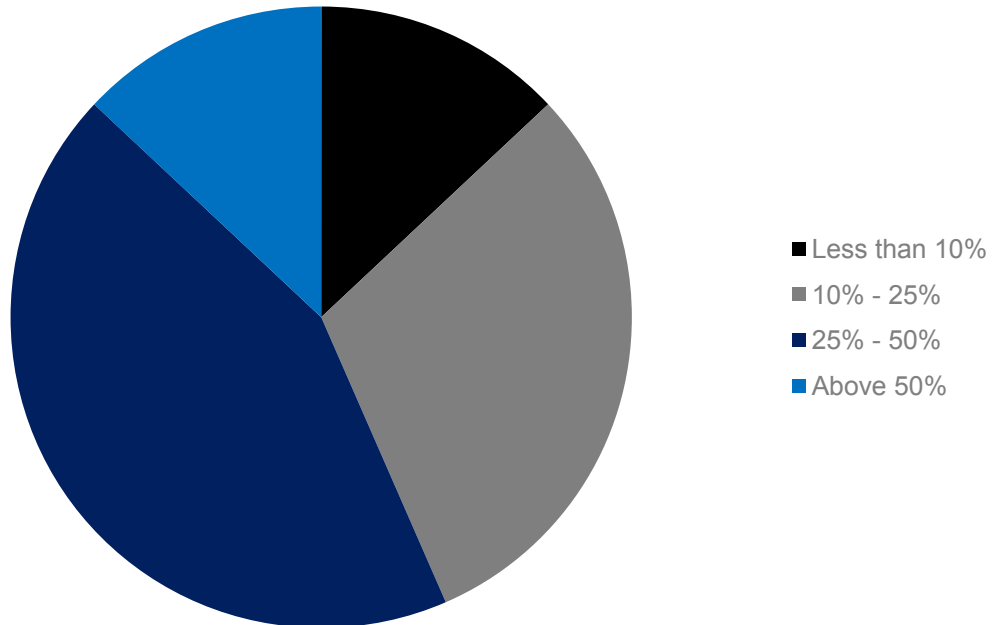
22) On a scale 1 to 5, with 1 being above market rate, how do you rate your current compensation package?



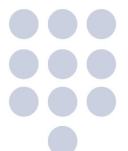
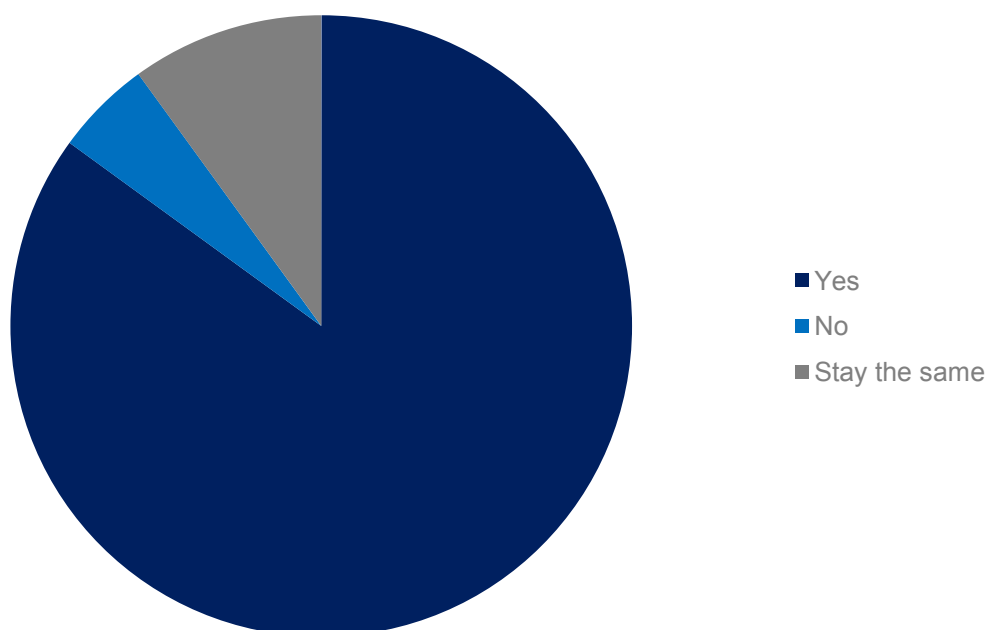
23) Have you been offered any additional long term incentives on top of your standard compensation package?



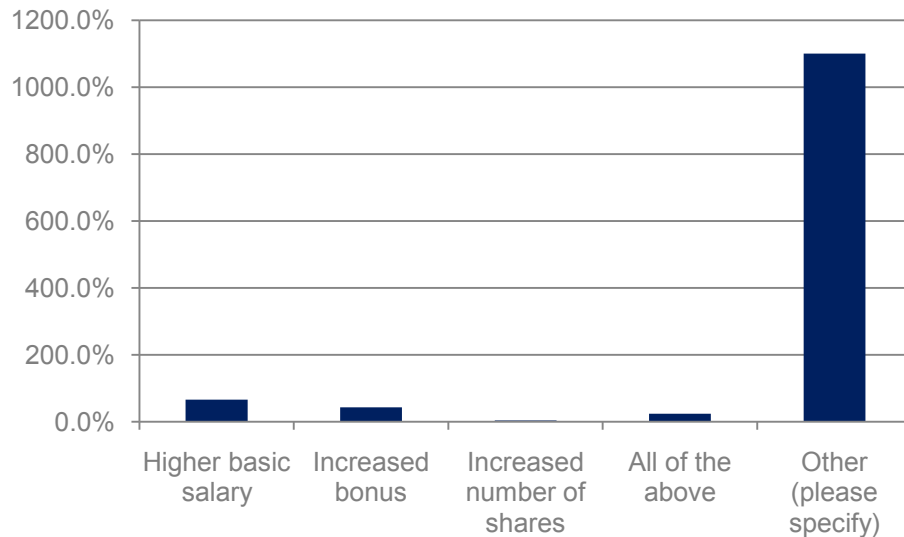
24) Please provide detail on the percentage of package?



25) Do you feel the importance of Solvency II will increase your personal value over the next 12-18 months?

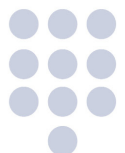


26) How will this be reflected?

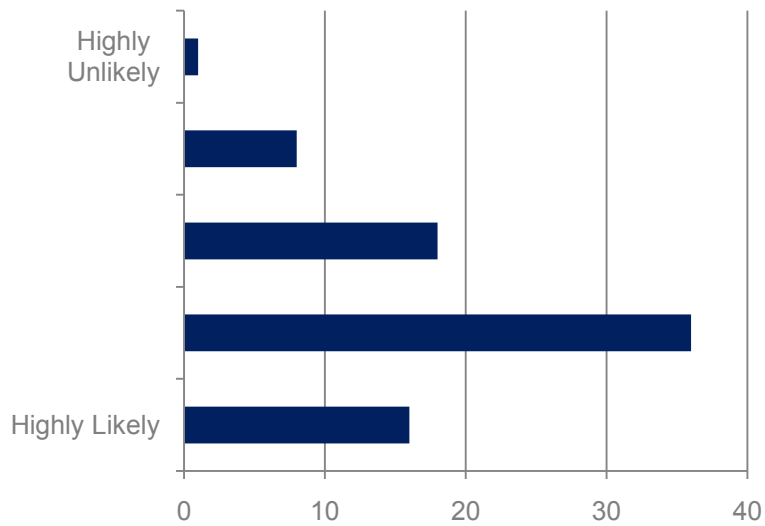


Other:

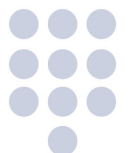
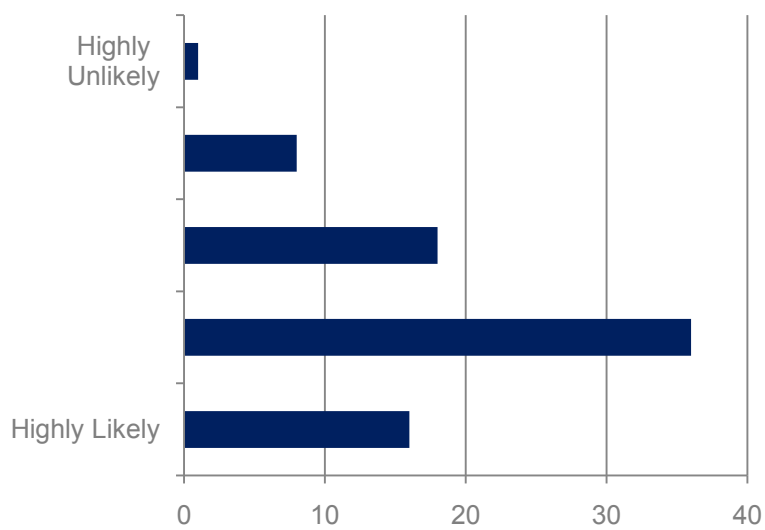
- Board position
- Do not foresee a numerical compensation - the importance of risk management and the staff that undertake this role being further recognised and appreciated by the organisation, and ability to undertake further training are the most likely benefits
- It won't
- Increased rates
- Higher profile
- Raised profile within company
- Profile in business
- Greater value externally if I decide to move elsewhere
- Higher daily rate
- Just greater visibility and inclusion
- None of the above with current employer



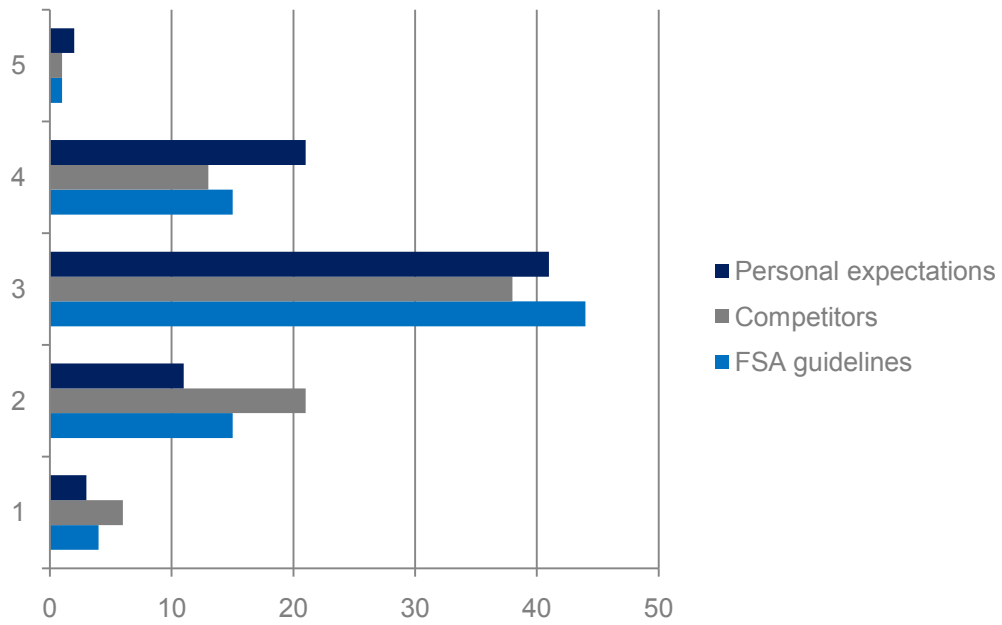
27) How likely are we to see more Risk professionals promoted to Board level positions?



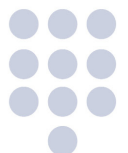
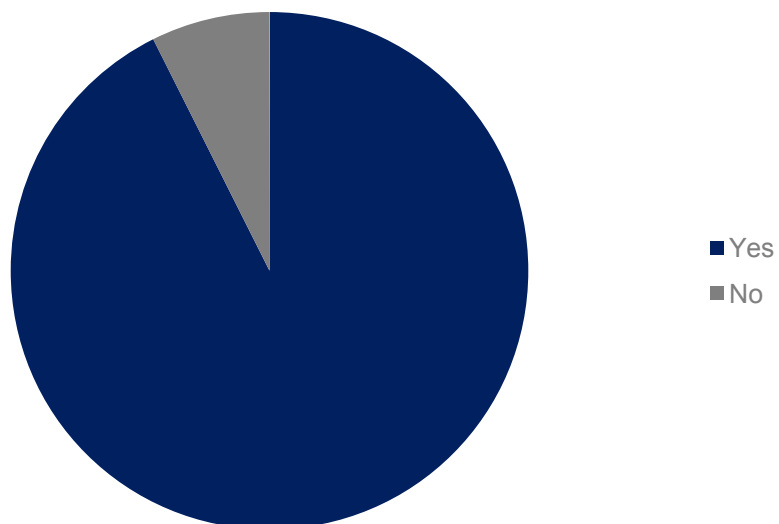
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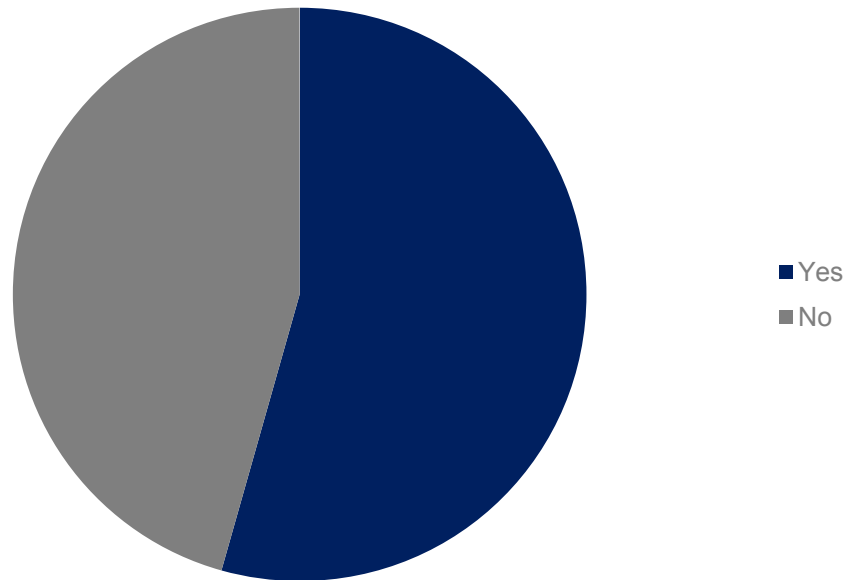
29) With the 2012 deadline approaching, how do you rate your organisation versus the following?



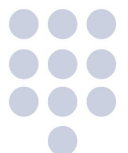
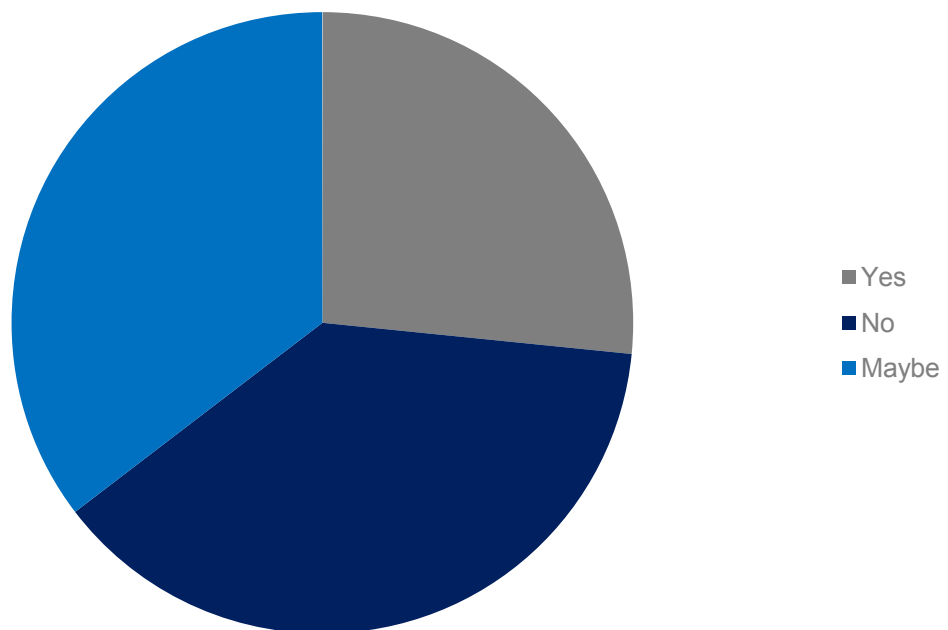
30) Will your organisation meet the 2012 deadline?



31) Do you feel Solvency II will achieve its objectives?



32) If you were offered an attractive interim role would you leave your permanent role?



Founded in 2001, Kinsey Allen International has developed a reputation for contributing to the success of our clients.

We are proud to be working with leading financial and professional services organisations worldwide.

Key facts:

- Almost 300 searches every year for senior level placements
- 86% of our top 50 clients work across multiple practice areas or geographies
- A diverse range of clients from major financial institutions to venture capital start-ups, boutique hedge funds to global asset managers and top-tier law firms to specialist management consultancies
- We are the 8th largest executive search firm in the UK*
- We have grown to over 100 employees operating from 7 worldwide offices

* Executive Grapevine Industry Report 2009/2010





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