

# Welcome to the Executive Risk Insights Conference!

# Welcoming Remarks



**Rebecca Bole**  
EVP & Editor-in-Chief  
Advisen

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# Co-Chair Opening Remarks



**Cris Baez-Safa**

Head of European Financial &  
Specialty Markets  
QBE Insurance (Europe) Limited



**Guillaume Deschamps**

Director, Head of FINEX France  
Gras Savoye  
a Willis Towers Watson Company

# Keynote Address



**Richard Pryce**  
Chief Executive Officer  
QBE European Operations



# The Dynamics of a Changing Market: Impact on Coverage and Claims

# The Dynamic of a Changing Market

**Douglas W. Greene**  
Partner  
Lane Powell PC  
(Moderator)



# The Dynamic of a Changing Market

- **Douglas W. Greene**, Partner, Lane Powell PC (Moderator)
- **Francis Kean**, Executive Director, Willis Towers Watson
- **Michael Rieger-Goroncy**, Head of Global Corporate Marsh FINPRO
- **Mark Smith**, Portfolio Manager – Commercial Financial Lines, QBE European Operations

# The Dynamic of a Changing Market



**Douglas W. Greene**  
Lane Powell PC



**Francis Kean**  
Willis Towers Watson



**Michael Rieger-Goroncy**  
Marsh



**Mark Smith**  
QBE

# Morning Break

**Coming up next...**

The Buying and Underwriting Process

# Thank you to our Sponsors!



# The Buying and Underwriting Process

# The Buying and Underwriting Process



**Rebecca Bole**  
EVP & Editor-in-Chief  
Advisen  
(Moderator)



# The Buying and Underwriting Process

- **Rebecca Bole**, EVP & Editor-in-Chief, Advisen  
(Moderator)
- **Guillaume Deschamps**, Director, Head of FINEX  
France, Gras Savoye, a Willis Towers Watson Company
- **Suresh Ellawala**, D&O Line Underwriter, Hiscox

# The Buying and Underwriting Process



**Rebecca Bole**  
Advisen



**Guillaume Deschamps**  
Gras Savoye  
a Willis Towers Watson Company



**Suresh Ellawala**  
Hiscox

# Crime: Are Policies Relevant for Today's Exposures?

# Crime: Are Policies Relevant for Today's Exposures?



## **Michael Lea**

Producer, Financial Risks  
Lockton Companies LLP  
(Moderator)

# Crime: Are Policies Relevant for Today's Exposures?

- **Michael Lea**, Producer, Financial Risks, Lockton Companies LLP (Moderator)
- **Kirstin Gill**, Senior Underwriter, Liberty Specialty Markets
- **Jamie Mackenzie**, Director, Equijust
- **Ken Munro**, Partner, Pen Test Partners LLP

# Crime: Are Policies Relevant for Today's Exposures?



**Michael Lea**  
Lockton Companies LLP



**Kirstin Gill**  
Liberty Specialty Markets



**Jamie Mackenzie**  
Equijust



**Ken Munro**  
Pen Test Partners LLP

# Conference Luncheon

Coming up next...

Investigations: Policy Response

# Thank you to our Sponsors!





# Investigations: Policy Response

# Investigations: Policy Response

## **Eleni Petros**

SVP, Commercial Crime Practice  
Leader & Senior Management  
Liability Specialist  
Marsh  
(Moderator)



# Investigations: Policy Response

- **Eleni Petros**, SVP, Commercial Crime Practice Leader & Senior Management Liability Specialist, Marsh (Moderator)
- **Judy Krieg**, Financial Crime, Compliance and Corporate Governance Partner, Shepherd and Wedderburn LLP
- **Peter Bibby**, Partner, Brown Rudnick LLP
- **Mary O'Connor**, CEO of Financial Lines, Willis Towers Watson

# Investigations: Policy Response



**Eleni Petros**  
**Marsh**



**Judy Krieg**  
**Shepherd and Wedderburn LLP**



**Peter Bibby**  
**Brown Rudnick LLP**



**Mary O'Connor**  
**Willis Towers Watson**

# Extortion – A Growing Executive Risk

# Extortion – A Growing Executive Risk



**Harry Linnell**

Crisis Management Insurance Broker  
RKH Specialty



**Nick Powis**

Head of Operations  
red24

# Extortion: A Growing Executive Risk



# Extortion Spectrum

- Extortion-Protection
- Blackmail
- Virtual Kidnap
- Ransomware & Malvertising
- Malware (webcams)
- DDOS Threats
- Malicious Product Tampering Extortion (MPTE)
- Hostile State Actors & Non-State Actors (*"Hacktivists"*)



# Crisis Management

- Contingency (K&R) Insurance
- Clean escalation, verification & containment
- CMT & IMT
  - Core members & surge members
  - Secure location & IT
  - LOA
  - Contingency planning
  - Same Direction – Same Speed – Same Destination
  - Logkeeping

# Crisis Management

- KRE crisis-responder: Mentor on tactics, contingency plans & liaison
- Stakeholder Management
  - Asymmetric warfare
  - Crisis-Media
  - Law-Enforcement & Compliance
  - Diplomatic
  - TPI
  - Customers; Clients; Supply Chain
  - NOK & Families
  - Forensic IT

# Crisis Management

- Focus on the Fundamentals:
  - CONTROL
  - CREDIBILITY
  - CONSISTENCY
  - RESILIENCE
  - STRATEGY
  - .....KEEP IT SIMPLE

# Key definitions

## Extortion

The making of illegal threats either directly or indirectly by persons who then demand a ransom not to carry out such threats

### Kidnap

Traditional  
Tiger  
Express  
Virtual

### Illegal detention

### Cyber attack

### Hijack

### Piracy

**Ransom:** Cash, goods or services surrendered to meet a demand

# Triggers for the policy

We access insurance capacity from UK and international underwriters, designing coverage to suit individual requirements with flexible policy periods and a wide range of perils, including:

- Kidnap for Ransom
- Extortion
- Bodily Injury / Medical Care and Recovery
- Illegal detention
- Legal Liability
- Business Interruption
- Protection of Assets from Illegal Demands
- Threat Response
- Disappearance Investigation
- Emergency Political Repatriation and Relocation
- Hijack
- Hostage Crisis
- The Loss of Ransom in Transit
- Piracy
- Child Abduction
- Cyber Attack
- Loss of Earnings



# Extortion – A Growing Executive Risk



**Harry Linnell**

Crisis Management Insurance Broker  
RKH Specialty



**Nick Powis**

Head of Operations  
red24

# Afternoon Break

**Coming up next...**

The Activist Investor and Litigation Funding



# Thank you to our Sponsors!



# The Activist Investor and Litigation Funding

# The Activist Investor and Litigation Funding



**Edouard Fremault**  
Partner  
Deminor Recovery Services



**Rocco Pirozzolo**  
Director of Litigation Funding  
Harbour Litigation Funding

# ACTIVIST INVESTORS

## THE EUROPEAN PRACTICE

**Advisen Conference**

**London, November 16<sup>th</sup> 2016**

**Presented by Edouard Fremault**



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RECOVERY SERVICES



# 1. ACTIVISM ON THE RISE IN EUROPE

## INCREASED FREQUENCY AND SUCCESS OF ACTIVISM IN EUROPE:

- End of the passivity era, where displeased investors simply sold their shares in reaction to negative events.
- Activism can represent a wide range of efforts aimed at influencing publicly traded companies' management and/or decision making. *E.g.*, Say on pay, shareholders proposals, vote-no campaigns, seeking significant change on the company's strategy, financial structure and management composition.
- In the past years, several European companies have been confronted with shareholders pushing for transparency and corporate governance improvements.
- There is a debate on whether activism creates value (in the long or short term). Distinction between hedge fund activism ("capitalistic" or opportunistic) and activism aimed at the long term improvement of the company and its corporate governance.
- Shareholder litigation is a powerful tool to enforce changes and seek transparency.



## 1. TRENDS IN EUROPEAN ACTIVISM

- A 125% increase in activism actions in 2015 in Europe.
- Focus on large and mid-cap companies. Importance of liquidity.
- UK, France, Germany, Italy and Switzerland are the main jurisdictions. Not a surprise.
- More than 50% of current European activism is aggressive and/or hostile type.
- Most common settlement : a board representation.
- Vote against the executives remuneration (especially in the banking sector).
- Are all the activists hedge-funds ?



## 2. SHAREHOLDER ENGAGEMENT: THE AMERICAN vs THE EUROPEAN APPROACH

**AS AN ALTERNATIVE TO COURT ACTIONS, SHAREHOLDERS IN EUROPEAN COMPANIES USE DIFFERENT LEGAL MECHANISMS TO IMPROVE TRANSPARENCY, CORPORATE GOVERNANCE AND COMPLIANCE**

### 1. THE AMERICAN APPROACH

- Writing letters and meeting with the management, soliciting support from other shareholders (building coalitions/proxy solicitation), writing letters to regulators, make noise in the press.

### 2. THE EUROPEAN APPROACH

- “Tool-box” approach. Variety of legal mechanisms in Europe; you don’t rush to the courts.
- Essential role of the annual shareholders’ meeting: key-moment of the year to make your position known to the management. It’s not only about the votes.
- The European approach is less vocal, public relation-oriented compared to the US.



## 3. THREE SHADES OF ACTIVISM

### 1. SOFT ACTIVISM: THE PREVENTION, “BENIGN” STAGE

- A potential risk of mismanagement being perceived, room for improvement.
- Private dialogue with other investors and management.

### 2. STRONGER ACTIVISM: THE REVINDICATION, “MORE VOCAL” STAGE

- Failure in the dialogue with management or (controlling) shareholders.
- Important event that may be determinant for the company’s future.
- Open letters, media campaigns, alliances among shareholders.

### 3. SHAREHOLDER LITIGATION: THE COERCION, “ENFORCEMENT” STAGE

- Losses are materialized; dialogue is broken.
- Only strong enforcement can provide actual relief to investors.
- Detailed proposals, demand seat on board, tender offer, solicit buyers, proxy fights.





# The VW CASE

## THE GERMAN “SONDERPRÜFER”: VOLKSWAGEN AG CASE (2016)

### **Step 1: motion at the shareholders meeting**

- Deminor on behalf of institutional investors filed a motion to have a special investigator appointed at the AGM to independently report shareholders about:
  - a) Jones Day’s report: scope, status, how it is being managed (an audit on the report)
  - b) Supervisory and Management board potential or actual knowledge of the defeat devices, time framework, corporate governance shortcomings
  - c) Further fact gathering to understand what happened
- The motion was voted down (due to controlling shareholders) but more the 50% of free float voted in favor, showing shareholders’ disapproval.

### **Step 2 : court action seeking the appointment of a special investigator**

- The motion at the shareholders meeting is a precondition to this court action.

### **Step 3: court action to obtain damages**



## CONTACT PERSONS

Should you have any questions on our activities and/or our recovery cases, please do not hesitate to contact:

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# The Activist Investor and Litigation Funding



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# The Broader Impact of Data Breach: The Executive Risks

# The Broader Impact of Data Breach

## **Cris Baez-Safa**

Head of European Financial &  
Specialty Markets  
QBE Insurance (Europe) Limited  
(Moderator)



# The Broader Impact of Data Breach

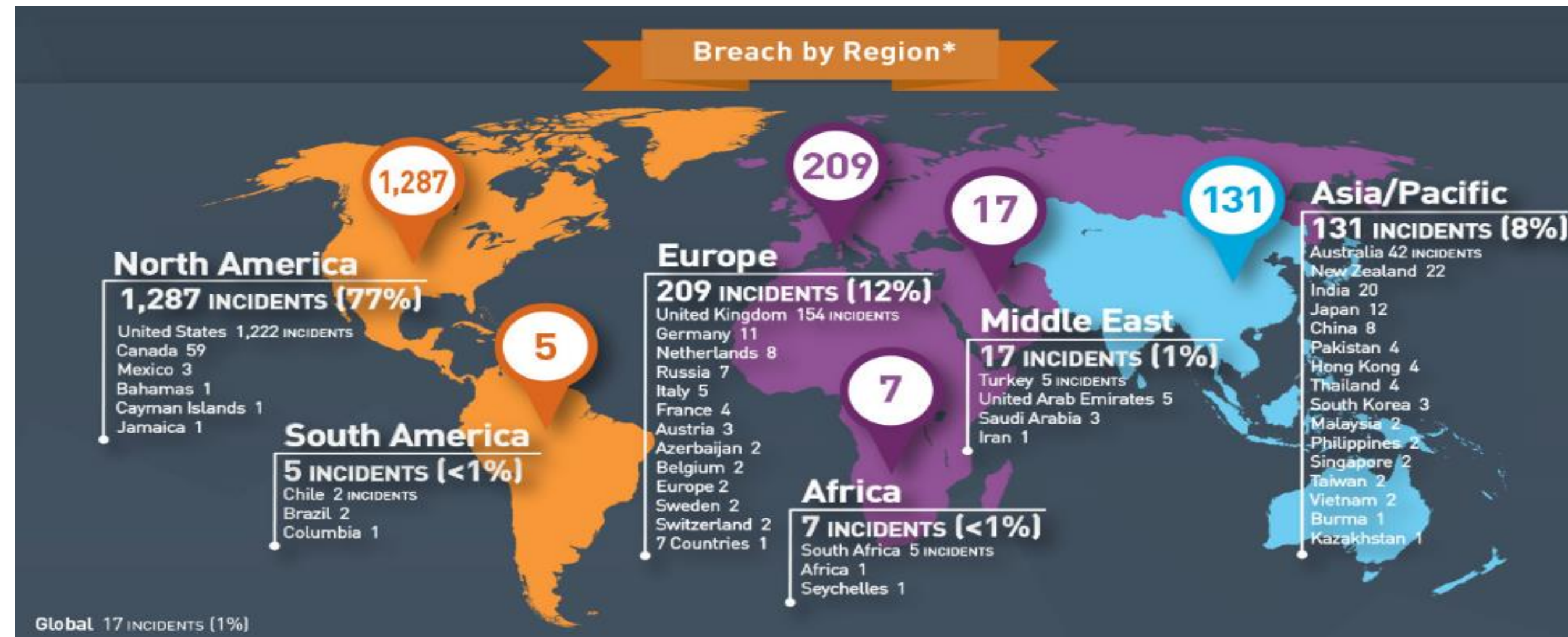
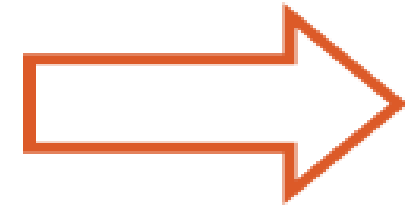
- **Cris Baez-Safa**, Head of European Financial & Specialty Markets, QBE Insurance (Europe) Limited (Moderator)
- **Marcus Breese**, Cyber & Professions Line Underwriter, Hiscox London Market
- **Philip Tansley**, Legal Director, RPC
- **Jens Waldner**, Senior Associate, Corporate Department, Paul Hastings LLP

“There are two types of companies:  
Those that have been hacked, and those that will be.”

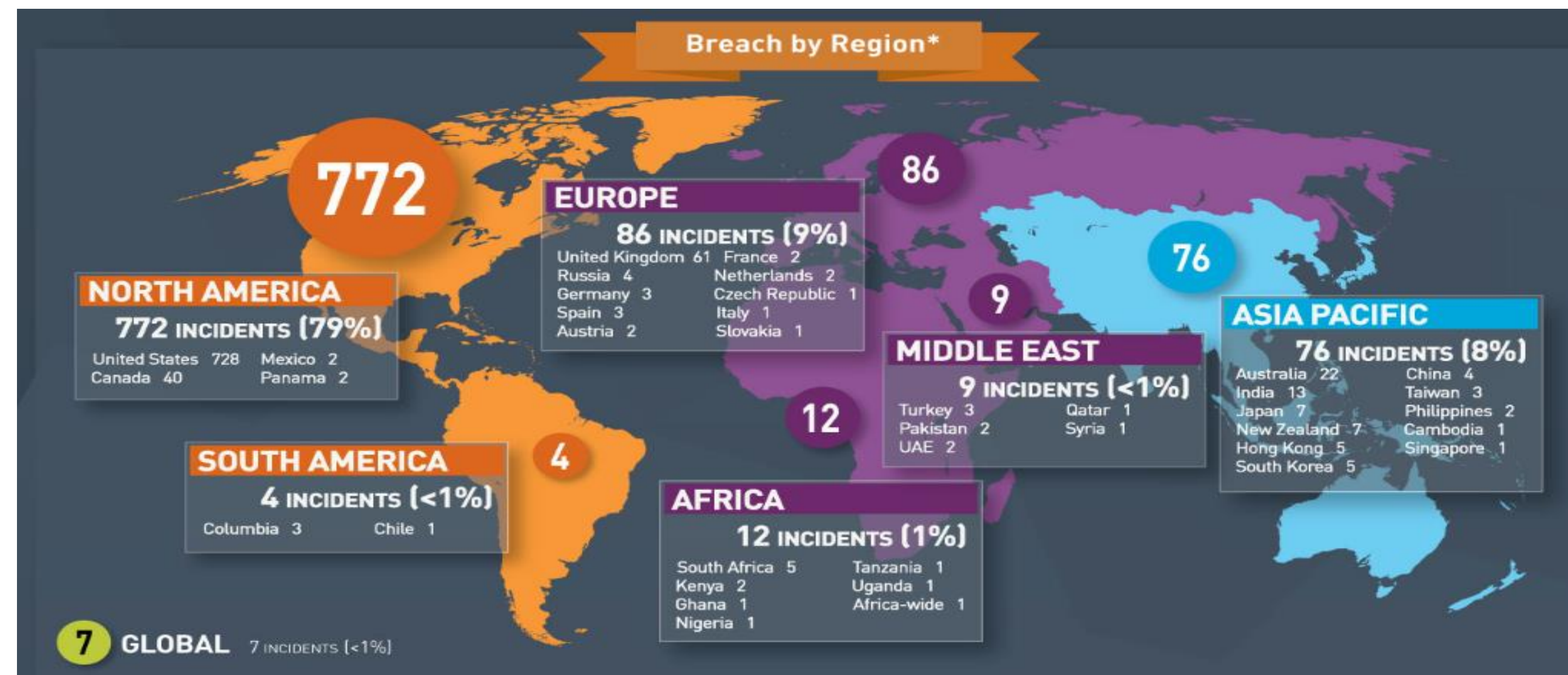
*Robert Muller – Former FBI Director 2012*

# Worldwide DATA BREACHES: OVERVIEW

2015



2016  
(first half)

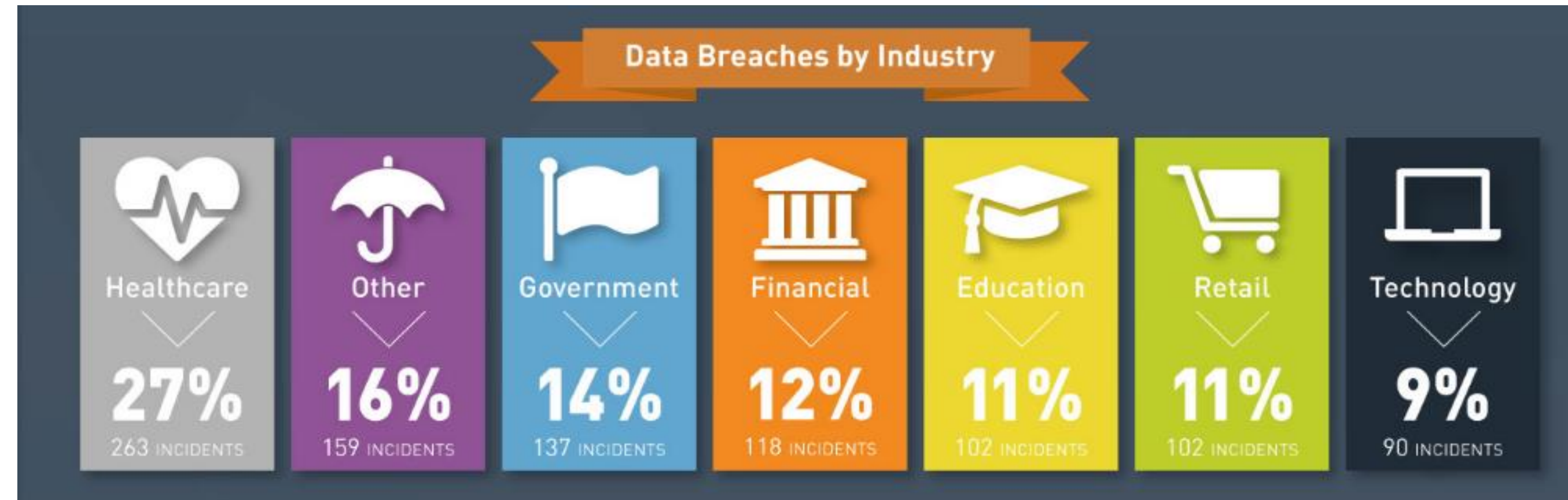


Source: Breach Level index reports 2015 & 2016 powered by Gemalto



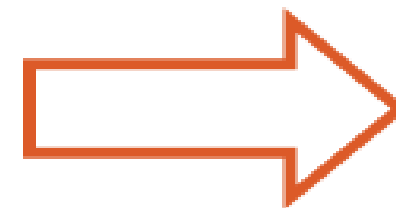
# Worldwide DATA BREACHES: OVERVIEW

2015



2016

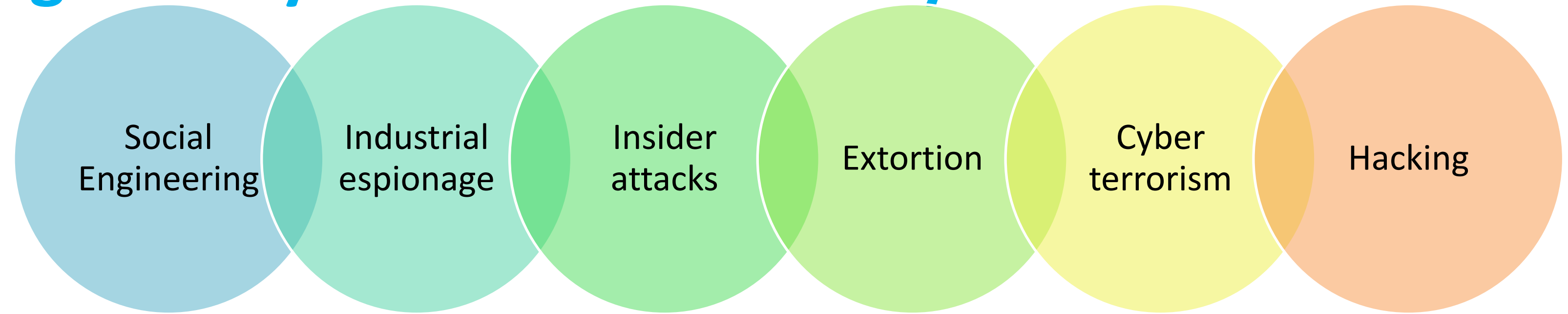
(first half)



Source: Breach Level index reports 2015 & 2016 powered by Gemalto

# Cyber Exposure will generally manifest in two ways:

## 1) Cyber Attack:



## 2) Non-Malicious Events:



### Via three attack vectors:



**Cyber Criminal**



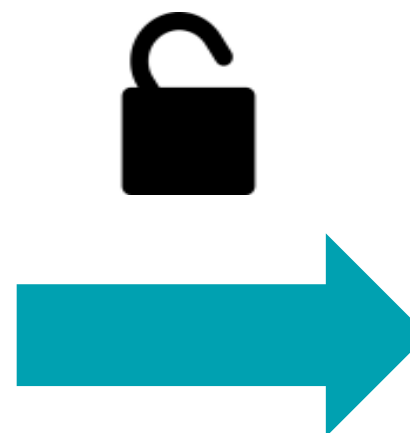
**Employee**



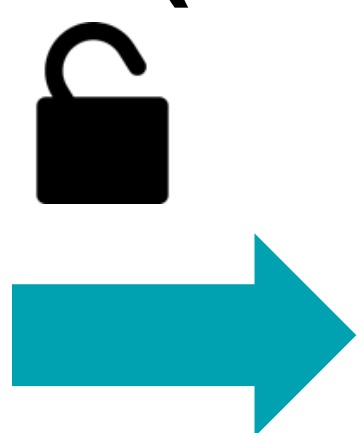
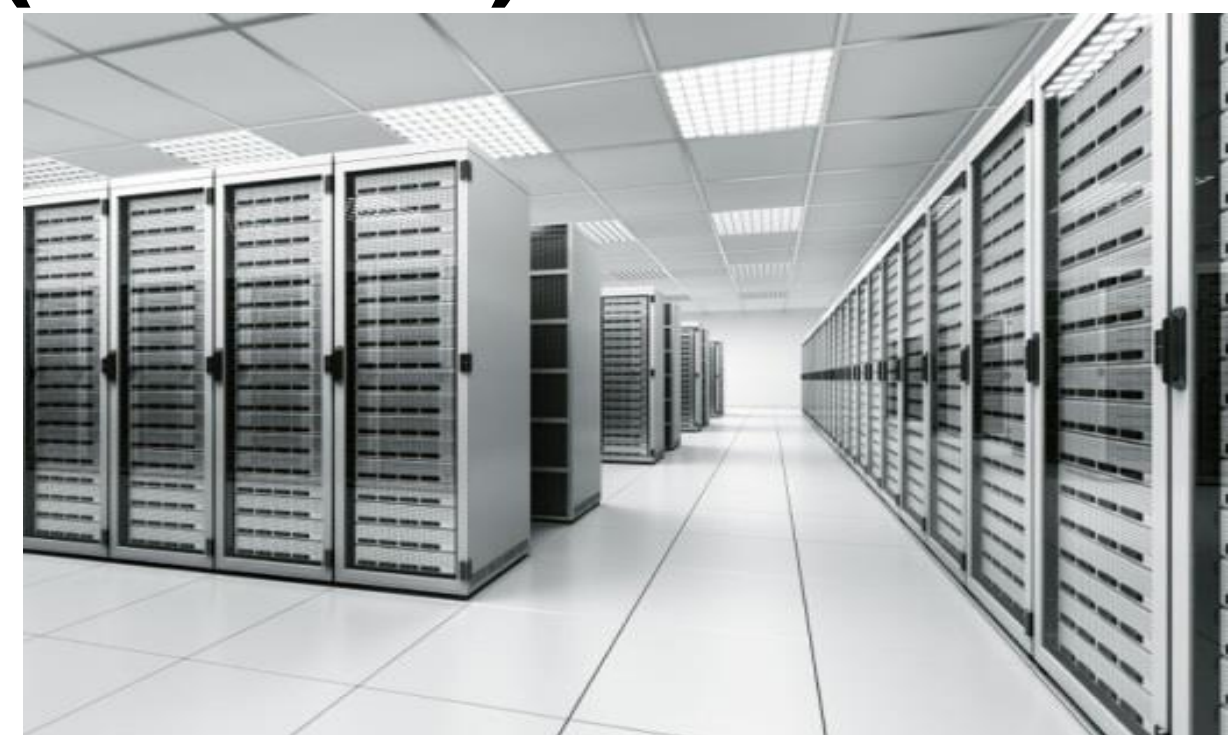
**3rd Party Contractor**

# Scenario

Hackers



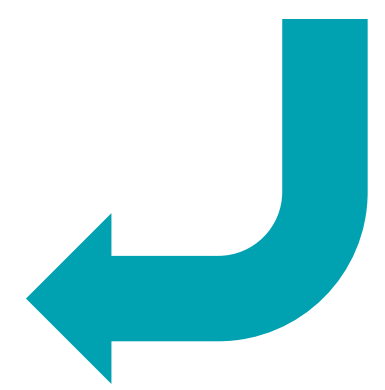
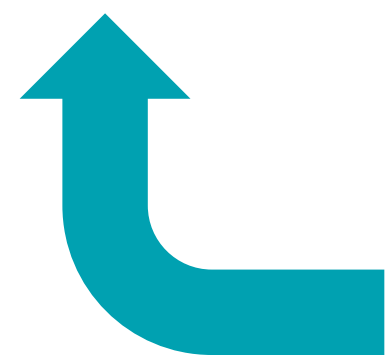
Managed Services (France)



Financial Services Company (UK)



£££



Customers (Worldwide including UK, US & France)

# How does a typical breach unfold?

## Investigation

- Retain privacy counsel
- Determine what information impacted (forensic vendor)
- Determine what laws might apply/notification deadlines
- Potentially involve law enforcement

## Response

- Notify impacted individuals (mail and call center vendor) and offer identity theft assistance
- Notify relevant regulators
- Notify card brands
- PR firm

## Regulatory Investigations & Lawsuits

- Class action lawsuits
- Regulatory investigations
- PFI Investigation/Card brand claims
- Shareholder lawsuits

## Reputational fall out

- Lost trust/customers
- Stock price drop
- New leadership

# Regulatory context

*"Today's record fine acts as a warning to others that cyber security is not an IT issue, it is a boardroom issue."*

Elizabeth Denham, UK Information Commissioner, October 2016

- **UK Regulation**
- **French Regulation**
- **International Issues**
  - Other Jurisdictions
  - Data Sharing
- **Issues for the Board**
- **Regulatory Reform**
- **GDPR – more regulation on the way**

# What could it mean to your company?

Contract Management **VENDOR SCREENING / SUPPLY CHAIN**

Damage to **REPUTATION & BRAND**

Potentially large **FINANCIAL IMPLICATIONS**

Loss of **TRUST, CUSTOM & SHARE PRICE VALUE**

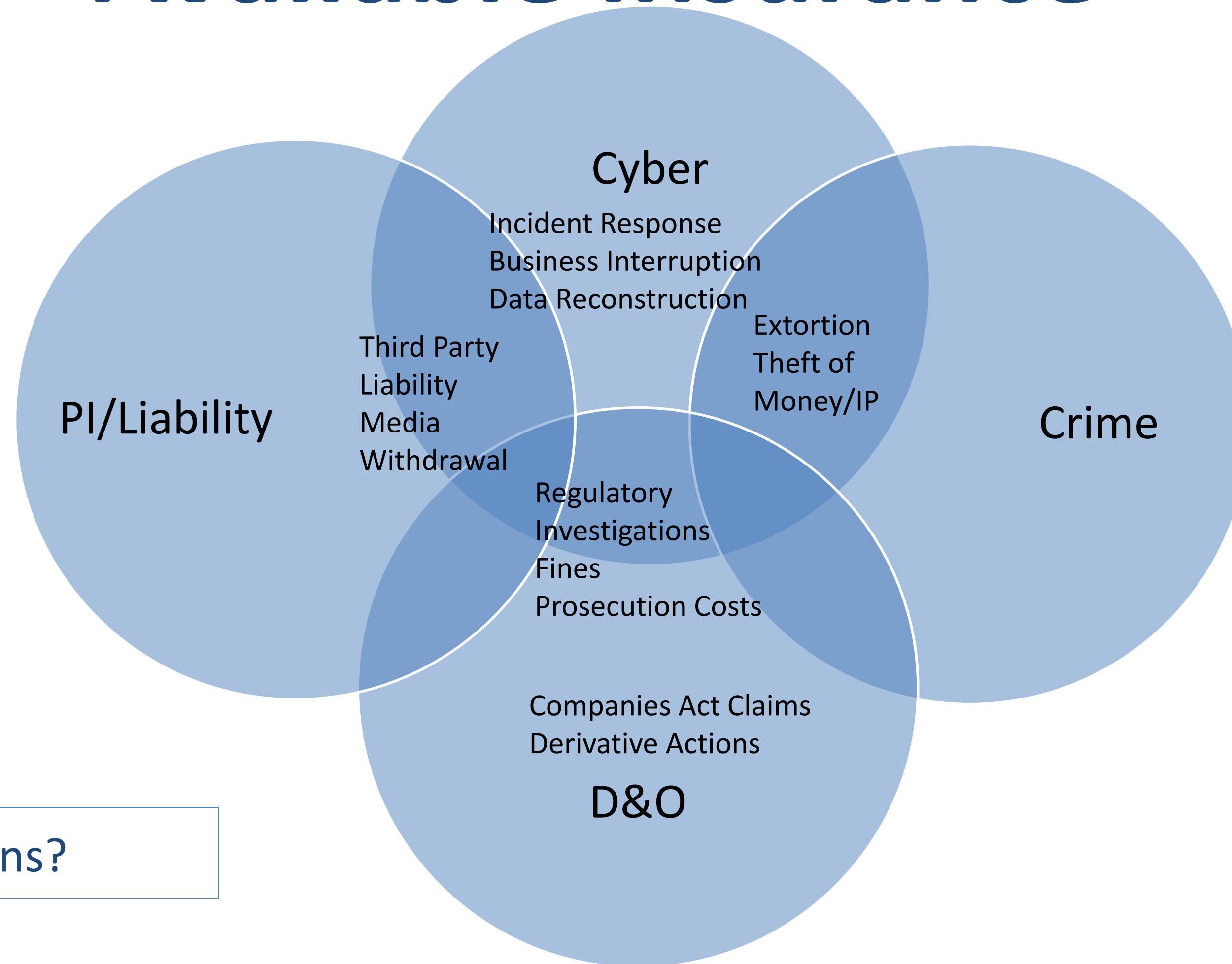
Loss of **INTELLECTUAL PROPERTY**

Regulator involvement **INVESTIGATIONS, FINES & PENALTIES**

Current **INSURANCE PROGRAMMES**



# Available Insurance



Triggers and Exclusions?

# Questions





# The Broader Impact of Data Breach



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QBE



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**Philip Tansley**  
RPC



**Jens Waldner**  
Paul Hastings LLP

# Closing Remarks & Reception

