Opinions

EDITORIAL

Risk manager needed in FIO

IT'S HARD TO FAULT the Treasury Department's property/casualty industry choices to serve on the new Federal Advisory Committee on Insurance. Nevertheless, we believe the lineup is missing someone who represents risk management.

That's not meant as criticism of the industry representatives by the administration at all. In fact, we believe that the industry itself has excellent representatives in Brian Duperreault, president and CEO of Marsh & McLennan Cos. Inc.; John Degnan, senior adviser to the CEO of Chubb Corp.; Christopher Mansfield, senior vp and general counsel of Liberty Mutual Group Inc.; and Sean McGovern, director and general counsel of Lloyd's North America.

And we certainly welcome the decision to name Scott E. Harrington, a nationally recognized risk management and insurance scholar at the University of Pennsylvania's Wharton School, to the committee.

We believe all of those appointees will provide critical expertise to the Federal Insurance Office as it deals with industry issues both domestic and international. But we also believe the consumers of commercial insurance—risk managers—ought to have a place on the panel as well.

In part, risk managers would bring yet another perspective to the panel, which is intended to give advice to the FIO. Their firsthand knowledge of risks and the markets that respond to those challenges could be invaluable to federal authorities.

We think that's particularly true given the fact that about half of the committee's seats are being filled by regulators. We've long been concerned that the administration displays a little too much bias toward regulators as it staffs government panels, something we noted as the administration spent months trying to fill the last voting spot on the Financial Stability Oversight Council this year.

A risk manager would bring an independent voice to the committee and could provide some counterweight to regulators' arguments. We believe that voice won't be there when the committee first meets. But an appointment to the committee is no lifetime job—members serve two-year terms and may be reappointed for a second two-year term.

We hope that when the first vacancy occurs, a risk manager be seriously considered for service on the panel.

LETTERS

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters.

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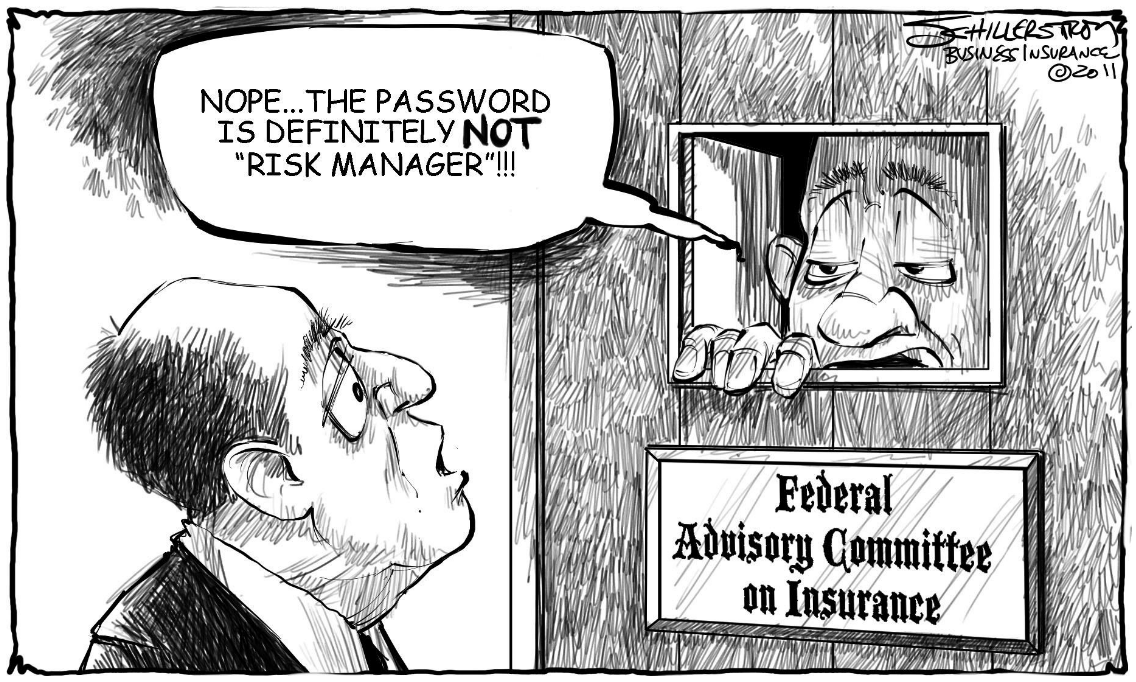

COMMENTARY

Risk, opportunity in social media

It's pretty hard to look at any sort of business publication, blog or newsletter these days without seeing discussion of the various implications of social media.

And, as is suggested by the nature of many of those discussions, from a risk/benefit perspective the rise of social media is a double-edged sword for many organizations.

RODD **ZOLKOS**
SENIOR EDITOR

While many companies still are feeling their way into how best to use these new communication vehicles, they're widely seen as presenting opportunities galore. At the same time, though, they're perceived as presenting companies with a host of potential exposures in such areas as information security, reputational risk and employer liability.

In fact, I think, for most risk managers the social media sword appears largely to be a single-edged instrument, fraught with peril but with little potential benefit.

A survey of European risk managers released last month by the Brussels-based Federation of European Risk Management Assns. and the London-based Institute of Risk Management showed the extent of their concern over social media exposures.

Nearly half of those surveyed cited social media-related reputational damage as the top digital risk facing their companies. In a statement accompanying the survey results, Michel Dennery, vp of FERMA and deputy chief risk officer in the audit and risks division of Paris-based GDF-SUEZ S.A., noted that the social media universe is one companies—and their risk managers—will have to learn to navigate.

"Companies have to learn how to live in this new environment where information is available immediately anywhere, where private and professional life is merging, and where the balance of authority is shifting," Mr. Dennery said.

I think one of the most exciting ways the benefits of social media can manifest themselves for risk managers—as for professionals in other business areas—is through social media's role as a sort of collaborative forum, allowing participants to share and leverage information to their mutual benefit.

More LinkedIn groups focus on risk management and alternative risk transfer topics, and more people involved in various aspects of risk management and insurance are finding Twitter a viable way to share useful information, 140 characters at a time.

And brokers and insurers are increasingly reaching out through social media. Examples in recent weeks include the Chubb Group of Insurance Cos. launching its riskconversation.com site as an online resource for risk managers. Meanwhile, Willis Group Holdings P.L.C. started its WillisWire blog to allow the broker's various experts to share their views on risk issues.

Social media also are showing potential as an important tool for businesses in crisis communications. A striking example of the possibilities is the Twitter experience during the August East Coast earthquake: People who track such things found tweets about the quake outpacing seismic waves as both raced outward from the affected areas.

It seems clear that the rise of social media offers a potential benefit edge for risk managers. You can find me in the Twitterverse at *@BusInsRZolkos*.

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