

Carlos Roveran

RISK MANAGER AT BRF

“

We can't leave our customers without the products we produce. Therefore we have strong allies who contribute to our risk management.

”



Carlos Roveran manages the operational and financial risks of one of the largest food companies in the world. He joined BRF in May 2011, but it was in 2014 that he became responsible for insurance programs in Brazil. These programs include: social benefits, large risks, vehicle fleets, transportation, third-party liability and financial risks. Two years ago, his department faced a major challenge when BRF increased its globalization process in order to change its profile from a company exporting “in natura” products to a global company with established brands in the markets in which it operates. Here’s how the challenge was overcome with innovation and collaboration.

Risk and Insurance Management (hereinafter, GRS): What was the first step?

Carlos Roveran (hereinafter ‘CR’): We started to change the risk management and insurance team’s activity in pursuit of the worldwide reach of a model that was already well structured in Brazil. We looked for programs that could provide a return in the short term to all regions where BRF is present and started the activity with D&O, General Third-Party Liability and Operational Risk policies. This return was not only measured in financial terms. Since these lines are the business’ main risks, a benefit was also obtained in risk management with the standardization of coverage. This year our agenda includes standardizing the business model and acting globally in insurance. It has to be made clear what does and does not make sense in a global administration, and greater autonomy has to be given to the regions, which are aligned with corporate objectives.

“We can’t leave our customers without the products we produce. Therefore we have strong allies who contribute to our risk management.”

‘GRS’: Regarding the insurance program, do you buy where the risk is locally or is there a global program to have greater bargaining power?

‘CR’: We have both models and everything is managed from the headquarters that are currently located in Brazil.

‘GRS’: Does this program cover the nine plants abroad: six in Argentina, one in the UK, one in Holland and another in the UAE?

‘CR’: We have a program through which we act globally in risk placement, particularly in the international reinsurance market. However, we don’t see any clear advantages today in having a master policy for the entire operation. What we currently do is use our alliance and force with insurers worldwide for BRF to achieve a standardized risk transfers program. Now, for example, our general third-party liability program is truly global with the support of a master policy covering all BRF operations in the world, including our newly acquired operations in Thailand.

‘GRS’: Have you had any trouble buying insurance for the 35 distribution centers that are part of the group?

‘CR’: From the time, the new executives took charge of the company, and Abílio Diniz was elected as Chairman of BRF, a robust risk management program began, mainly in our warehouses. As BRF has the two major food brands in Brazil, Sadia and Perdigão, it cannot even envisage the possibility that consumers do not have access to their products, and therefore the focus of process and management improvements is on its distribution centers. The insurance market reacted swiftly to meet our needs and today we have strong allies with an appetite for this risk.

‘GRS’: Among all insurance policies, which are the most competitive in the sector and which have the most difficulties?

‘CR’: Today I see a very liquid insurance market that is driven by two phenomena: the consequence of the monetary easing policy that the central banks of major economies have imposed and the absence of major incidents in the world. That is, a combination that results in the insurance market presenting a risk/return relationship that is higher than that of the traditional financial market. In

this way, I believe the market offers beneficial competition to policyholders. Now if our operation is analyzed, there are two programs with greater difficulty: operational risks, because we operate in a cold chain, forcing us to use sandwich panels, which is a type of construction that is not widely accepted by insurers. The second is general third-party liability insurance, which includes coverage of our products. Being a food industry, I understand that this program imposes some difficulties structurally.

‘GRS’: **The group produces food that reaches more than 120 countries on five continents. Is there any insurance that buyers/importers/exporters consider compulsory?**

‘CR’: Yes, mainly because we sell food, our clients are very concerned that we check our capacity and that we are prepared in the event of unforeseen circumstances, even taking the insurer’s financial capacity into consideration. However, we manage to completely satisfy them on this matter, since we understand that one of the main values of BRF is the pursuit of the quality of our products, besides having adequate coverage in our third-party liability policies.

‘GRS’: **How is the group’s risk management structured?**

‘CR’: We have a small corporate team made up of seven members engaged in Market Risk and Insurance activities. What we do, in principle, is give the teams responsibility in risk management, but they have the full support of our corporate team. Sometimes we may use third parties for specific activities or occasional consultations. For the governance, we have a weekly meeting with the company’s top executives, our Risk Committee, and access to the Board of Directors periodically, through the Advisory Committee to the Board of Directors, called Finance, Governance and Sustainability.



‘GRS’: **How are insurers, brokers and reinsurers selected?**

‘CR’: BRF presently has a consolidated commercial procurement process that is supported by our Procurement team. Thus, a tender is always chosen, and it is the insurance team’s task to design the model and rate participants. So, we managed to balance the market and give an opportunity to all the players that can serve BRF, while taking into account existing alliances in other lines of insurance or business.

‘GRS’: **How does BRF perceive the service that MAPFRE gives you in your program?**

‘CR’: BRF’s experience with MAPFRE is positive, based on a transparent relationship built on both sides. I highlight MAPFRE’s interest in understanding the client well and their activities which aim to offer compatible solutions that make sense for the operation.

“This year our agenda includes standardizing the business model and acting globally in insurance”



‘GRS’: The policies are typically renewed annually, are programs with longer terms negotiated for further discounts?

‘CR’: We usually have annual policies, but don’t rule out extending the term of the contracts.

‘GRS’: When it comes to compensation, what experience do you have with the sector? Are there many conflicts with the coverage or are the clauses clear?

‘CR’: I think we currently have a great challenge here. We don’t have any negative experiences regarding clauses, but there could be a better process with those involved: BRF, broker, insurer and reinsurer.

‘GRS’: What is your prediction for the next renewals of your insurance programs?

‘CR’: The market is soft, i.e. with prices and offers that are favorable for clients. We have realized this through the high competitiveness observed among insurers. I still think that the scenario for Brazil is positive, because we still have opportunities to open up the local market, which I consider to still be very closed and protectionist.

‘GRS’: Has the global crisis affected your program? If so, how?

‘CR’: LI has been affected in a positive way, because it has brought more players to the market in search of a higher return on invested capital.

“The main challenge is to bring experiences to Brazil that the insurance market has when supporting multinationals in other countries”

‘GRS’: In your opinion, what are the challenges of the local and international insurance market to take care of protecting Brazilian conglomerates with operations in other parts of the world?

‘CR’: I think that the main challenge is to bring experiences to Brazil that the insurance market has in other countries when supporting multinationals. There’s room for the local market to help Brazilian multinationals in their global programs and even to stand out vis-à-vis international markets. Regardless of the restrictions imposed by Brazil, I understand that the insurance market offers little innovation to its clients. ■