GCiEMEA

The Broker Newsletter 2015

Catch up on a year of insights

Contents

Welcome to the Broker Newsletter 2015 Collection

As 2015 draws to a close, it's a good time to take stock of current and emerging issues in the world of risk. So we are delighted to bring you our 2015 Broker Newsletter Collection.

Inside you will find a wide range of thought-provoking and insightful articles from our risk experts around the world. Covering both industry-specific issues – for construction, financial institutions and renewable energy – and more general risk topics such as pollution and reputation protection, this issue has something of interest for everyone.

If you would like to find out more about any of the issues raised, we will be delighted to discuss them with you further – please get in touch with your local Zurich contact, who will be happy to help.

At a glance

Banks and insurers have traditionally been rivals for guarantees/surety, and in some countries banks remain dominant in the surety market.

Growing regulatory pressures on capital adequacy mean banks are now more receptive to sharing deals with insurers.

Banks are also seeing the tactical advantage of shared deals – as the ability to provide extra capacity to existing or prospective customers can help them secure a greater share of ancillary banking products and income.

Surety bond deals – why banks may be more willing to share

The practice of banks and insurers working together on surety deals is not new.

Leroy Hobson, Head of Surety for Zurich Global Corporate, has been in the industry for 20 years, and says that for much of that time, sureties and brokers have been promoting bank-sharing deals as an alternative bond arrangement, in markets where banks have traditionally been dominant. But it is only relatively recently, principally as a result of regulatory pressures surrounding capital adequacy, that banks have become more receptive to the idea of sharing risk with sureties.

"The incentives for banks were not as great years ago as they appear to be today," says Leroy.

"In the last few years, the pace and volume (of bank-sharing arrangements) has increased dramatically. The most important driving factor is the regulatory environment that banks find themselves in."

"The Basel regulations (which set out global regulatory standards on bank capital adequacy and liquidity) mean banks need to be smarter with the capital they have. One way is to share risks with the surety sector; that provides some capital relief."

OUR EXPERT

Leroy Hobson, Head of Surety, Zurich Global Corporate.

OUR EXPERT

Sean McGroarty, Global Head of Surety, Zurich Global Corporate.

The complexity of drawing up documentation was historically a barrier to bank-sharing deals, but banks and sureties have worked together to create documentation that is becoming much more standardised.

Leroy says: "The bank and the surety will agree on a master document, which could be deal-specific or non-deal specific. All that is required additionally is a specific certificate, deal by deal. With that box ticked, you can then move on to dealing with real-life customers and cases."

The broker benefit

For brokers, bank-sharing deals offer advantages to the bank-only and surety-only alternatives: i.e. the chance to gain commission not available under a bank guarantee, and a chance to gain business in markets that are not surety-friendly.

Leroy says: "There are one or two brokers who have really gone for it, but for bank-sharing to work, it needs all stakeholders to be involved, not just one or two."

In countries or economic sectors where sureties are freely accepted, for example North America, or the construction industry, brokers may find insurers reluctant to enter into bank-sharing arrangements, for fear that over time, doing so could eradicate their market as a primary.

Leroy sums up the dilemma for insurers and brokers: "You need to be quite selective. In markets that are fairly surety-friendly, you need to tread carefully. Markets that are not surety-friendly represent an opportunity.

"Oil and gas, for instance, are very bank-dominated. That's more of a surety-unfriendly industry and could be seen as a much more attractive proposition for bank-sharing deals."

Future opportunities

With sureties, banks and brokers, all increasingly aware of the benefits of bank sharing, future opportunities for sureties and brokers could lie in those geographic territories and industry sectors where there has been and continues to be a reliance upon a bank guarantee and a reluctance to accept an instrument from a surety.

Sean McGroarty, Global Head of Surety for Zurich Global Corporate, gives one example: "Asia, is very much bank-dominated but there's some room for sureties to win a greater share. We are expanding into new markets, Australia and Hong Kong, and expect bank-sharing deals to be part of our growth initiative in the region. Zurich is developing its expertise in this area, and our AA credit rating is a significant advantage over our competitors."

For brokers, the key to bank-sharing deals is building relationships with key figures within the banks from the outset. Leroy Hobson explains: "Brokers need to develop very strong relationships with certain banks so that they are able to truly understand their motivations. If they understand the motivations of the bank, they can work with them to share relevant opportunities within the surety marketplace.

"Banks can be pretty large and complex animals – it sounds easy in principle, but in practice, it's a pretty complicated process."

Bank-sharing deals present opportunities for brokers, banks and insurers.

At a glance

By developing a joint life and non-life approach to the market, Zurich is offering something unique in the construction sector.

Construction is the first sector to be targeted with Zurich's 'vertical' approach with financial institutions set to follow.

COMBINING CONSTRUCTION INSURANCE WITH CORPORATE LIFE AND PENSIONS SOLUTIONS

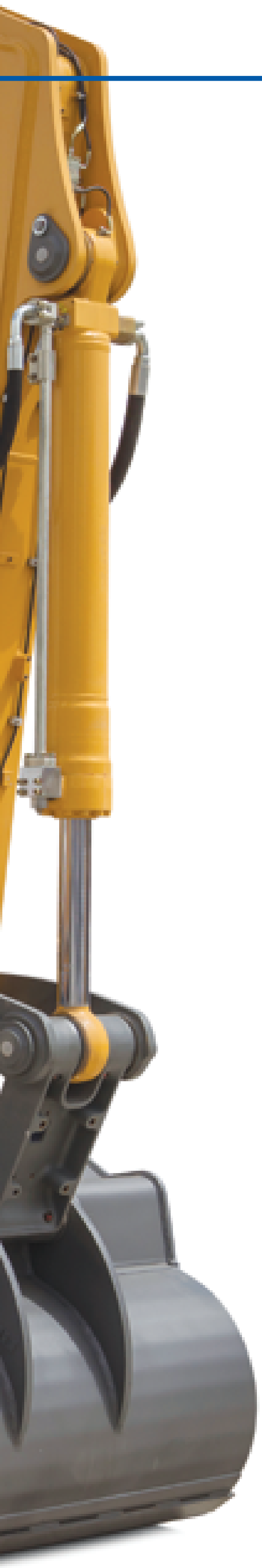
Giving construction insurance a new lease of life

OUR EXPERT

Stephan Hillert, Global Distribution Manager, Zurich Corporate Life and Pensions.

OUR EXPERT

Joana Martinho, PMO and Strategy Manager, Zurich Corporate Life and Pensions.



A new service from Zurich is creating a buzz in the construction market. By joining its burgeoning Corporate Life & Pensions unit with an already well-established and market-leading global non-life unit, Zurich is offering some unique thinking to the sector.

"Construction is intensive on assets and intensive on people; providing huge opportunities for insurers on both non-life and life," says Joana Martinho, PMO and Strategy Manager for Zurich Corporate Life & Pensions.

"The majority of construction firms have extremely complex needs and work across borders, making a truly international life insurance solution so important for these firms."

"That is why it makes sense to create a 'vertical' approach in construction, by bringing together different lines of business, providing a single approach for construction companies," adds Stephan Hillert, Global Distribution Manager for Zurich Corporate Life & Pensions.

Complex needs

"Several years ago, Zurich Global Corporate launched its non-life international programme, allowing companies to get coverage across different lines of business in one master policy – all with one single point of contact at Zurich," says Stephan.

Zurich has since developed international solutions on both death and disability (life risk) and savings to support these companies. The construction industry is a key market for these solutions with its strong concerns about the attraction and retention of talent (particularly in specialised functions) and workers safety.

White collar managers can be hard to recruit to the construction industry. With many project managers or engineers working on a project basis, moving people from country to country is the norm and this mobility may cause problems. Workers are often not on a job long enough to be part of a single social security system, and therefore have no pension plan. They may also be working in emerging economies where the social safety nets are still weak or where local insurance for death or disability is underdeveloped.

An international pension plan solution or a group risk solution may solve these challenges. This ensures employers can move people around the world as required without having to worry about whether their benefits are in place or needing to send people for endless medicals.

Meanwhile, blue collar construction workers face varying degrees of employment law and benefits, but there is an overall trend towards a higher degree of protection in many countries. A recent example is Qatar, which is implementing a series of labour reforms including better provision of employee benefits.

Holistic approach to risk

Construction workers face many unique risks in their day-to-day job. Zurich looks at these risks holistically to ensure business is priced fairly. Most construction companies invest heavily in risk reduction around assets – often in conjunction with their Zurich general insurance risk consultant. We bring that information into employee benefit pricing, financially rewarding companies that seek to make the workplace safer.

An alternative capital solution for large companies is self-insurance through captives – particularly for property and casualty insurance. Increasingly, construction firms are exploring the many benefits of including life as well as non-life risks in their captive programmes. Putting life benefits into a non-life captive allows for better control and risk-management. It also ensures a more holistic view of the risks each construction company is facing – something that is invaluable for the risk professionals within the company.

For European companies, the benefits are even greater. "With Solvency II coming into play, operating a cross-class captive with Zurich's help will mean companies won't need to hold as much capital," says Joana.

CONSTRUCTION WORKERS FACE MANY UNIQUE RISKS IN THEIR DAY-TO-DAY JOB. ZURICH LOOKS AT THESE RISKS HOLISTICALLY TO ENSURE BUSINESS IS PRICED FAIRLY.

The EU's statistics agency Eurostat said construction fell

1.8%

*from
January 2014*

3.7%

*from
February 2014*

3.1%

The figures were worst in Germany, where construction activity dropped 3.1% compared with January and 8.1% compared to the previous year.

Domestic solution

We are also looking at a joined up approach across our life and non-life units and have developed joint propositions. This enables companies to deal with Zurich once and get all the associated risks covered in one solution. A solution that covers Accident & Health and Death & Disability was recently launched in Italy, effectively providing an integrated management view to our corporate customers of all the risks – life and non-life – regarding their employees.

This makes implementation simpler for the construction company whilst ensuring claims are easier for the employee.

Construction focus

The construction industry was badly affected by the financial crisis, with an estimated five million workers globally losing their jobs during 2008 alone.

In Europe there are ongoing concerns. The tide seemed to be turning for the industry by the beginning of 2015, but latest figures show construction in the Eurozone fell sharply in February, prompting worries that the slight economic recovery on the continent was not flowing through to investment in new projects.

The EU's statistics agency Eurostat said construction fell 1.8% from January and 3.7% from February 2014. The figures were worst in Germany, where construction activity dropped 3.1% compared with January and 8.1% compared to the previous year.

In spite of worrying signs in Europe the U.S. market seems to have passed the crisis, with the number of people employed in the sector taking a dip from seven million to five million during the crisis but fast recovering with six million people employed today.

A 2013 McKinsey study indicates the need for a $57 trillion investment in infrastructure until 2030, just to keep pace with the anticipated growth. This represents $3 trillion investment per year in roads, power, water, telecom, rail, ports and airports across the world.

By combining its life and non-life insurance market approach, Zurich is offering something unique in the construction sector.

"IT IS A VERY INTERESTING MARKET FOR US AND ONE WE ARE FOCUSING ON WITH OUR NEW JOINED-UP APPROACH, ESPECIALLY AS NEW REGULATIONS COME INTO PLAY IN EUROPE AND AS MANY EMERGING MARKETS GROW THROUGH THE CONSTRUCTION INDUSTRY," SAYS JOANA.

At a glance

Captive solutions are playing an increasingly important role in the risk-management strategies of financial institutions.

The market continues to grow, and brokers now have a wealth of options to meet the complex needs of their customers.

Zurich is a market-leader in captive insurance and reinsurance, with the necessary tools and expertise to serve the most sophisticated of risk profiles.

The benefits of captives for financial institutions

In today's global marketplace, financial institutions face a progressively complex landscape in which to do business. Companies may be international, but regulations remain local, and new risks are continually emerging for organisations to contend with.

Captive solutions have long offered benefits for those wishing to gain greater control over their risk-financing activities. Traditionally peaking during tough market conditions, captive formation and growth are now constantly rising.

While many large corporations already employ captive solutions, in one form or another, the marketplace is far from reaching its peak. As more companies realise their wider benefits, the market continues to mature, and brokers, now more than ever, have access to a wealth of opportunities.

OUR EXPERT

Luca Ravazzolo, Global Financial Institutions Lead, Zurich General Insurance.

OUR EXPERT

Paul Wöhrmann, Head of Captive Services for Zurich Global Corporate in EMEA, Latam and APAC.

Globally, Zurich services more than 230 customers who operate a captive, including 40% of Europe's largest banks and banking groups. Zurich remains at the forefront of developments in the captive sector, and continues to pioneer innovative solutions that better-optimise its customers' cost of risk.

Demand for alternative risk financing

Globally diversified financial institutions face a number of meticulous risk-management considerations. Among these is a high demand for particular lines of business – such as professional indemnity (PI) and bankers blanket bond (BBB) – requiring high indemnity limits and significant policy customisation.

Luca Ravazzolo, Global Financial Institutions Lead at Zurich, says: "The traditional insurance market's appetite for these lines of business for large globally diversified financial institutions is limited. Tailor-made policies that successfully optimise local coverage often prove unattainable, and insurers are frequently only willing to write higher excess layers, or policies with high retention levels.

"This need for greater flexibility and capacity than the market is willing to offer has been a major driver for the uptake of captive solutions among financial institutions."

Captives are also widely recognised as generating incentives for better risk management and helping to retain underwriting profits. These broader advantages have the potential to produce a number of micro-economic benefits, making captives very attractive to financial institutions.

Growth of reinsurance models

Many countries stipulate that a locally admitted carrier must issue insurance coverage. Therefore a principal consideration for captive programme design are the local regulations where the issuing insurer will be domiciled.

If operating a direct insurance captive model (as opposed to a reinsurance captive model), a geographically diversified organisation will face the cost-intensive process of gaining licences to become a local carrier in each jurisdiction. Additionally, there are the continuing governance and compliance demands that come with direct insurance activity, such as reporting requirements, local taxation laws, and policy issuance and claims management rules. For this reason, non-admitted reinsurance models are gaining particular prominence among financial institutions.

Customers can use Zurich's established global network of local insurance carriers to their advantage. By having Zurich act as the direct insurer – a practice commonly referred to as 'fronting' – Zurich is able to provide tailored insurance coverage and the necessary premium, claims and other administrative frameworks.

In a 'gross captive reinsurance cession', the fronting insurer cedes up to 100% of risk to a customer's captive reinsurer, and the captive has the option of retroceding risk to the international reinsurance markets (which may also include the fronting insurer).

GLOBALLY, ZURICH SERVICES MORE THAN 230 CUSTOMERS WHO OPERATE A CAPTIVE, INCLUDING 40% OF EUROPE'S LARGEST BANKS AND BANKING GROUPS.

This type of programme has the flexibility to meet capacity, pricing and coverage needs, while removing the challenges a direct insurance model can present.

Capturing emerging risks

Captives have long been used to insure gaps in cover, such as policy exclusions. A growing sophistication is now also allowing businesses to use captives for wider enterprise risk-management as well. Since a captive has the flexibility to determine its own capacity and appetite, this allows it to develop tailor-made covers that may not be suitably catered for in the commercial insurance market.

For example, providing effective coverage for supply chain risk may be challenging, yet it is a growing concern for many risk managers. Insuring this wider enterprise risk via a captive can offer many advantages.

Another area to tackle is the growing cyber threat to financial institutions. Cyber is a relatively new line of business for most insurers, and appetites, coverage and pricing can vary greatly in the marketplace. Despite their recognised importance, only 1% of captive owners are funding cyber risks through their captives, according to research conducted by Aon.

Luca says: "Zurich has recently been working with two global banks to extend existing captive programmes to include cyber risks. This has consisted of an intensive process of mapping and identifying the various risks, then analysing the most effective risk transfer options. We have been able to structure an international programme with broad coverage, customised to the exposures in different jurisdictions, and at a much lower cost than if these banks had purchased separate stand-alone cover in each country."

The disparity between the perceived importance of enterprise risk management, and the number of captives currently financing such risks, exposes a tremendous opportunity for brokers.

Generating capital efficiencies

The capital requirements for businesses operating under regulatory capital frameworks, such as Solvency II, are determined by reference to the volatility of risks they are exposed to. Therefore, more diversified risk portfolios can generate capital credits, freeing up assets for investment.

Large corporations may have significant life risk exposures through their employee benefit portfolios. These life risks are typically managed by human resource departments, and are rarely brought within the remit of traditional risk management activity.

As captives have flexibility in terms of appetite and capacity, they can accommodate life risks as well as non-life. By integrating life risks under existing captive programmes, companies can diversify their portfolios and leverage regulatory capital requirements to their advantage, as well as generating various administrative efficiencies.

LUCA SAYS: "ZURICH HAS RECENTLY BEEN WORKING WITH TWO GLOBAL BANKS TO EXTEND EXISTING CAPTIVE PROGRAMMES TO INCLUDE CYBER RISKS. THIS HAS CONSISTED OF AN INTENSIVE PROCESS OF MAPPING AND IDENTIFYING THE VARIOUS RISKS, THEN ANALYSING THE MOST EFFECTIVE RISK TRANSFER OPTIONS."

Paul Wöhrmann, Head of Captive Services for Global Corporate in EMEA, Latam and APAC at Zurich, says: "Gross written premiums by Zurich for life cover in captives rose 41% in the period between August 2013 and April 2014, and we expect to see continued growth in the combining of life and non-life insurance under captive programmes."

Unlike many of its competitors, whose captive departments act in relative isolation, Zurich integrates its captive experts with the rest of its business. This holistic approach, including customised and superior product offering, along with sharing knowledge across the business, enables Zurich to pioneer innovative risk financing solutions for the benefit of its customers.

Ensuring compliance and protecting reputation

The multi-layer, multi-jurisdictional nature of many captive programmes presents various challenges from both an administrative and compliance perspective.

Zurich has invested significantly in developing an award-winning database – Multinational Insurance Application (MIA) – which is offered free of charge to customers and brokers, enabling users to effortlessly analyse various options and make informed decisions. The tool helps customers better protect their assets and exposure to risk through efficient programme design; and also their reputations, by helping to monitor and achieve compliance across international programmes.

Zurich MIA draws on a global network of legal professionals who constantly monitor and update the system with the latest local developments, covering more than 180 countries and 41 lines of business. The usability and functionality of Zurich MIA helps users produce and export sophisticated reports, including tax bordereaux, at the touch of a button.

Paul says: "MIA has been a real strategic investment for Zurich. Regulators and tax authorities increasingly want to understand how captive solutions are operating, which places various demands on our customers.

This tool not only helps structure the most efficient programmes possible, but leaves our customers in a very comfortable position from a compliance perspective."

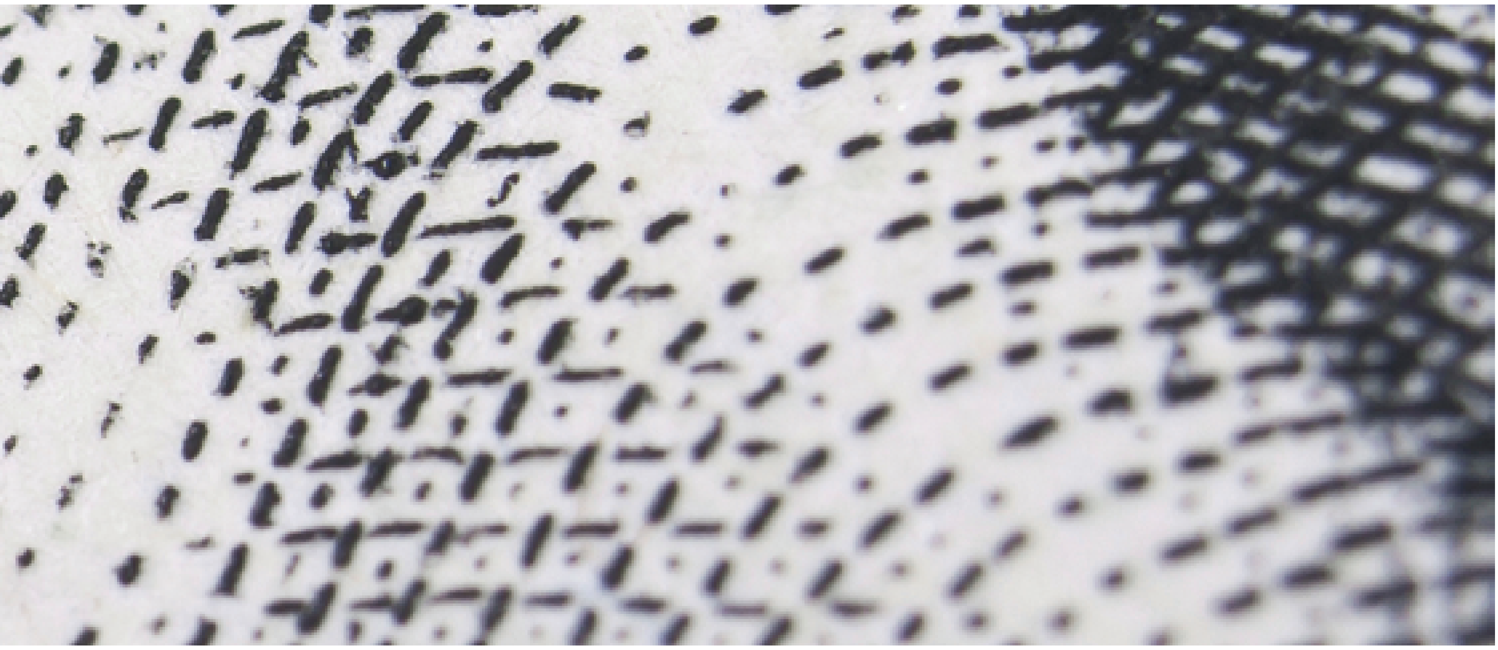
Room for smaller players

There is much excitement around recent market developments aimed at supporting medium-sized companies who wish to access alternative risk financing. The advent of protected cell companies (PCCs) and 'rent-a-captives' signals the next stage of evolution, opening up the market to smaller companies.

Brokers are encouraged to contact their broker relationship manager at Zurich if they would like to further discuss captive solutions.

Captive solutions can yield tremendous benefits for financial institutions. Brokers are now faced with a number of sophisticated options to help their customers optimise their total cost of risk.

ZURICH MIA HELPS CUSTOMERS BETTER PROTECT THEIR ASSETS AND EXPOSURE TO RISK THROUGH EFFICIENT PROGRAMME DESIGN; AND ALSO THEIR REPUTATIONS, BY HELPING TO MONITOR AND ACHIEVE COMPLIANCE ACROSS INTERNATIONAL PROGRAMMES.



At a glance

Faced with a changing workforce, employers are differentiating themselves by providing their workers with financial protection against ill health.

WORK PRESSURES ARE OFTEN CITED AS THE LEADING CAUSE OF STRESS-RELATED CONDITIONS BY MEDICAL PRACTITIONERS.

How corporate companies can help bridge the income protection gap

The good news is that people are living longer. The problem is that no one seems to know what to do about it. How do we fund these longer lives, particularly as we're likely to encounter more illness and disability as we grow older and state coffers are running out of money? What is the proper age to retire when you might be living to 100? Does it really make sense to have 35 years or more of free time in your later years?

Individuals are looking for answers to these questions while employers around the world are meeting these issues head on as they see the composition of the workforce changing. In many developed countries, people will work longer and retire later – raising the prospect of a cohort of 80-year-old workers. In countries such as Japan and South Korea, the population is ageing as birth rates fall and the number of young workers is decreasing. In the UK, by 2037, the number of people over 75 is expected to double, according to a report by the UK Commission for Employment and Skills (UKCES)[1]. By 2020, companies could house four generations working alongside each other, says the report, by which time the largest age group of workers will be in their mid-50s rather than their 40s.

In sickness and in health

And with longevity come health challenges. Older workers are more likely to suffer disabilities[2], as well as acute medical conditions and back pain – some of the biggest causes of long-term sickness according to a recent survey by the Chartered Institute of Personnel and Development (CIPD)[3], a professional body for human resources and people development with 140,000 members around the world.

Meanwhile the nature of work is becoming more stressful for staff of all ages. The same CIPD survey says two-fifths of organizations reported an increase in stress-related absence over the previous year, and a similar number reported more employees were suffering anxiety and depression. Just one-in-ten reported a decline in stress-related sick leave.

Many survey respondents say they have substantially increased training for line managers to deal with long-term absence, and they're also offering more flexible ways of working so that employees can take time out to care for elderly or sick relatives, for example.

Figures are hard to gather internationally, as companies don't release medical data. But Robin Chater, Secretary General of the Federation of International Employers, thinks job intensity is growing in many companies. "Work pressures are often cited as the leading cause of stress-related conditions by medical practitioners," he says. "What we know from UK figures is that a high and sustained amount of absenteeism is arising due to stress and clinical depression."

Building security

It's a challenging picture for employers who just want their workers to be healthy and motivated – and it's equally challenging for individuals looking to finance and better protect their future and their families' future through their own illness or death. Companies are more likely to offer help in the form of employee assistance programs (EAPs) or medical insurance. Some offer critical illness cover, which pays a lump sum to an employee in the case of a potentially life-threatening disease. Others offer income protection, which pays regular income as a percentage of salary for a fixed period or until the claimant either returns to work or retires. Some might also offer both.

Since the recession there's been greater emphasis on what's included in benefits packages; it's about being seen to be a good employer.

Chater says that many early retirement and state benefit schemes around the world provide a safety net in the event of a work-related disability, as long as the cause of the condition is covered by something such as employer liability insurance. But without adequate income protection plans those affected may well have to survive on lower incomes.

1
https://www.gov.uk/government/publications/jobs-and-skills-in-2030

2
Disability in the United Kingdom

3
CIPD Absence management survey

OUR EXPERT

Hanno Mijer,
Global Head of
Zurich Corporate
Life and Pensions.

SINCE THE RECESSION THERE'S BEEN GREATER EMPHASIS ON WHAT'S INCLUDED IN BENEFITS PACKAGES; IT'S ABOUT BEING SEEN TO BE A GOOD EMPLOYER.

LARGER COMPANIES ARE BEGINNING TO JOIN UP VARIOUS STRANDS INTO A FINANCIAL WELLBEING STRATEGY.

COMPANIES ARE LOOKING AT HOW TO MAKE BENEFITS MORE APPEALING; IT'S ABOUT BEING SEEN TO BE A GOOD EMPLOYER.

Also if no one is 'at fault' for an accident leading to disability or death there may be less compensation available than expected, or even none at all – a reality that can get lost in today's litigious societies. While people who aren't employed – such as parents looking after their children – also need coverage.

Employers lead the way

Charles Cotton has been following trends in what major employers are offering their employees in his role as Research and Policy Advisor at the CIPD, most of whose members already offer income protection. He says he has seen a growing business case for leading employers to offer income protection as part of a suite of benefits. It could become a key advantage in the global battle for recruitment of talent.

"Since the recession there's been greater emphasis on what's included in packages," he says. "Companies are looking at how to make benefits more appealing; it's about being seen to be a good employer."

Not all employers are so pro-active. In the US, for example, some employers affected by the global financial crisis have reduced employee benefits. While in Asia contracts offering income protection are rare. But David Swaden, Senior Research Manager in Group Public Affairs for Zurich, has been noticing similar trends to those cited by Cotton. "The role of the employer is changing," he says. "I think increasingly people are starting to think: 'What is my company's value to society?' and 'Will it look after me and my family?' And by having this holistic set of benefits, that include life and disability, you start to build this story of looking after the employee and looking after their families."

Increasing take-up

Company-endorsed schemes are more likely to be welcomed by staff, says Professor Chris Rowley, a human resource management specialist at Cass Business School, City University London. He thinks people would have more faith in joining a group plan rather than researching and signing up to a policy by themselves. But even then they might need some prompting.

"Larger companies are beginning to join up various strands into a financial wellbeing strategy."

In Australia, for example, the government has made it mandatory for people to take out income protection insurance to protect their pension contributions in the face of illness. The next step is to protect their income as a whole. And Cotton thinks the best-case scenario is that companies, which are currently obliged to enroll staff in pension schemes, will also start to include income protection within benefits packages.

Meanwhile Peter Le Beau of the UK's Income Protection Task Force points out that while there is no legal obligation for an employer to offer group income protection cover, it could start to play an increasing role in employee protection. "As auto-enrolment policies gain momentum," he says, "it's likely that many employers may provide the opportunity for employees to purchase risk benefits and may feel they would like to subsidize the purchase of them."

Hanno Mijer, Global Head of Corporate Life and Pensions at Zurich, says Zurich understands the complexities of modern-day workplaces and the challenges faced when it comes to safeguarding employees' futures. "Through our retirement savings solutions and death, disability and income protection, we enable employers to provide consistent coverage to their local, global and expat employees," he says. "These solutions are not only key to companies offering a well-rounded, attractive employee value proposition, they are also necessary to tackle the growing mid- to long-term income risk for individuals and their dependents from rapidly developing societal changes."

Strategic approach

Companies offering group income protection policies are clearly hoping that their investment will cut costs on occupational sick pay, improve staff retention and make them a more desirable employer. They recognize that money worries cause stress, which in turn can lead to absenteeism and a fall in productivity. "Larger companies are beginning to join up various strands into a financial wellbeing strategy," says Cotton. "Insurance companies can also offer services an employer wouldn't normally have access to, such as positive behaviour therapy which could help people back into work."

Key takeaways

- The global workforce is changing as people live longer, work longer and retire later.
- Older workers are more likely to suffer disabilities, acute medical conditions or back pain – some of the causes of long-term sickness.
- Companies report an increase in stress-related absence.
- Leading employers are becoming more aware of the business case in offering income protection as part of a suite of benefits.
- Company-endorsed schemes are more likely to be welcomed by staff.
- By offering retirement savings solutions and death, disability and income protection, employers can benefit their employees and help tackle the risk to family incomes from rapidly developing societal changes.

At a glance

Governments across the world are introducing a 'polluter-pays' principle to prevent taxpayers from shouldering the burden of costly environmental damage.

Financial assurance is a mandatory requirement for some industries operating in certain countries.

Many companies don't realise that only a comprehensive Environmental Impairment Liability insurance policy will protect them against some of the biggest risks they face.

The polluter pays – managing the risk of environmental disaster

A number of high-profile environmental disasters over the past decade have led to the introduction of more stringent rules and regulations across the globe for companies whose actions could cause environmental damage.

However, for reasons that include bankruptcy and dissolution, the companies responsible for such damage have not always borne the cost of remedying their actions. Instead, the burden has often fallen on the taxpayers of the polluted country.

Governments are increasingly imposing mandatory financial assurance on companies whose activities could potentially pollute the environment. Clive Walker, Senior Environmental Underwriter for Zurich, explains: "Governments around the world have said they've had enough, and have introduced the polluter-pays principle to shift the burden of clean-up from the government to the polluter."

Costly implications

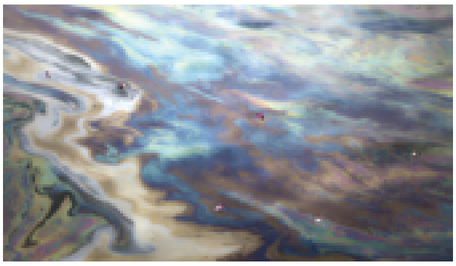
The Gulf of Mexico oil spill in 2010 is perhaps the highest profile environmental disaster in recent years, but there have been a number of other catastrophes that have resulted in a huge financial cost.

In 2009, an oil pipeline burst on the edge of the Camargue National Reserve in southern France, polluting a large area of habitat used by rare birds and other wildlife, along with the local water supply. The estimated clean-up and pipeline repair costs totalled €48m, with remediation estimated at a minimum of €6,562,000.

In 2011, a fire at a chemical plant near Rotterdam, in the Netherlands, led to clean-up costs estimated at €65million.

OUR EXPERT

Clive Walker, Senior Environmental Underwriter, Zurich Global Corporate in the UK.



The global picture

As well as facing crippling costs in the event of an environmental disaster, companies that do not carry financial assurance may lose their permits to operate in certain territories.

Financial assurance requirements can vary hugely from territory to territory.

In some countries, the requirements are quite specific. In China, for example, countries involved in high-risk industries, or activities such as mining, smelting and manufacturing, need financial assurance.

In other countries, the rules can be more vague. In Argentina, any company engaged in an activity that may pose an environmental threat is required to have financial assurance.

Several other countries in South and Central America have introduced mandatory financial assurance for companies in certain industries.

Within the EU, Article 14 of the European Liability Directive requires member states to introduce measures to encourage operators to carry financial assurance.

Eight EU countries have now introduced mandatory financial assurance, and the Republic of Ireland is considering similar measures.

The EU Offshore Safety Directive, due to come into force in July, will extend liability for oil and gas companies beyond national waters.

Elsewhere, Australia introduced its own mandatory financial assurance for the offshore petroleum industry earlier this year.

"The requirements for mandatory financial assurance are changing constantly. It's quite a challenge for companies to know what to do to be compliant," says Clive.

The advantage of insurance

Financial assurance can take a number of forms – including surety bonds, Letters of Credit, or an Environmental Impairment Liability (EIL) insurance programme.

The advantage of insurance over a bond, for example, is that companies do not have to ring-fence large sums on their balance sheet should an environmental disaster occurs.

"Insurance tends to be a more cost-effective way of providing capital," says Clive.

"Instead of putting millions on a balance sheet, you may be spending just a few thousand pounds on a premium."

While companies are increasingly conscious of the polluter-pays principle, many are not fully aware of their liabilities, and that they may be underinsured unless they have a global EIL programme with local insurance policies.

"There are some misconceptions as to what is covered," says Clive. "For example, some public liability insurance policies include third party accidental pollution coverage, but that's fairly limited in scope. Most policies don't provide a company with cover for damage to their own site, or the clean-up costs."

Other risks generally not covered by public liability insurance include gradual environmental damage and business interruption.

What brokers need to know

"Brokers need to be knowledgeable, and keep up to speed with what the local requirements are from country to country," says Clive.

"Insurers and brokers will have their own systems for keeping up-to-date with legislative change. A good broker should advise customers what those local requirements are."

Brokers should also inform customers that liability may extend to a company's directors and officers. Most Directors and Officers Liability Insurance policies exclude cover for environmental damage, so brokers should recommend that companies add their directors and officers to an EIL policy.

Brokers need to be aware that if they fail to advise their customers correctly, they could be liable to an errors and omissions claim, and should ensure they partner with an insurer with global expertise and claims-handling experience.

Zurich has been one of the leading EIL insurers in North America for many years, but more recently has expanded its coverage in other territories.

"Even where financial assurance is not a requirement in a country, that doesn't mean the exposure is not there. It's an issue brokers need to be on top of."

Companies with global environmental responsibilities are increasingly aware of the 'polluter-pays' principle, but less informed about their liabilities, and whether their insurance would cover them if disaster struck.

"WE HAVE GLOBAL CAPABILITIES IN AROUND 40 COUNTRIES," SAYS CLIVE. "WE HAVE SPECIALISED ENVIRONMENTAL POLICIES THAT CAN BE PUT INTO PLACE IN MOST TERRITORIES WHERE MANDATORY FINANCIAL ASSURANCE EXISTS AND MANY WHERE IT DOESN'T."

At a glance

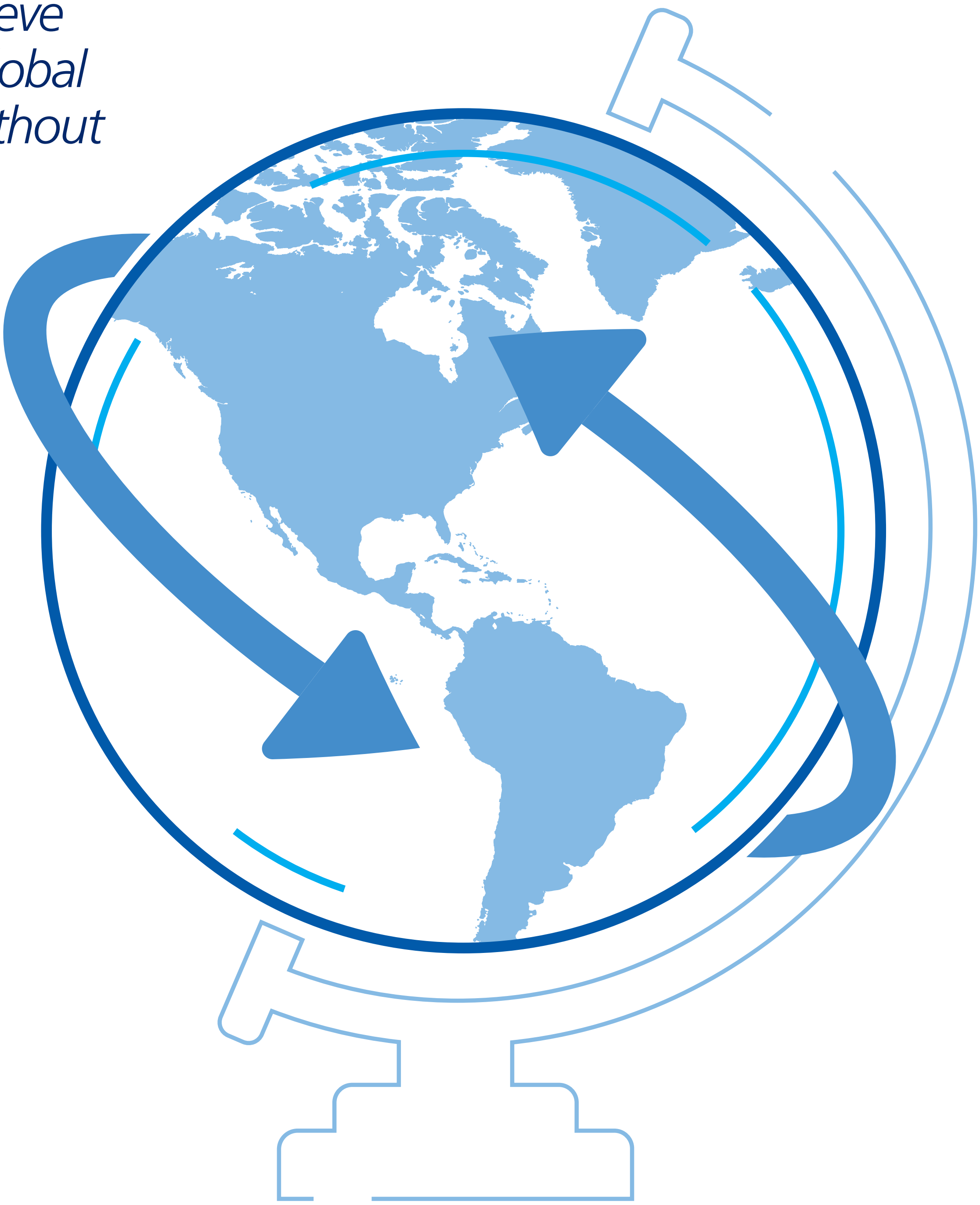
Multinational customers want consistent global coverage that achieves alignment with laws and tax rules across all territories.

Traditional global programs can become a patchwork of different policy wordings, which risk possible coverage gaps and are labour intensive to administer.

Zurich's new Prime wording is truly global, ensuring transparency, consistency and ease of administration.

TRANSPARENT, CONSISTENT COVERAGE FOR MULTINATIONAL COMPANIES

How to achieve consistent global coverage without DIC/DIL



OUR EXPERT

Mark Pennock,
Head of Property,
Zurich Global
Corporate in the UK.

OUR EXPERT

Petra Riga,
Head of International
Sales and Distribution,
Zurich Global Corporate.

Multinational customers want transparent, consistent coverage across all their entities and operations. But achieving uniform, global cover that complies with local market practices and regulations can be difficult.

Global programs normally include a mix of master wordings, locally issued policies, bespoke endorsements and DIC/DIL (Difference in Conditions/ Difference in Liabilities) coverage. The result can be a patchwork of different policy wordings, which are labour intensive for brokers to manage and risk gaps in coverage.

In response to this, Zurich has launched Zurich Prime International Property and Business Interruption (Prime). Prime is a truly global solution that is available to mid-market and corporate risks across all customer segments.

Prime's revolutionary approach to global programs provides great flexibility, gives more certainty of cover across all territories with reduced need for DIC/DIL, and is less expensive for brokers to source and administer.

Minimising gaps in coverage

Even with DIC/DIL sitting above a global program, inconsistencies between the program's different policy wordings – such as basis of cover, terminology and definitions – can lead to gaps in cover, and the potential for claims leakage.

"The most common problem is misunderstandings or misinterpretations between the master and local wordings," says Mark Pennock, Head of Property (Global Corporate UK) at Zurich. "This can be for a number of reasons; often, it is simply that something can mean one thing in one territory and different in another."

With a business interruption claim, for example, the master wording could be written on a gross earnings basis, but the local policy on a loss of profits basis. This inconsistency makes it difficult for the master policy to respond effectively to the underlying loss.

The Prime wording and terminology used between the master policy and local policies is as consistent as can be. The effort is aimed at creating as little as possible unexpected inconsistencies or gaps that need to be covered on a DIC/DIL basis. Coverage is aligned as best possible and it thereby is aims to create more clarity over what is exactly covered.

Mark says: "Currently local policies are issued to 'a good local standard'. But this can vary greatly by territory and there is little transparency about what the customer is buying at local level. Prime allows underwriters, brokers and customers to be confident of what is issued locally, and to be aware of any gaps that would be picked up by the master wording."

Alignment with local requirements

Different countries have different requirements regarding insurance coverage, with many requiring particular definitions, minimum coverage, and locally issued paperwork. When constructing a global program, this can make it difficult to achieve compliance across all of your customers' territories.

Petra Riga, Global Head of International Sales and Distribution at Zurich, says: "With Prime, we have gone through a long process to make sure everything is in alignment with local laws and regulations."

Where particular endorsements or definitions are needed to comply with local requirements, they have been included in English and the local language, to make sure local authorities recognise and honour it, when there is for example the requirement of a local pool coverage.

"In countries where it needs to be approved by the local regulators, it has been approved," says Petra. "Prime is a truly global wording, with coverage that is aligned and consistent across the world."

Tailoring cover

Adjusting coverage with a traditional global program can require bespoke endorsements to be issued across a number of different policies; with Prime, this is not necessary.

Prime offers a number of optional enhancements – such as losses at third party suppliers/customers, deferred payments coverage, green coverage and protection against infectious disease. But as Prime is an all-risks wording aligned with locally issued policies, it is extremely flexible and easy to adapt across all territories should more bespoke modifications be required.

Petra explains: "With Prime, we can offer customers tailored solutions, but we don't have to replicate the approach across a number of different policies.

"We do it once in the master policy and it will offer coverage at the local level. It is much less time and cost intensive for all parties. It also makes for faster and more efficient issuing of policy documentation."

Not just for bigger players

Global trade has become more accessible for businesses of all shapes and sizes, and more and more businesses are requiring global insurance solutions.

Zurich's Prime wording is therefore being made available to mid-market and corporate risks across all customer segments.

Zurich hopes to make Prime available to approximately 80 territories by the end of 2015.

"This wording is just the start," says Petra. "Our goal over the coming years is to expand this into more lines of business and offer brokers a suite of truly global wordings."

Brokers are encouraged to get in touch with their account executive to discuss how Prime can help their customers, while reducing the time and cost of administering a global program.

Zurich is revolutionising the approach to global insurance programs, offering consistent coverage that is less expensive to administer.

"PRIME IS A TRULY GLOBAL WORDING, WITH COVERAGE THAT IS ALIGNED AND CONSISTENT ACROSS THE WORLD."
PETRA RIGA, GLOBAL HEAD OF INTERNATIONAL SALES AND DISTRIBUTION AT ZURICH.

At a glance

Businesses need to understand and prepare for regional risk exposure.

Increasing its risk resilience can give a business a competitive edge.

As risks become more complicated and interconnected, thought needs to be given to regional variations.

INCREASING RESILIENCE TO REGIONAL EVENTS

Regional risks to your global business

OUR EXPERT

John Scott,
Chief Risk Officer,
Zurich Global Corporate.

OUR EXPERT

Steve Wilson,
Chief Risk Officer,
Zurich General Insurance.

Even far off regional events can have real consequences for your business. Increasing resilience to these risks can provide a competitive edge.

Different parts of the world are exposed to different and evolving risks. Understanding these regional exposures is critical to building the resilience your business needs to succeed.

Economic, societal and geopolitical risks to your business vary depending on where in the world you direct your focus; and they can cascade in unpredictable and interconnected ways, testing your company's ability to stay out in front of risks that can take shape on a local or regional level.

Regional energy policies, for example, can snowball into global geopolitical and economic risks, with consequences that play out over a protracted period. An example of this is Saudi Arabia's decision to maintain high levels of oil output within the OPEC framework, creating a significant impact on the economies of Venezuela and Russia, which were already under stress due to fiscal deficits.

Recognising the role regional risks play on the world stage, Global Risks 2015, a report from the World Economic Forum, asked respondents to list what they perceive to be the top three risks for which their region is least prepared – no two regions completely agreed!

Evolution of regional risks

Regional variations add to the complexity of managing globally interconnected risks, at a time when the risks themselves are becoming more complex and interconnected.

"By speeding up communication as well as processes, technology is the key driver of increased interconnectedness," says Carol Fox, Director, Strategic and Enterprise Risk Practice, Risk and Insurance Management Society (RIMS).

"All those connections and how things are distributed – the whole concept of a globalised world – that's all being rethought and reassessed from a risk perspective."

According to John Scott, Chief Risk Officer, Global Corporate, Zurich Insurance Group – a world leader in helping businesses understand and protect against risks – globalisation is not just being reconsidered, but rather its underlying principles are being challenged.

"The interplay between economic and geopolitical interests occurs not only in the trade arena, but in the Bretton Woods [IMF, World Bank] institutions. Coordination of macroeconomic policies helps reduce global imbalances, and supporting free-trade agreements help create global trust in the ability to trade and get paid," says Scott.

"But that's seriously under threat at the moment, whether by the rise of regional trade agreements, or the move toward alternative regional sources of capital, such as the announcement of the new BRICS Bank and the Asian Infrastructure Investment Bank."

Early stages of awareness

RIMS' Fox believes that businesses are still not sufficiently aware of regional differences, though some are adapting their strategy to reduce their regional exposure. For example, North American organisations are increasingly moving operations back home as a hedge against overseas instability.

Developing a holistic view of regional risks and their global impact on your business can be an enormous challenge, particularly for smaller businesses that do not have a physical presence in the markets they serve. Analytical tools, such as Zurich's Risk Room, which analyses more than 70 individual risks in over 150 countries and creates easy-to-understand risk modelling, can help companies bridge that information gap.

At the same time, businesses can reduce the complexity of the task by developing a thorough understanding of their business model and the potential impact global risks can have on it. Indeed, with fewer corporate layers, it can be easier for smaller firms to engage their leadership in scenario planning, using tools such as the Risk Room to play out "What if" scenarios. These approaches result in better-informed strategic decisions with regard to mitigating the impact global risks may have on your business model.

"Just because you're a smaller business doesn't mean you can't develop a holistic global response," says Scott. "It's incredibly easy to use the power of the Internet to apply the same thinking to the likely impacts on your business model of, say, social unrest in Shanghai, or the consequences of underemployment in Europe.

A small company can absolutely work out where global risks might impact its ability to serve customers in remote markets, or how supply chain interruption can impact their business."

Translating your risk landscape

Steve Wilson, Chief Risk Officer, General Insurance, Zurich Insurance Group, calls creating a holistic approach to risk "very much a bespoke exercise." Still, he notes that Zurich has methodologies (used internally, as well) that look at an enterprise's vulnerabilities, the exposures that can cause problems, the triggers that can make those unwanted things happen and the consequences if they do occur.

"It's about translating the risk landscape into the specific areas where you're going to be operating or are dependent upon suppliers," he says.

This type of active risk-management to increase resilience is applicable to any and every business. Steve cites a small business he knows that uses felt to make various craft items. The firm's three main suppliers are an English designer, a manufacturer in rural Scotland and a website manager in Egypt.

"Which of these elements is most susceptible to global risk, in these different parts of the world?" he asks. "If you did that exercise, you'd conclude that social unrest in the North African region is the big threat. You'd want a backup option ready for that web designer, should they not be able to continue to operate – which shouldn't be too tough, as there are many such designers available. If that problem occurs, you can continue to run your business successfully – if you're prepared for that moment."

DEVELOPING A HOLISTIC VIEW OF REGIONAL RISKS AND THEIR GLOBAL IMPACT ON YOUR BUSINESS CAN BE AN ENORMOUS CHALLENGE, PARTICULARLY FOR SMALLER BUSINESSES THAT DO NOT HAVE A PHYSICAL PRESENCE IN THE MARKETS THEY SERVE.

At a glance

Complex construction projects featuring relatively new power generation technologies pose challenges in assessing the risks.

Insurers are well placed to help businesses to assess and manage renewable energy risks due to their experience in the traditional energy production, marine and construction sectors.

Assessing the risks in renewables

According to the International Energy Agency, between 2014 and 2035 wind power is expected to attract annual investments of

$88b

followed by investment in hydro-electricity of

$67b

and photovoltaic technology at

$57b

OUR EXPERT

Christoph Rebholz, Senior Risk Engineer, Zurich Global Corporate in EMEA.

Renewable energy is big business. But large, complex construction projects, often in remote locations, and featuring relatively new power generation technologies pose challenges in assessing the risks.

We are seeing a fundamental shift in the energy power supply structure. Traditional power is generated in established, secure locations and distributed easily. Production widely follows the demand. Renewable energy, by contrast, can only be produced when natural energy is available; a little bit provocatively, it could also be called energy harvesting. As the supply fluctuates, it may not always match demand. Innovations in the way renewable energy is produced are constantly reshaping the industry.

Significant advances in technology are making renewable energy production commercially viable. The scale of operations has increased, particularly in the shape of massive offshore and onshore wind and solar sites. The main forms of renewable energy are onshore and offshore wind energy, hydro, photovoltaic (PV) cells, concentrated solar power, geothermal and biomass. Wave and tidal power may be technologies contributing to renewable energy production in the future.

Owners and other parties involved in renewable energy plants and their insurers face the task of building a detailed understanding of the risks and how they can be insured in this fledgling industry.

A growing market

Efforts to increase the use of renewable energy in many developed countries are being boosted by legislation. As well as nationally-set targets, the EU's climate and energy package has outlined targets for reducing CO_2 emissions that rely on greater use of renewable energy.

A key question is whether renewable energy is competitive. Investment costs in relation to how much power is produced can be relatively high. In many countries, renewable energy is only competitive with government incentives and subsidies. It seems likely that the rise of renewable technologies will be strongly influenced by government decisions for many years to come.

The situation is different in emerging nations. Growth in renewables is expected to be slower here; with countries like China being an exception. Governments in emerging nations often offer little in the way of subsidies to encourage investment in and the expansion of renewable energy production.

Global investment

The increasing levels of investment in renewable energy illustrate how the balance is gradually moving away from fossil fuel power. Wind power attracts the most investment in the renewables sector, which is expected as this is already a proven, well-established technology. According to the International Energy Agency, between 2014 and 2035 wind power is expected to attract annual investments of $88 billion, followed by investment in hydro-electricity of $67 billion and photovoltaic technology at $57 billion. Investments in renewable energy will account for more than 60% of all investments into the power generation sector over this time period. In Europe, it is expected that 75% of all power generation investments go into renewable energy projects.

Storage and transmission challenge

Proving that renewable energy technologies are suitable for large-scale commercial development is only one part of the challenge facing the industry. Figuring out ways to store, transmit and distribute the energy is equally challenging. Traditional power generation plants are usually located close to the source of demand, where populations are concentrated. The fuels, such as coal or gas, are transported to the point of generation. Renewables, on the other hand, have to locate wherever the source of power is. Developing the technology to store energy and creating transmission and distribution networks are probably main factors currently holding back the speed of development of renewable energy. In Germany, for example, traditional power stations in the south are being closed, but lots of the country's renewable energy is produced by wind farms in the north, which necessitates investment in transmission grids to deliver power to meet demand in the south.

Challenges for renewable energy projects

The pattern of development in renewable energy appears closely linked to the cost of the underlying technology. We are seeing PV power growing in popularity compared with thermal solar energy, largely because PV cells are the less expensive technology and can be developed quicker than thermal generation equipment. The costs associated with onshore power generation are generally lower compared with offshore ventures, however, the energy produced offshore is usually more predictable, so future revenue streams are easier to predict. Even with relatively well-established technologies, some investments in renewable energy schemes have yet to deliver the returns that had initially been forecast, which highlights the risk for investors and governments in funding ventures.

As well as technological and practical issues, there are human interests to consider. The location of renewable energy plants or the transmission of infrastructure generates much public and political debate. Despite the green credentials of renewable energy, objections are often raised by local people. There can be a degree of 'not in my backyard' (nimbyism) that can slow down the process of replacing traditional energy generation.

There is a trend towards making things bigger, which introduces risks in using technology on a large scale that may not have an established track record of success.

Insurance challenges

Many renewable energy plants use technologies and techniques that are relatively new. This includes the design, the materials used, manufacturing techniques, construction and operating methods. So it can be difficult to assess the risks and to calculate the level of insurance that is required. There can also be an issue with the lack of experience running renewable energy sites in what is a relatively new industry. The expertise available in areas like engineering, finance, project management and the supply chain is still maturing. The renewables industry is under pressure to build plants quickly – and cheaply – in order to bring more green energy on stream. This can create risks if 'shortcuts' are taken in construction methods, of if low-cost equipment is used that could compromise efficiency, reliability and safety in the long term.

Assessing the cost of business interruption can be difficult. If a plant has to stop production, there may be long lead times for replacement equipment. The level of subsidies might be affected if power generation is disrupted, which could put the long-term future of a plant at risk.

Insurance decisions have to be made on equipment that carries warranties from manufacturers who might not be able to fulfil their obligations in the future, for example, if they go out of business. Insurers are also looking at the issue of accumulated risks. Here, a number of risks can combine to create a much higher degree of uncertainty. For example, an offshore wind farm faces logistical risks in transporting materials and equipment for construction, the challenge of creating solid foundations to build on, technical risks in operating facilities in extreme weather environments and long-term issues, such as corrosion.

A maturing industry

The renewable energy industry is, with the exception of hydro power, not a mature industry yet. It is a complex risk landscape that is changing all the time. Renewable energy companies will appear and disappear, and new types of renewable technology are being launched. This means that for now, insurance solutions are likely to be tailored to specific projects in order to meet customer requirements. We are likely to see new types of risk mitigation products being developed for the renewable energy industry. Specific cover to protect owners and investors against the risk of uncertain capital returns is another area insurers are considering.

Insurers can bring a depth of risk management experience gained in the traditional energy production, marine or construction sectors, and adapt it to the new challenges and risks of renewables. The insurance industry also views renewables as an area for potential investment. Some insurers themselves also support a number of major renewable energy projects, which gives them greater incentive to understand about and mitigate against the full scope of risks in the sector.

As the renewables industry matures, risks will become better understood. It seems likely that the risk engineering and management skills insurers can offer will be a key benefit as the industry grows up in the glare of public and government scrutiny.

WHILE ECONOMIES OF SCALE ARE POSSIBLE IN LARGE PV OR WIND FARMS, THERE IS A RISK OF LOSING PRODUCTION DUE TO THE HARSH ENVIRONMENT WHERE THEY TEND TO BE LOCATED. FOR EXAMPLE, RECENT TORNADOS IN NORTH AMERICA SEVERELY DAMAGED A SOLAR FARM AND DISRUPTED POWER GENERATION.

At a glance

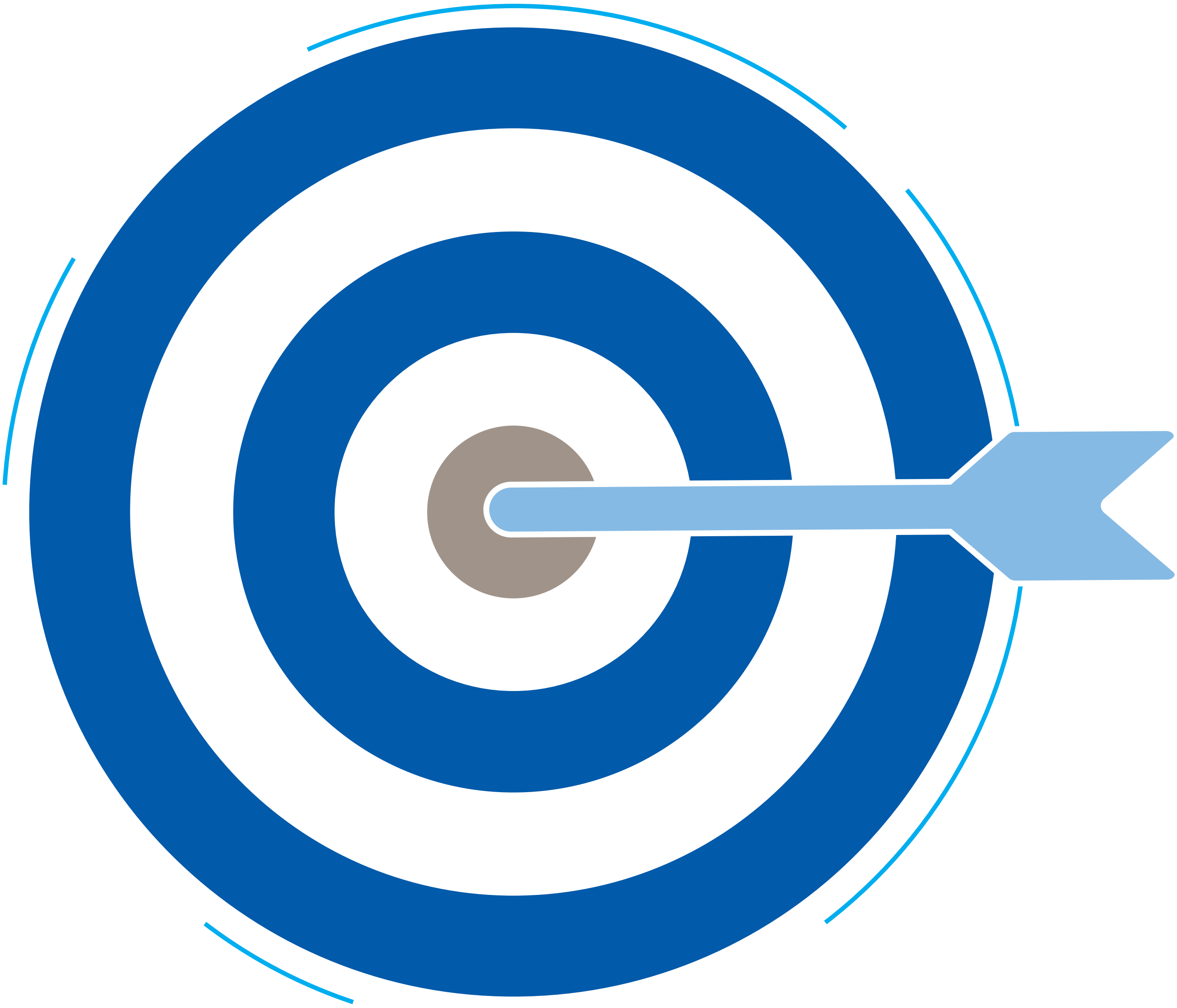
In the online era it is critical for organisations of any size to have a crisis management plan in place for when things go wrong.

How an organisation deals with an incident can be the biggest overall factor in deciding whether a company's reputation recovers or is tarnished beyond repair.

A good name or reputation can be a business's greatest asset – allowing it to charge a premium for its products and services.

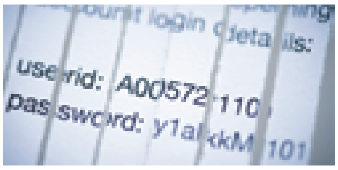
REPUTATIONAL RISK

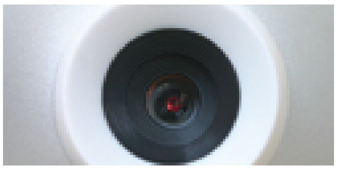
How to maintain a good reputation



OUR EXPERT

Matthew Hillyer, Strategic Risk Consultant, Zurich Risk Engineering.





Reputations matter. It is often why customers choose one product or service over another – and it can be the difference between the success and failure of a business.

Gerald Ratner's notorious PR blunder, which caused the near collapse of his family's UK jewellery business in the 1990s, may be an extreme example of this, but it highlights the importance of maintaining a good reputation.

Many companies now put reputation before profit. A 2013 global survey by CIMA found that 76% of organisations were prepared to lose profit in the short-term to protect their image over the long-term.

"The worst reputational damages we've seen in recent years tend to have a brief impact on the share price of a company before it is then rectified – as long as there's a robust response, in terms of crisis management," says Matthew Hillyer, Strategic Risk Consultant at Zurich.

Reputation, though, can be an intangible and complex subject. The loss of it can result in decreasing revenue; increased operating, capital or regulatory costs; or even destruction of shareholder value caused by an adverse or potentially criminal event.

"It is misleading to talk about reputational damage as a risk in its own right, as invariably it is a by-product of a lot of other things – and it is better to manage reputation as an outcome or an impact," says Matthew.

For instance, a fire at a call centre could mean an organisation being unable to take telephone calls from its customers. This could in turn lead to poor customer experiences and thus reputational damage. Bad things can therefore quite easily happen to good companies.

Impact of social media

The rise of the internet – and particularly social media – means there are few hiding places for companies. Anybody can broadcast information to large audiences. In today's digital landscape, where many reputations are forged online, a bad review or negative comment can quickly drive customers away.

Reputational damage may even be caused by uncontrollable external factors, such as the actions of a competitor that casts a cloud over an entire sector

Cyber-attacks, too, can potentially result in sensitive information finding its way into the public domain. Sony Pictures, for instance, continues to be dogged by damaging releases of confidential information following a hacking incident last year.

"Cyber risk is big in terms of reputation," says Matthew. "The security of information is critical; otherwise people can read whatever they want into exposed information."

Dealing with potential reputation loss

It is therefore easy to see how good reputations, built over many years, can rapidly be damaged in a matter of hours. To prevent incidents becoming full-blown disasters, organisations should have robust, fully developed crisis-management plans in place – ready to put out reputational fires before they spread.

For instance, a customer with a cameraphone could film a delivery driver mishandling important consignments. This could be uploaded and go viral, portraying that organisation in a bad light.

"By being able to demonstrate that an incident was down to a 'bad apple', as opposed to any organisational failing, can limit any long-term reputational damage," says Matthew. Monitoring if an event has affected people, using tools to check sentiment on social media, is also crucial.

"You don't want to put too much out there if, in actual fact, no-one has really noticed," says Matthew. "It is all about reading the situation, figuring out its severity and adopting an appropriate response."

Zurich can work closely with customers to help prevent reputational damage, by putting together appropriate response plans and developing robust business continuity plans – as well as performing regular health checks regarding information security.

"We look to identify all of the risks that an organisation faces and put plans in place to mitigate them," says Matthew. "The adoption of good risk management will drive a risk-aware culture, reducing the likely impact of those risks.

"When considering the impact of information risk on reputation, around 80% of the risks can be mitigated with the effective management of people and behaviours."

For smaller firms not armed with the budgets and manpower of larger organisations, targeting this 80% can produce big wins for little overall cost.

Protecting a brand

Organisations spend a lot of time, effort and money communicating their brand, standards and values in a bid to stand out from the competition.

"When trust and integrity become an essential part of an organisation, the very reputation of that organisation then becomes fundamental to the value proposition," says Matthew.

It is not necessarily the bad things that can destroy an organisation – it can be how a company responds when something goes wrong that can be the biggest deciding factor in whether a company's reputation recovers or is tarnished beyond repair.

IN THE ONLINE ERA, IT IS CRITICAL FOR ORGANISATIONS OF ANY SIZE TO HAVE A CRISIS MANAGEMENT PLAN IN PLACE FOR WHEN THINGS GO WRONG.

At a glance

Brokers are being asked to do more for less, and efficiency has become paramount.

Zurich has listened to broker feedback and redefined its proposition for Corporate Mid-Market companies.

The new proposition allows for quicker, easier and more efficient transactions, reducing the time taken to service risks.

PRODUCTS FOR MID-MARKET COMPANIES

Quicker, easier, more efficient – a reimagined Mid-Market offering

Competition is fierce in the Corporate Mid-Market (CMM) arena, and clients continue to demand more for less. With income streams under constant pressure, maximising returns on each client has become paramount, and the efficiency of broker-insurer transactions plays a pivotal role.

Acting on recent feedback, Zurich is completely reimagining its CMM proposition. The new approach is built around what brokers need in today's competitive environment, offering quicker, easier and more efficient transactions.

Acting on feedback

"We learnt that some brokers found our process quite cumbersome to deal with," says Urs Nussbaum, Underwriting Director (Mid-Market), Global Corporate in Europe, Middle East and Africa. "Our historical approach also meant that broker submissions sometimes took too long to respond to.

"We want to build our organisation and processes around what brokers need; we don't want situations where brokers feel they cannot deal with us efficiently. It has therefore been important that we act on this feedback and reconsider what we are offering CMM brokers."

Fewer questions, faster quotes

Under current market conditions, brokers want quick responses and prices that insurers will commit to. Zurich has taken a fresh look at how it underwrites CMM business, in order to simplify and speed up the entire process.

"We have forced ourselves to consider what information we can do without when underwriting a risk, and have maximised the cases where we can provide an immediate answer," says Urs. "We can then collect any additional risk information at a later date, once the broker and client are interested in our proposition.

"We want to avoid the practice of entering into a long series of information exchanges before a firm quotation is put forward; this is not efficient for brokers, and neither is it efficient for us.

"The new approach offers the same dedication and technical ability that Zurich is known for, but in a way that is faster, easier and less time-consuming for brokers and clients."

Multiple lines made easy

CMM brokers will usually manage multiple lines of business for their clients. However, as insurers typically underwrite each line in isolation, obtaining quotes across an entire insurance programme can be very time consuming, especially when remarketing.

Zurich is developing a new platform that will identify other lines of business it is able to quote on, and the additional information that would be needed.

For example, if quoting a property risk, the platform will notify the underwriter if that client's business is also within Zurich's liability or D&O appetite. It will then specify the extra information required to quote on all three lines for that particular client.

Zurich has one of the broadest product ranges and appetites in the industry. Once launched, the new platform will enable brokers to take full advantage of this, quickly obtaining quotations on additional lines, and reducing the time taken to service each client.

Use your own wordings

To avoid potential errors and omissions claims, it is important that brokers understand exactly what is covered for each client. If sourcing multiple products across multiple insurers, analysing each policy wording in sufficient depth can be very time-consuming.

This has led to brokers moving away from having different wordings for each insured, and towards favouring particular products, or creating their own broker wordings. Zurich wants to make the whole process as helpful to brokers as possible, so has designed its new CMM proposition to accommodate non-Zurich wordings.

"We want to complement the way brokers work," says Urs. "If you have CMM clients, then we are happy to agree in advance the type of contract to use for them. That way you don't have to negotiate cover for each risk. It will also speed up the issuing process."

Upcoming renewals

Zurich's revised CMM proposition launches with property risks, due to be implemented through autumn/winter 2015.

Brokers are encouraged to get in touch with their local contact to discuss any upcoming renewals or new business, and how the redefined proposition can help.

Zurich has redefined its Corporate Mid-Market, offering more help to brokers in today's competitive marketplace.

OUR EXPERT

Urs Nussbaum, Mid-Market Underwriting Director, Zurich Global Corporate in EMEA.

UNDER CURRENT MARKET CONDITIONS, BROKERS WANT QUICK RESPONSES AND PRICES THAT INSURERS WILL COMMIT TO. ZURICH HAS TAKEN A FRESH LOOK AT HOW IT UNDERWRITES CMM BUSINESS, IN ORDER TO SIMPLIFY AND SPEED UP THE ENTIRE PROCESS.

"WE WANT TO BUILD OUR ORGANISATION AND PROCESSES AROUND WHAT BROKERS NEED; WE DON'T WANT SITUATIONS WHERE BROKERS FEEL THEY CANNOT DEAL WITH US EFFICIENTLY. IT HAS THEREFORE BEEN IMPORTANT THAT WE ACT ON THIS FEEDBACK AND RECONSIDER WHAT WE ARE OFFERING CMM BROKERS."

At a glance

Risk managers of multinational organisations face a number of difficult tasks in the performance of their roles.

Zurich has developed a tool to give unparalleled insight and control over risk management activities.

My Zurich can sit at the heart of clients' operations and also enhance brokers' own service capabilities.

MANAGING INTERNATIONAL POLICIES AND CLAIMS ON A SINGLE SYSTEM

The future of international program management

Risk managers are under pressure to perform a wide range of tasks – from keeping track of claims and policy documentation, to advising on risk mitigation activities and how their businesses should react to world events.

With global organisations, the complexity of these tasks increases significantly, and many customers will not have the internal capabilities to perform them as effectively and efficiently as they might like.

To better assist its clients, Zurich has developed a powerful online tool (My Zurich) that gives direct access to its global information systems, expertise and insight. The tool can sit at the

OUR EXPERT

Bonnie Jones,
International Sales and Distribution,
Zurich Global Corporate.

OUR EXPERT

Andre Guyer,
Head of Global Transformation
Zurich General Insurance Risk Engineering.

heart of a risk manager's day-to-day operations, giving them unparalleled insight and control over their business's risk management activities.

My Zurich has the potential to revolutionise the way risk managers work, and to greatly enhance brokers' own advisory capabilities.

Demand from clients

My Zurich was born out of a clear demand from clients, who wanted tools to help with the complexity of managing international programs.

"When looking at my personal insurance needs – household, medical, car and so on – it can be challenging to keep track of my own insurance portfolio" says Bonnie Jones, International Sales and Distribution Manager (Global Corporate) at Zurich.

"So, one can imagine the difficulties faced by multinational organisations, which are responsible for multiple locations and numerous lines of business, and which must comply with a variety of legal and regulatory requirements."

Complete overview

My Zurich is the only available tool in the market to offer a truly global capability across all lines of business. Users can view every aspect of their international program, from inception to claim resolution, in a single place.

The tool is able to quickly answer questions such as:

Which policies have been issued?

Are any invoices outstanding?

Have any risk improvements been recommended?

Which claims are still open and why?

What are the local insurance and related tax regulations?

My Zurich is connected to Zurich's global information network and refreshes every 15 minutes. This means that all participants – client, broker and insurer – can see the same information from anywhere in the world, and in real time. This enables a thorough understanding of any program to be easily gained, and any issues to be quickly identified and resolved.

My Zurich also includes access to Zurich's award-winning Multinational Insurance Application (Zurich MIA), which provides information on regulatory and tax requirements. Supported by a team of 140 legal professionals, Zurich MIA covers about 180 jurisdictions and 42 insurance lines of business and is continuously updated with the latest local requirements.

Better risk management

As businesses become more global, supply chains lengthen, new risks emerge and existing ones become more complex. This enhances the need for a strong risk management function to ensure organisations remain resilient and competitive.

In addition to advanced analytics tools, and the capacity to export raw data for extra analysis, My Zurich has a number of additional, innovative functions.

One of these is the ability to sign up for a range of notifications, from the release of new risk insight papers, to tropical storm alerts when a client's premises might be at risk.

My Zurich's map functionality also allows users to plot data, such as office locations or claims experience, onto a world map, and overlay it with additional data sets, such as earthquake fault lines.

Bonnie says: "We are trying to help clients make key strategic decisions. So, for example, they might look at their property claims data, then identify that a particular location is near an earthquake fault line. This knowledge may encourage them to consider moving that location, or look at risk engineering options to better protect against earthquakes."

Future developments

My Zurich operates an agile development model, which is constantly innovating. Every six weeks a new release is issued, building on feedback from brokers and clients about the functionalities they would like to see.

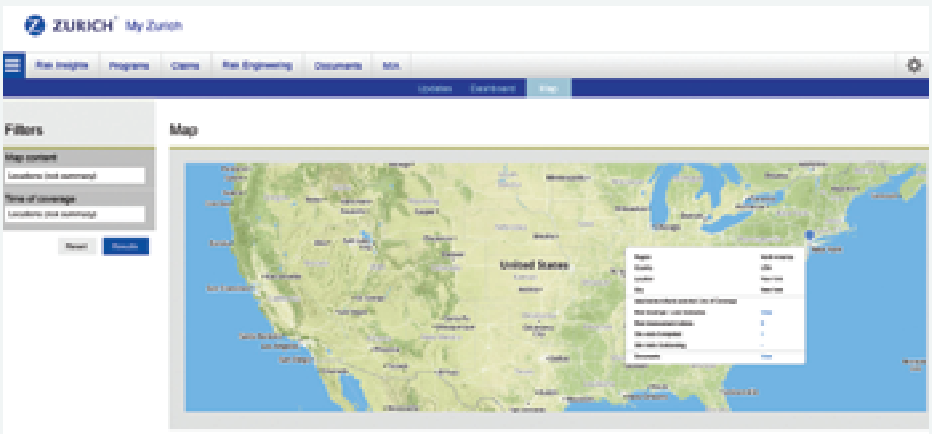
While currently only available to clients with international programs, or those who utilise Zurich's risk engineering services, plans are already underway to open up use to domestic customers as well and to include Zurich's employee benefits products before the end of the year.

"As we continue to advance the platform, clients will eventually be able to see all of their business in one place, whether that be domestic or international, general insurance or employee benefits," says Andre Guyer, Head of Global Transformation at Zurich.

"This will be of great benefit to brokers too: allowing for easy analysis of their clients' entire operations, and enhancing the risk management services that brokers provide for their clients."

Brokers are encouraged to read more about My Zurich and contact their local Zurich representative to discuss how it could help their own clients.

"WE ARE TRYING TO HELP CLIENTS MAKE KEY STRATEGIC DECISIONS"
BONNIE JONES, INTERNATIONAL SALES AND DISTRIBUTION MANAGER (GLOBAL CORPORATE) AT ZURICH.



Managing insurance programs
My Zurich draws together real-time overviews of your whole portfolio with Zurich, so you can drill down to review specific details, such as a single policy document. You can make more informed decisions, with policy content based on historical, current and upcoming underwriting years.

Tracking claims
Review the complete claims history of your organisation, from a global overview down to specific claims detail as allowed by applicable law.

Mitigating risk
Manage various risk improvement actions relating to your business. Track their progress, communicate directly with Zurich Risk Engineers, find information for your investment decisions, and track your risk management history.

Aligning with local regulations
Zurich MIA helps to keep an overview of local regulations around the globe. It provides access to continually updated information on insurance regulatory laws and foreign insurance premium requirements applicable to the insurer supporting the crafting of optimal insurance solutions for out-of-territory (cross-border) exposures in countries where the insurer is not licensed or otherwise authorised to conduct insurance business.

At a glance

Combining life and general insurance in a captive can improve cash flow for your business, and make it more resilient to globally interconnected risks.

COMBINING LIFE AND GENERAL INSURANCE IN A CAPTIVE

Five reasons why you should be using captives

Here are the key advantages of combining life and general insurance in a captive, based on a recent survey conducted by Bloomberg Audience Insights.

01
Combine coverage strategically
Life insurance risks are predictable, but general insurance risks are more volatile, with high claims in some years and low claims in others. Bringing these two together within a captive can smooth out variations and make things more predictable.

02
Improve cash flow and reduce costs
There are risk management and financial benefits to combining life and general insurance – a captive can deliver premium cost savings and improve cash-flow management and investment returns.

And with the EU's Solvency II Directive coming into force from January 2016, adding employee benefits to captives can be an effective way to diversify risk exposure and reduce the amount of capital required to insure against insolvency.

03
Include global employee benefits for global advantages
Employee benefits account for about 30 percent of total employee compensation at most corporations. Despite this substantial expense, many multinational organizations underestimate the financial advantages of moving their global employee benefits programs into a captive, which can deliver additional underwriting profits when these programs are reinsured.

04
Break down corporate silos
Traditionally, HR functions don't interact with risk functions, and the people in HR are likely to see decisions about benefits, such as life insurance, as their domain. However, pooling risks brings benefits to both groups, and setting up a captive can be a good way to build relationships between HR and Risk Managers.

05
Raise the status of risk management
Department heads and the C-suite are often too busy to give due consideration to risk, but setting up a captive can raise the profile of risk management within the business.

"TWENTY YEARS AGO, IF THERE WAS A CHIEF RISK OFFICER, IT WAS JUST ABOUT BUYING A BIT OF INSURANCE." SAYS IAN VEITCH, GLOBAL HEAD OF PROPOSITION & UNDERWRITING, CORPORATE LIFE & PENSIONS, ZURICH INSURANCE GROUP. "AS THE WORLD HAS BECOME MORE COMPLEX, CHIEF RISK OFFICERS ARE NOW LOOKING OVER THE TOTALITY OF RISKS TO SEE HOW THEY ARE CONNECTED."

OUR EXPERT

Paul Wöhrmann,
Head of Captive Services for GCiEMEA, Latam and APAC

If you would like to subscribe to the Zurich Global Corporate in Europe, Middle-East and Africa Broker Newsletter, please email

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