

SUPPLY CHAIN INSURANCE AND RISK CONSULTING



Today's dramatically changing business environment has created new risks for organizations, which in turn has created a greater awareness of supply chain exposures and the need for viable solutions.

Events such as the 2011 earthquake(s) and tsunami in Japan and the flooding in Thailand highlighted the global impact of such a catastrophic event, notably on companies' global supply chains. Although the majority of businesses outside of these regions have not suffered direct physical damage, some have incurred considerable uninsured business interruption and extra expense losses due to disruptions in their supply chains. These disruptions could have been covered with adequate supply chain insurance programs.

Marsh offers clients supply chain consulting services, designed to provide the risk assessments required by supply chain insurance carriers, and the specialized placement services to access the insurers that provide supply chain insurance risk transfer solutions.

MARSH'S COMPREHENSIVE RISK ASSESSMENT

Marsh's risk assessment follows a three-step process that enables our clients to gain a thorough understanding of their supply chain.

STEP 1—RISK IDENTIFICATION

Marsh's Supply Chain Risk Management Practice (SCRM) undertakes a comprehensive review of a client's exposures. In particular, the SCRM team identifies a client's supply chain needs—e.g., product, service, brand, or supplier—and assesses and maps the supply chain process from a risk standpoint.

STEP 2—RISK MEASUREMENT

The SCRM team then articulates the client's exposures in a comprehensive and

Who it's for

- Companies with complex supply chains involving domestic and international suppliers/partners and whose service output is dependent on these suppliers
- Manufacturing, technology, pharmaceutical, and automotive companies

What you get

- Understanding of the key risk exposures in the supply chain, which helps companies make sound business and financial decisions
- Thorough analysis and assessment of a company's supply chain process by Marsh's supply chain experts
- Contingent BI coverage is not limited to physical loss or damage
- Insured events can include pandemic, strike, political risk, or other significant delays such as those caused by a natural disaster (i.e., earthquake, flood, volcanic eruption, etc.)

understandable format for the underwriters. They do so using a variety of tools, including impact modeling, forensic accounting, and gap analysis.

The cost for steps 1 and 2, which are comprised of an analysis of up to two critical key suppliers, is \$25,000 plus expenses. Clients will receive the SCRM risk assessment to be used by their Marsh broker when submitting applications to underwriters for supply chain insurance coverage. More complex assessments are also available upon request at an additional fee.

STEP 3—RISK TREATMENT AND INSURANCE

Underwriters use the risk analysis to make qualified decisions about a client’s vulnerability and to structure and price the insurance coverage.

- Program design
- Market submission and communication
- Analysis of options and recommendations

By following this three-step process, Marsh is able to customize and apply a product solution with the following characteristics.

- Supply chain insurance reacts to an insured event that is not limited to physical loss or damage.
- Supply chain insurance is primary for non-physical damage events and resultant business interruption.
- Coverage is for business interruption as a result of disruption or delay in the receipt of products, components, or services from a named supplier or supply.
- Depending on the insurance product selected, types of covered non-physical damage events could include pandemic; strike, civil, or military action; regulatory action; political risk; or other significant

delays in supply (i.e., from natural disasters such as an earthquake, flood, or volcanic eruption).

- Coverage for physical damage perils, such as fire and natural catastrophes, is typically excess of the client’s current contingent time element coverage, which will increase the client’s current level of coverage.
- Definition for the disruption/delay is structured on either an agreed value basis or actual loss sustained, providing protection for both total and partial interruption of service operations.
- Measure of loss could be in gross earnings expected or in number of units from the production or service operation.
- Multiple supplies or suppliers can be included.

INDUSTRY FOCUS

The product is available to all types of companies, but is particularly appropriate for the following industries:

- manufacturing
- technology
- pharmaceutical
- automotive

SUPPLY CHAIN INSURANCE MARKETS—CAPACITY AND PRICING

Insurer	Maximum Limit (in US\$ Millions)	Pricing Range - Rate on Line*	Form
Lexington-GSS®	\$25M aggregate	3% to 5%	Lexington GSS
Zurich-SCI	up to \$100M aggregate	2% to 5%	Zurich SCI
Berkshire Hathaway	\$100M or more	2% to 4% per named supplier	Excess GSS or manuscript
Munich Re	\$150M	Determined on risk presented	Manuscript

* RATE ON LINE IS THE RATE AGAINST THE LIMIT - FOR EXAMPLE \$5M LIMIT AT 2 PERCENT RATE ON LINE IS \$100,000 PREMIUM.

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THE MARSH APPROACH

We will assist your organization to make business and financial decisions through the following.

- Helping you understand the key risk exposures within your supply chain and also that of your key suppliers. In doing so, we will assess the potential financial impact of these exposures to your business.
- Providing you with options and alternatives via a risk management plan to help reduce the potential exposure to your business (including pricing and modeling).
- Assisting you in executing your company’s risk strategy in collaboration with your key suppliers, fostering business alignment and providing ongoing analysis and assessment of the key strategies.
- Providing you with risk transfer options for critical risk exposures in your supply chain.

For more information about supply chain insurance and other solutions from Marsh, visit marsh.com, or contact your local Marsh representative.

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