

MARSH JLT SPECIALTY

GLOBAL MARINE & CARGO PRACTICE

State of Play — Digital Cargo Insurance

Driving Digital Cargo Insurance Connectivity & Analytics



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Executive Summary

The logistics industry is evolving rapidly due to a combination of changes in customer expectations and buying habits, along with aggressive competition in a de-regulated transportation environment driven by technology, acquisitions, e-commerce, industry disruptors, nuclear verdicts and new approaches to providing logistics services.

This document is designed to highlight how the accelerated digital transformation that is currently underway enables the logistics and insurance industries to work together to implement new technologies such as Smart Contracts, Blockchain, Artificial Intelligence, Internet-of-Things and Big Data to deliver innovative digital cargo and logistics insurance products and solutions.

Decreasing cost of technology, subscription models for cloud based software, elevated consumer expectations, and increased competition drives much needed change. Enhanced connectivity and data exchange solutions drive efficiency, allowing for all stakeholders to connect seamlessly, providing integrated digital solutions directly to consumers through cloud-based systems, applications and marketplaces.

In the logistics industry, the Freightos Group, which emerged in 2012, has become an influential and informative source on the topic of digital freight. Their annual report [The State of Online Freight Sales](#), which is released each year, provides readers with a detailed overview of how online freight sales and logistics ecosystems have evolved compared to previous years. There are now dozens of digital logistics and supply chain platforms in existence; from freight forwarders to ocean carriers, air freight carriers, 3PLs, to online marketplaces. All proof that the trend of establishing digital ecosystems in logistics and supply chain is rapidly accelerating. (Freightos, 2019)



IF YOU BUILD IT THEY WILL CLICK

The State of Online Freight Sales 2019

More than ever, logistics has gone digital. This year's mystery shopper survey shows that more forwarders, ocean carriers and digital forwarders are selling online, or at least trying to. But many are learning it takes more than a web storefront to scale digitally.

02 Digital Sales in 2019

ABOUT THE RESEARCH

The online sales capabilities of the [twenty largest forwarders](#) were assessed by a mystery shopper posing as a rapidly expanding US-based e-commerce importer. Quotes were requested via a website form (or failing that, their online email address) for a door-to-door shipment from a major Chinese city to a major US city. Requests for FCL, air, and LCL quotes were spaced over the course of one month.

All necessary information was provided upfront, including origin, destination, load type, HS code, weight, dimensions, etc.

The online FCL sales capabilities of the [top five ocean carriers](#) and eight identified digital forwarders were also assessed to gauge top forwarder performance against this emerging competition.

The previous four surveys are available [here](#).



This survey assessed three components of user experience.

Requesting A Quote
Was there a quote request form available for new customers? Was it on the home page, or if not, was it easy to find? Did the form design capture all required information with an easy to use layout? If a quote wasn't instantly generated, was there at least confirmation that the request had been submitted?

Receiving A Quote
A freight quote typically includes some twenty fees and a stack of terms and conditions. Could the quote be understood in full? Was the price competitive?

Overall Sales Process
How quickly, if at all, did the company respond to the quote request? How much effort was made to follow up and close the deal after the initial quoting investment?



Freightos Group Research, "The State of Digital Freight Sales", 2019.

The Good News

Investments in new insurance technology that exploits advances such as analytics, artificial intelligence and big data to create new business models and products, to maximize efficiency, to mitigate risk and to improve customer service has increased steadily in recent years.

In addition, the digitization of cargo and logistics insurance solutions meets the expectations of a different kind of consumer, one who expects immediate access to information, products, and real-time customer service. Delivering an efficient and cost effective digital cargo and logistics insurance experience to consumers requires innovation, collaboration and partnerships between all stakeholders in the value chain.

New technologies, innovative concepts and capital investments in combination with specialized knowledge from logistics, supply chain and insurance stakeholders are required to support the development and implementation of innovative and profitable Next-Gen digital products and services.

Dynamic pricing has been used for years in the transportation industry as a means to optimize capacity, and freight pricing models actively leverage opportunities to increase margins by taking advantage of alternative routing and timing. As the supply chain standardizes shipment data, implements blockchain and assimilates smart contracts, the same technology can be applied to modernize how cargo insurance is priced. A dynamic cargo insurance pricing model can optimize pricing based on a variety of factors that can be used to both lower cost of risk as well as to promote industry wide performance improvements.

Of course, responding to evolving technological trends and emerging risks needs to be weighed against the revenue potential and the options available to both absorb and transfer risk. Pivoting from traditional business-to-business towards the business-to-consumer delivery framework is creating unique liability concerns, and at the same time the expectations of business-to-business is changing, with greater expectations being placed on the logistics provider for the successful management of the goods.



Digital Cargo Insurance

Digital Cargo Insurance Sales

In 2020, digital insurance is not a vision – it is a reality. The rise of e-commerce is breaking down the traditional barriers of global trade. Increasingly integrated supply chains, coupled with the rise of e-commerce giants and the increasing need for humans to work remotely have served to meet soaring demand.

By 2021, B2B e-commerce sales in the United States are projected to generate \$1,184 billion in revenue, compared to \$889 billion in 2017. Business-to-business, the traditional cornerstone of logistics and supply chain revenue growth, is shifting towards business-to-consumer and the distribution model for many industries is rapidly changing, necessitating new strategies to meet customer demand. E-commerce channels have grown so rapidly over the past decade because businesses are now capable of providing a truly digital experience that is more convenient, efficient and timely.

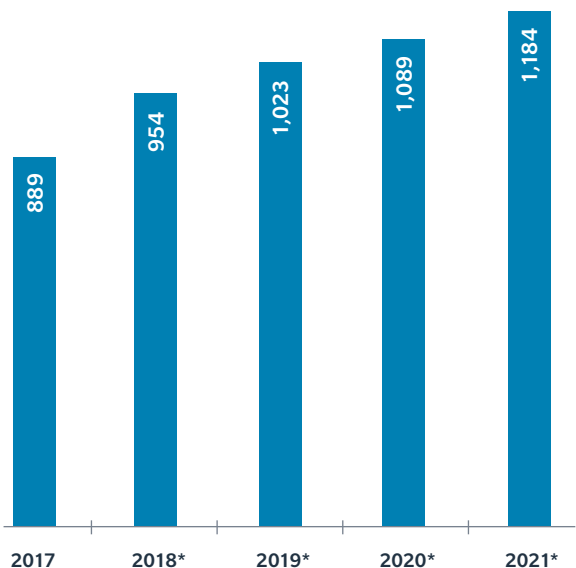
COVID-19 Comment: While 2020 will see significant economic challenges, particularly in the retail space, resulting in reduced overall sales for at least a portion of 2020, the outcome will likely be further growth and reliance on e-commerce over traditional bricks and mortar retail.

FIGURE
1

B2B e-Commerce Sales in the United States from 2017 to 2021 (in Billion U.S. Dollars)

SOURCE: FORRESTER RESEARCH: DIGITAL COMMERCE 360.
ADDITIONAL INFORMATION: UNITED STATES; FORRESTER RESEARCH; 2017.

B2B e-commerce volume in billion U.S. dollars



A byproduct of digital sales is an increase of goods being shipped globally on an “on-demand” basis, with increased handling requirements as individual items need to move from manufacturer to door more efficiently with greater transparency. Not only do the goods need to be shipped more rapidly than in the past, since the buyers may not be traditional importers, there needs to be greater clarity as to how damage in transit will be addressed. Following advances in technology and consumer trends, because digital cargo insurance can be tied into an individual transaction, the use of shipment specific cargo insurance has gone from being administratively challenging just a few years ago to representing a meaningful proportion of how cargo insurance is arranged.

The launch of digital freight platforms by forwarders, ocean carriers, air freight carriers and online marketplaces present an exciting new distribution channel for the cargo insurance product. Integrating cargo and logistics insurance products and solutions into the ecosystems of digital freight will greatly enhance the customer service and purchasing experience. Allowing clients to conveniently purchase these insurance products and services online as value-added offerings will grow the revenue stream and increase client retention.

FIGURE
2

Digital Cargo Insurance

SOURCE: MARSH

Customer/Shipper



Input Shipment Data Capture/Reporting

- Bills of lading
- Warehousing/storage
- Insured value/limit

Output Reporting Tools

- Coverage confirmation
- Integration with Smart Contracts/Blockchain/Letter of Credit
- Premium spend overview
- Claims performance overview
- Program benchmarking
- Risk control opportunities



blu≡stream

MARSH
Technology
(linked via APIs)



Policy Admin

Policy Administration

- Coverage Confirmation
- Exposure Management
- Invoicing
- Sanction Screening
- Documentation — Policy & Certificates

Shipment Premium & Claim x Data

Claims

Price/
Risk Models

Analytics
Visibility

Digital
Shipping
Data

Performance
&
Benchmarking

Digital Shipping Data

- Shipping Data Standardization
- eBOL (AWB) Receipt
- Multi-party Communication

Analytics/Visibility

- Supply Chain Visibility
- Actionable Insights
- Predictive Analytics
- Behaviour-based Analytics

Claim Administration

- Incident Validation
- Surveys
- Adjustment/Settlement
- Reporting
- Subrogation

Bluestream

Marsh's Innovative Digital Platform

Bluestream™ is a cloud-based digital broker platform that provides Marsh clients a new, streamlined way to offer insurance products and services to their customers, contractors, and employees.

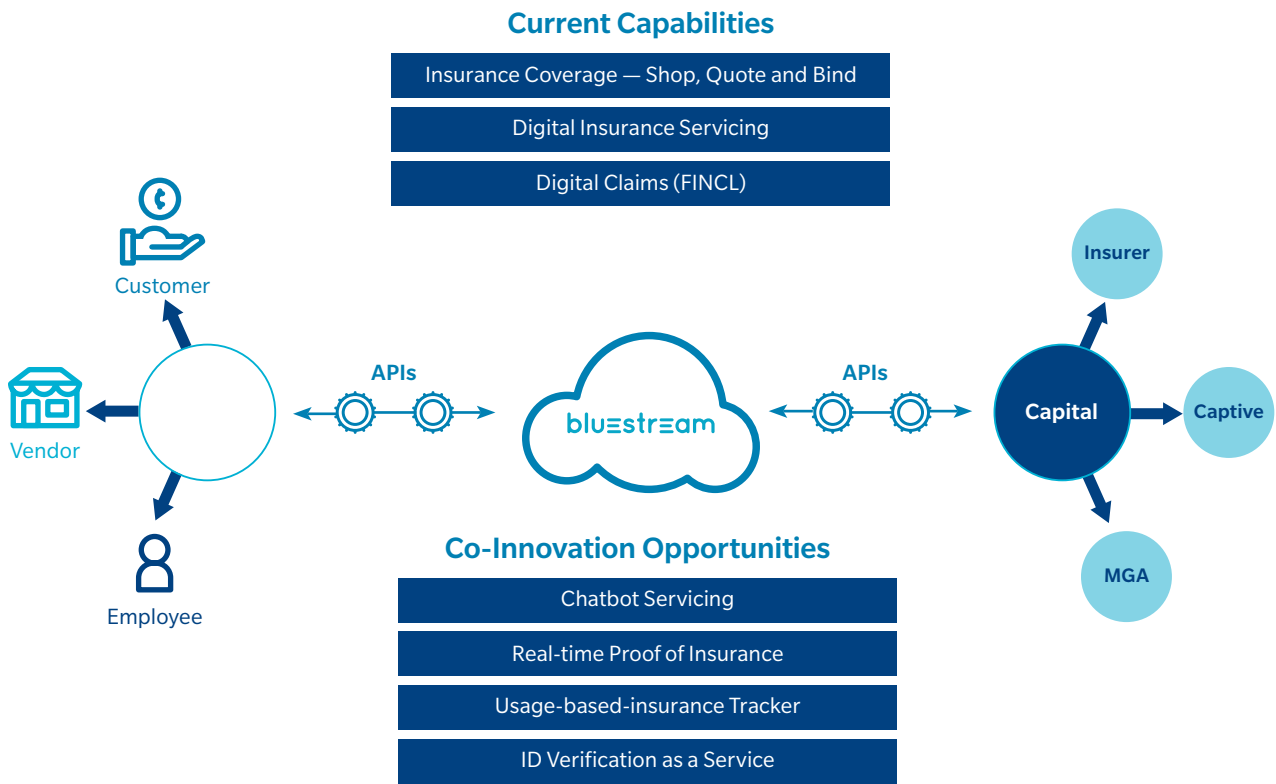
Bluestream seamlessly integrates with clients' existing digital channels and user experience, and it is open to and connect with the global insurance marketplace through application program

interfaces (APIs). This will enable clients to easily choose and scale the insurance program that best meets the needs of their customers, contractors, or employees in each geography, while maintaining a consistent global experience. Bluestream will also provide clients with advanced reporting and analytics on their insurance programs, and access to emerging technology services such as big data analytics, smart contracts, blockchain and machine learning.

FIGURE
3

Shippers Interest Program Enabled by Bluestream Digital Distribution Platform

SOURCE: MARSH



The Opportunity

The Way Forward

In 2019 we saw a lot of freight and insurance digitization. This trend will accelerate in 2020 and beyond. Strategic partnerships and alliances between logistics and insurance providers are gaining momentum, bringing with them quantum leaps in freight and insurance digitization.

As the number of consumers purchasing services and products digitally grows, it is imperative that organizations offer innovative digital products and services to keep pace with their competitors. These enhancements are necessary to make the purchasing experience more attractive and easy to use for the consumer.

Working with the right partners to deploy new technologies to access valuable data to obtain even more insights to fuel growth and profitability is necessary to develop, incorporate and profit from new digital insurance solutions. In addition, as analytics, big data, artificial intelligence, blockchain and smart contracts evolve; risk pricing, product distribution, policy administration and claims administration will become more efficient, accurate, and dynamic.

FIGURE 4

New Expectations Shift the Digital Transformation Playbook

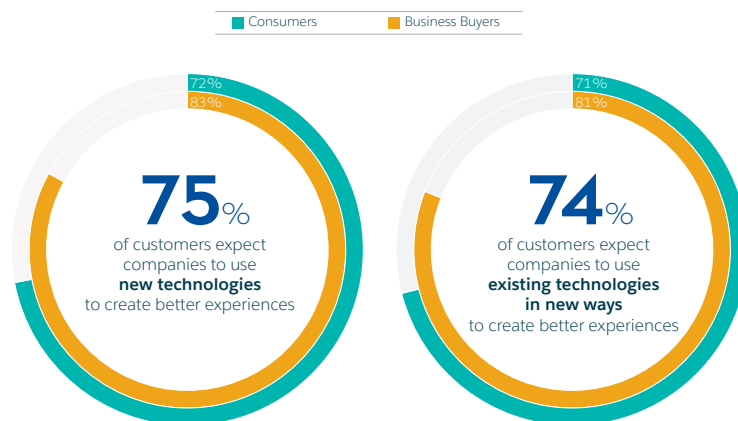
SOURCE: SALESFORCE RESEARCH, "STATE OF THE CONNECTED CUSTOMER", 2019

There is a common thread across the factors redefining customer engagement and driving innovation: technology. As a result, digital transformation initiatives – which have historically entailed digitizing or modernizing back-end systems at a company – are now much more customer-facing. Acutely aware of what's possible, customers are pressuring companies to use technology to deliver better experiences.

67% of customers say the way a company uses technology indicates how it operates in general.

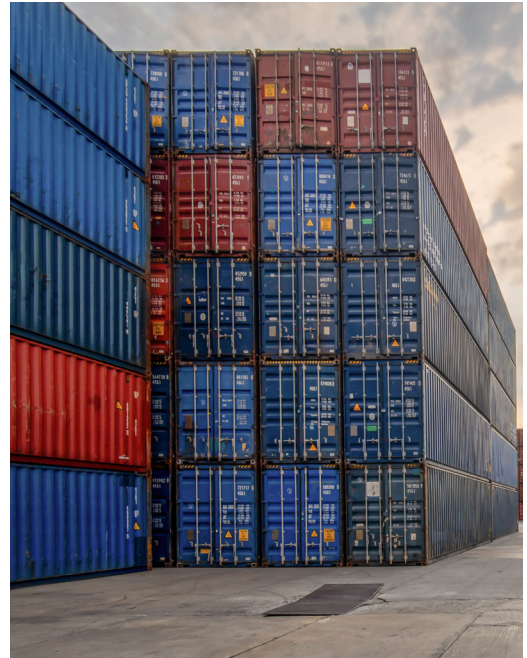
New use cases for existing technologies – like more engaging mobile apps or more tailored emails – go a long way. But a crop of newer technologies enabled by data proliferation are upping the ante even more. **Fifty-eight percent of customers say emerging technologies are changing their expectations of companies.**

Customer Expectations Are Driving Digital Transformation



The ability to select and manage risk created by these new opportunities, along with changes to customer and community expectations will be critical to the success of your business.

Success involves partnering with an innovative insurance broker who can effectively deploy new technology and combine talent from a wide variety of disciplines to creatively integrate different exposures into a single framework while creating capacity for new risks as they arise.



Summary - Digital Cargo Insurance Sales

KEEPING UP WITH CHANGE

Logistics and Supply Chain has gone digital. Forwarders, Ocean Carriers and 3PL's are increasingly promoting and selling their services online.

IMPLEMENTING NEW TOOLS

Digitizing cargo insurance distribution, policy administration, policy administration and claims handling is vital to meet the expectations of a different kind of consumer, one who expects immediate access to products and demands real-time customer service.

PAINTING THE FULL PICTURE

Effortless and reliable supply chain visibility on all shipments allows for the development and implementation of efficient and cost effective cargo insurance solutions for clients.

RISK UNDERWRITING & PRICING

High quality data insights combined with predictive analytics will enhance risk underwriting and claims mitigation enabling insurance providers to offer real-time pricing.

Sources

1. "The State of Online Freight Sales", 2019; The Freightos Group
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2. "State of the Connected Consumer", 2019; Salesforce
<https://www.salesforce.com/form/conf/state-of-the-connected-customer-3rd-edition/>
3. "What Is the Future of Ecommerce? 10 Insights on the Evolution of an Industry", 2019; Shopify
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