



**How brokers can
use Loss Control
to differentiate
themselves**



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The technology-led renaissance is changing every aspect of life and businesses, and insurers and brokers must have the expertise to guide and help their clients through this new risk terrain. **Mr Jose Harfuch** of **AIG** recommends that brokers can differentiate themselves by connecting their clients with insurers which have sophisticated expertise, especially in the area of Loss Control, a service which is increasingly becoming more crucial in today's risk management world.

In 2010, something unexpected happened. Thermostats became cool. Nest, a new venture created by the designer of Apple's original iPod, launched a "connected thermostat". What had been dismissed as a dull commodity was recast overnight as a must-have gadget.

More recently, the world of shipping and transportation has begun to enjoy a similar technology-led renaissance. Not long after the release of the Nest, shipbuilder Mitsubishi Heavy Industries and transport giant Nippon Yusen Kaisha announced trials of a novel system to envelop the hull of a ship with a shroud of bubbles to reduce friction, lower CO2 emissions and increase efficiency by an order of magnitude.

Moving from the sea to the sky, this year Amazon unleashed news of Amazon Prime Air, a delivery system based on the creation of a network of autonomous drones capable of delivering your purchase in minutes, not days. Initially dismissed as a hoax, the concept was given credibility by Google's admission that they had been working on a similar system in the Australian outback, codenamed Project Wing.

Location, location, location

Taken together, these advances in technology – whether addressing the first 10,000 miles or the last 1,000 metres – put the lie to the argument that shipping and delivery is a

commodity business. It is a crucial component in a company's supply chain. It is increasingly part of a company's competitive advantage. It can even play a part in supporting a company's share price.

Put simply, as the world becomes more connected and supply chains become ever more intertwined, how things reach customers is as important as how they are built.

Further, the focus on transportation is allowing companies to reduce the environmental impact of their activities whilst simultaneously increasing the speed with which they deliver their promises.

At AIG, this re-emerging recognition of the importance of distribution, the foundation of the supply chain, is a welcome trend. As the world reminds itself of the importance of how things are moved, we believe that insurance brokers and carriers have a tremendously exciting opportunity. Together, we offer insurance policies that transfer the risks faced by our clients and we can help them minimise those risks from the get-go.

The next level

Companies that seek to benefit from new distribution technologies will be unmoved by the plain vanilla risk transfer offered by a traditional marine policy. These companies are



looking for something more from their insurance advisers and risk carriers. They are looking for guidance, expertise and help.

These players recognise the intangible costs of failed shipments: the disruption to their factory processes as damaged items are repaired; the knock-on delay to customers' businesses due to non-delivery; the damage to their brand, reputation and trust.

Even, in extreme cases, they see the hidden costs of stolen goods supplying black market traders and the potential products liability costs resulting from the stolen product entering the market without any quality control after the event.

It is these sophisticated companies – customer-centric in their philosophy and long-termist in their approach – that brokers and carriers can best help. The stronger insurance companies in the market have powerful networks of loss control engineers into which they can tap. The brokers with the deepest market engagement can use their knowledge to connect their clients to the right carrier.

Come together

The opportunity in the marine insurance space for clients, brokers and carriers alike, is to move the conversation from commodity to service, from an invisible beige thermostat to a shiny Nest device. The first step is for brokers to thoroughly understand the loss control services offered by the carriers with which they work.

Whilst the insurance industry can sometimes be accused of using jargon, Loss Control is an exception: it does exactly as the name suggests, helping companies control the possible losses to which they are exposed. Also known as risk management, it is simply a structured programme of actions and analysis developed by the client, broker and carrier to prevent and minimise losses.

The boxed text below highlights just one checklist that AIG deploys, in this case to structure a programme for a specialist infrastructure project requiring delivery of a single, bespoke high-value structure from its point of manufacture to its installation location.

Infrastructure programmes require an appreciation of the practical science of moving very large objects safely. The programme needs to address detailed survey information with sophisticated physics: road camber, incline gradient,

maximum speed, centre of gravity. It needs to consider historic records of shipping companies, the loading and unloading facilities at the both ends, even the height of bridges between start and end points.

By contrast, Loss Control programmes for high-value, high-tech products focus heavily on security, tracking and protection, recognising that pound-for-pound, the latest microchips are more valuable than gold. Further, delays in shipping times for these components can be magnified through today's Kanban-compliant, just-in-time-minimised, lean-manufacturing-optimised supply chains to create expensive delays and failures at the point of delivery to consumers.

Devil's in the detail

It is a truism, but no less true for it: different types of marine risk demand different approaches. There is no silver bullet, no single methodology, no one-size-fits-all.

The brokers who are best able to connect the right carrier to the right client risk are the ones that will thrive. Similarly, the carriers with the deepest expertise, richest networks and broadest scale are the ones that will be called on to help.

At AIG, we believe we have an unrivalled set of capabilities for marine insurance and marine loss control programmes in the Asia Pacific region. We are able to offer one of the highest marine capacities in the market. We are able to take advantage of AIG's powerful global network comprising both Marine experts and Multinational specialists. And of course we have our own in-house Marine Loss Control Engineering group ready to support brokers and customers with bespoke practical guidance and advice.

Like the Nest thermostat, Project Wing or Amazon Prime Air, we believe that the combination of our marine insurance and loss control capabilities elevates our offerings above the ordinary. Whilst we'd hesitate to say that we are "cool", we can confidently say on behalf of our brokers and clients, "Bring on Tomorrow" 🚢

Mr Jose Harfuch is the head of AIG's APAC Marine Insurance team, based in Singapore.

For more information on AIG and its products and services, visit www.aig.com.

Sample Infrastructure Project Checklist

1. Identifying key risk components of project cargo
2. Analysis of identified critical items
3. Shipping schedule
4. Planning the transit, including approval of vessels and other conveyances to be used
5. Packing, loading, departure, shipboard surveys
6. Monitoring the ocean transit
7. Arrival and unloading surveys
8. Inland transit procedures and surveys, reviewing the route and roads
9. Contingency planning and crisis management



┌ 51 countries. ┐
└ 5 oceans. ┘
┌ 1 network. ┘

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