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▶ *Stepping up – An evolving risk landscape is changing the role of risk managers and insurers. But, Deborah Ritchie asks, are risk managers ready? And is the commercial insurance market fit for the future?*

An industry in transformation



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The modern business landscape is changing. Disruptive innovation driven by technological advances, globalisation and evolving corporate demands mean that the types of risks businesses face are also evolving. The growth of intangible assets is outpacing that of tangible; some 84 per cent of the S&P 500's market value is now held in intangibles – up from 17 per cent four decades ago. This evolution in business models demands new approaches to risk management.

Recognising this shift, Airmic undertook survey of 152 risk managers and insurance buyers to establish whether they feel the insurance market is prepared for this change. A closer look at the results of the association's survey points to a significant change in the industry with a greater development in the management of strategic and intangible risks and a preference to manage intangible risks in-house rather than transfer them to the insurance market, with a greater emphasis on reducing or retaining them.

“Insurers are not satisfied with simply providing incident response services to these threats. They want to help risk and insurance managers better prevent the risks”

AXA Corporate Solutions is already seeing the insurer's role evolving – moving away from a transaction-driven model towards a collaborative one, where insurers and brokers work with risk managers to improve the understanding, prevention and mitigation of today's risks.

It's time to face new realities.
Global Chief Commercial Officer

Stepping up

✔ An evolving risk landscape is changing the role of risk managers and insurers. But, Deborah Ritchie asks, are risk managers ready? And is the commercial insurance market fit for the future?



at AXA Corporate Solutions, John Pickersgill believes the biggest challenge experienced across most industries today is having the courage to wave goodbye to much that has served them well in the past, and to embrace tools and practices that will enable them to stay relevant in today's environment – particularly when it comes to ever evolving client needs. “It's understandable that much of our time is spent trying to maintain profitability in a low interest, highly competitive environment; however at some point every industry must consider the reality that perhaps the business models that have served us so well in the past need a complete overhaul,” he suggests.

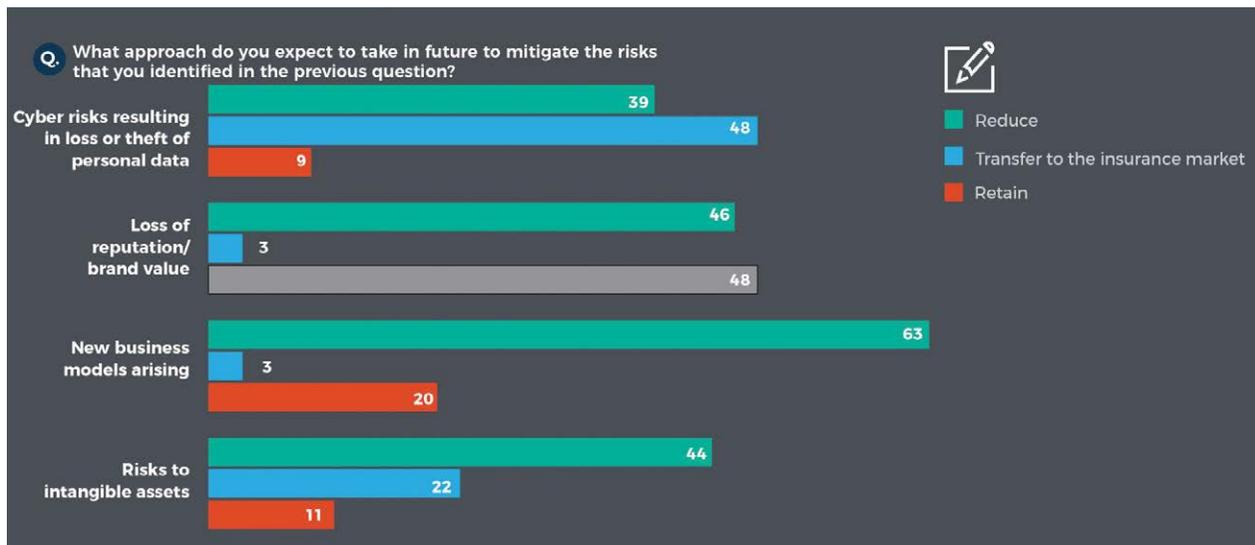
It is clear that there is an opportunity for insurers and risk managers to work together to develop a new business model based on

partnership, in order to retain value and relevance. As Airmic deputy CEO and technical director, Julia Graham points out: “Risk and insurance managers are embracing change in a transformative business landscape – and...there are opportunities for all.

“The insurance industry recognises that traditional insurance is losing relevance in face of today's more complex and harder-to-define risks. And yet our members want support in understanding and dealing with these modern risks – both in terms of innovative products, but also in terms of broader support. The insurance industry must provide more than just risk transfer; this requires a shift in thinking but everyone will benefit.”

The task ahead is considerable; strategic and intangible risks cannot be managed by companies alone. It's a challenge that calls for the support of

Tomorrow's risk mitigation strategies



Source: Airmic

the entire industry, particularly where risk and insurance managers have identified learning curves in their capabilities to manage these risks, according to Paul Lowin, Regional Commercial Manager at AXA Corporate Solutions. “Traditional risks will always threaten businesses, but as a market we have a time-tested approach for dealing with these risks. This is illustrated by the fact that a lot of risk managers are taking higher deductibles, self-insuring and using different vehicles for what are well understood risks,” he says.

Adding value

Against this backdrop, how can insurers innovate beyond the current model? The answer lies partly in value-added services – potentially the key to helping risk managers deal with the surge in intangible risks. This might include data analytics or legal support, for example. In the event of an incident, it may also include media support to help de-risk the impact on reputational equity by ensuring a careful and timely response to regulators, media and customers.

Some 23 per cent of respondents to the Airmic survey currently buy value-added services and 39 per cent intend to do so in the next three years (compared with three per cent who will transfer reputational equity risk and 11 per cent who will transfer other intangible threats). Insurance with bundled solutions is also forecast to increase from 16 per cent today to 24 per cent in the future.

But insurers are not satisfied with simply providing incident response services to these threats. They want to help risk and insurance managers better prevent the risks.

“The best option is to find ways to stop the loss happening – technologies can surely help. But we can’t fund or resource these preventative solutions alone. To develop the right solutions requires a big shift in the willingness of all parties to work together for the common good,” Lowin explains. “These risks are transforming our roles as insurers too. We are evolving from a carrier that has traditionally simply accepted risk and paid claims to a partner who wants to work closely with clients to assess and understand individual risks so we

can build tailored services that better meet the needs of today’s business environment.”

The future

The world is set to change at an exponential speed and the risk and insurance profession is part of that change, as well as being key contributors to the future success of business. Increasingly they should operate at a strategic level to provide perspective and understanding. Insurers, meanwhile, are looking at an opportunity to differentiate their offering through services and products that can lead the way through new territories towards growth – both for the insurer and the insured.

Insurers need to move away from a transactions-driven model and play more of a cooperative role in the future that will proactively help clients to avoid and reduce losses and turn disruption into opportunities. In order to achieve this it is essential they gain the input from risk and insurance managers to ensure opportunities are fully realised.



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