



Globalisation of the supply chain – the challenge to insurers and risk managers.

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It is only a few short decades since a once proud British motor cycle industry was almost wiped out by the emergence of new brands from Asia. Consumers, initially sceptical about products “Made in Japan” were quickly won over by compelling arguments of price, quality and reliability. Design leadership followed and now it is left to European manufacturers to trail in the wake of the dominance of worldwide brands such as Honda, Yamaha and their ilk.

Other sectors of the British manufacturing economy followed similar patterns, but throughout there remained the underlying positive statistic about “invisible” earnings from the service economy – indeed, the insurance industry itself has contributed in a major way for two centuries. But now in the emerging global economy even this view of our world is changing. Hardly a week seems to go by without an announcement from a major financial services company declaring that “500 jobs will go from a call centre and be relocated to India” and so on.

Buy a car, washing machine or computer today and it will be difficult to confidently predict where it was assembled let alone where the individual components were machined. This has undoubtedly brought us great advantages, not least in cost to the consumer – products that would have cost a week’s net wages in the 1960’s can now be earned in a day or less. Furthermore, it has brought new money to economies once solely dependent on subsistence farming, tourism and so on. Political change has moved in tandem with economic change. China being a prime example of an economy transforming itself, both as a manufacturing hub for so many products, whilst the workers are becoming the new consumers that all the world’s major companies are falling over themselves to sell products to.

We are truly living and experiencing in our daily lives globalisation on a massive scale – from the German car we bought, containing components sourced in Mexico to the phone call to our bank being answered (very efficiently) by someone in India. This new world also brings very real new challenges to insurers, not least in providing vital business interruption protection to its customers – and thus inevitably dealing with the claims which arise. Risk managers are faced with an unenviable task of assessing and describing supply chains, which quite literally, span the globe, bringing with them exposures to political, economic, and natural catastrophe unthinkable within their own environment. Insurers need to grasp these issues not only at individual client levels but as importantly at portfolio level, particularly those who have gone down the industry specialisation route. An apparently innocuous supplier’s extension to an extremely well protected and engineered wafer fabrication plant can become a far more serious issue when it is realised – usually after the fire – that the same cover was being provided to all the other customers in that industry who used the micro - chips in all their products.



And the answer? If it were that simple, insurers and their customers would not be caught by the size of business interruption claims which can dwarf their underlying material damage cause. The most successful companies rely on professionalism and experience at each stage of the process – and if they don't have it themselves they bring it in from outside. Concordia Consultancy is such a provider. Independent of the underwriting and broking processes, Concordia can provide an invaluable pool of expertise in risk assessment, claim adjustment and dispute resolution. The company specialises in major and complex losses and its directors have extensive international business experience, including following terrorism, natural catastrophe and fires.

Businesses will always be interrupted by insured events – and the way companies and their insurers react has been shown to be one of the most defining moments in company history. From the loss of an aircraft hitting a major trunk road to the destruction of the supplier of a key component, with no alternate source, companies have recovered and some even thrived, but others have foundered. Concordia believes with the right partnership between insurer and insured the opportunity to successfully recover can be optimised. Concordia works from the outset to bring about a successful outcome. We would be pleased to share with you our approach.