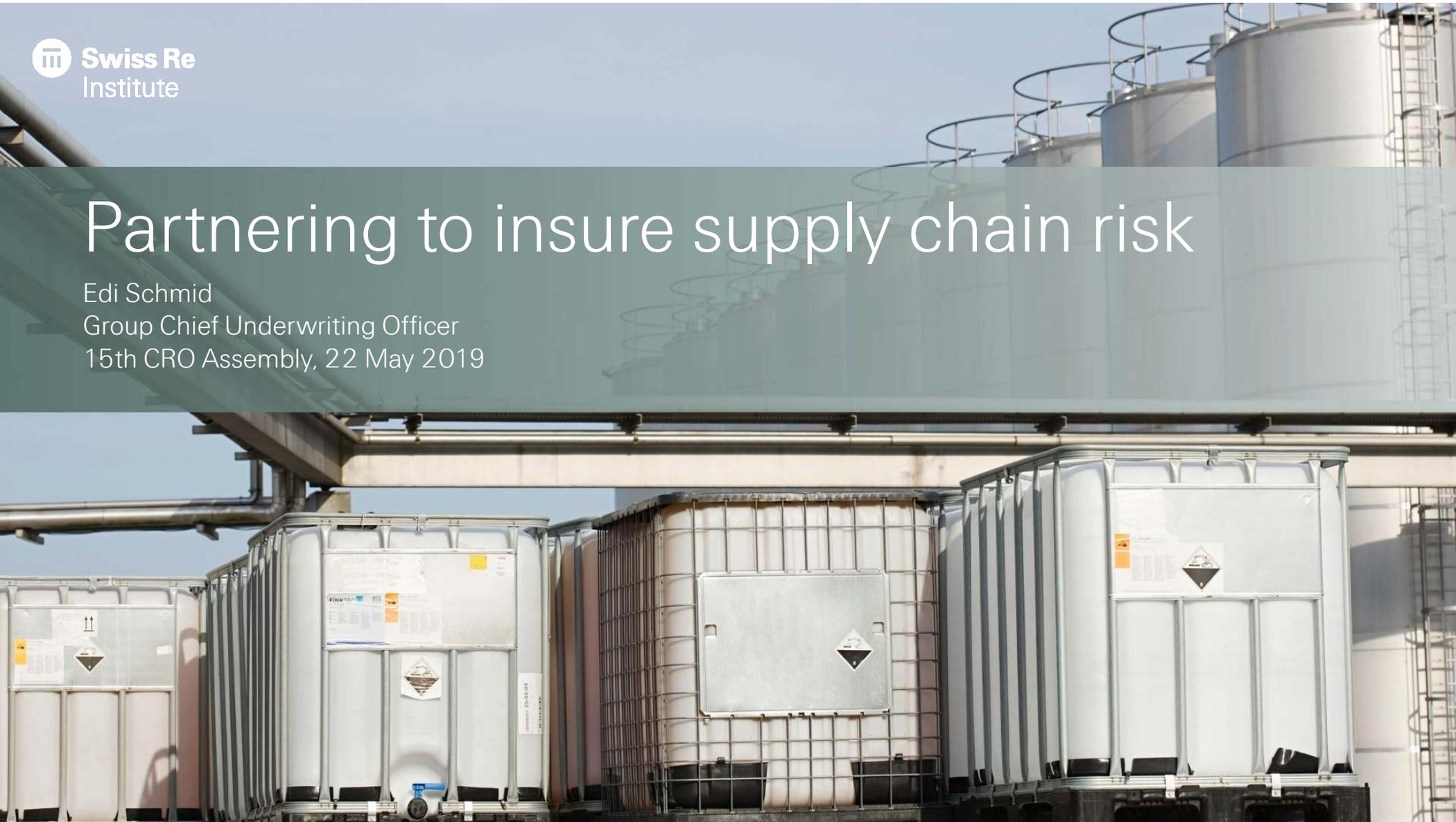


Partnering to insure supply chain risk

Edi Schmid
Group Chief Underwriting Officer
15th CRO Assembly, 22 May 2019



Supply chain risk is top-of-mind in the C-Suite of corporates and their re/insurers

Leading risks to businesses in the U.S. 2018

Source: Allianz Risk Barometer



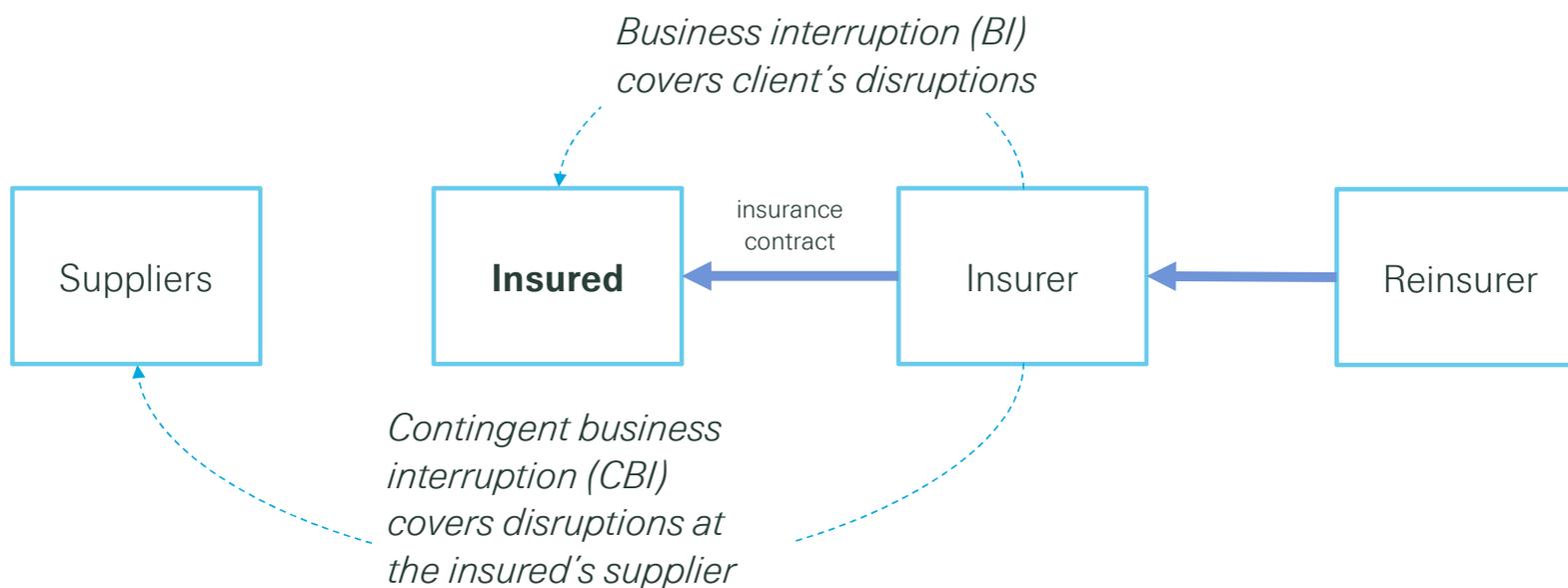
Business interruption and supply chain-related losses typically comprise 50-70% of insured property catastrophe losses

A high proportion of supply chain losses are uninsured

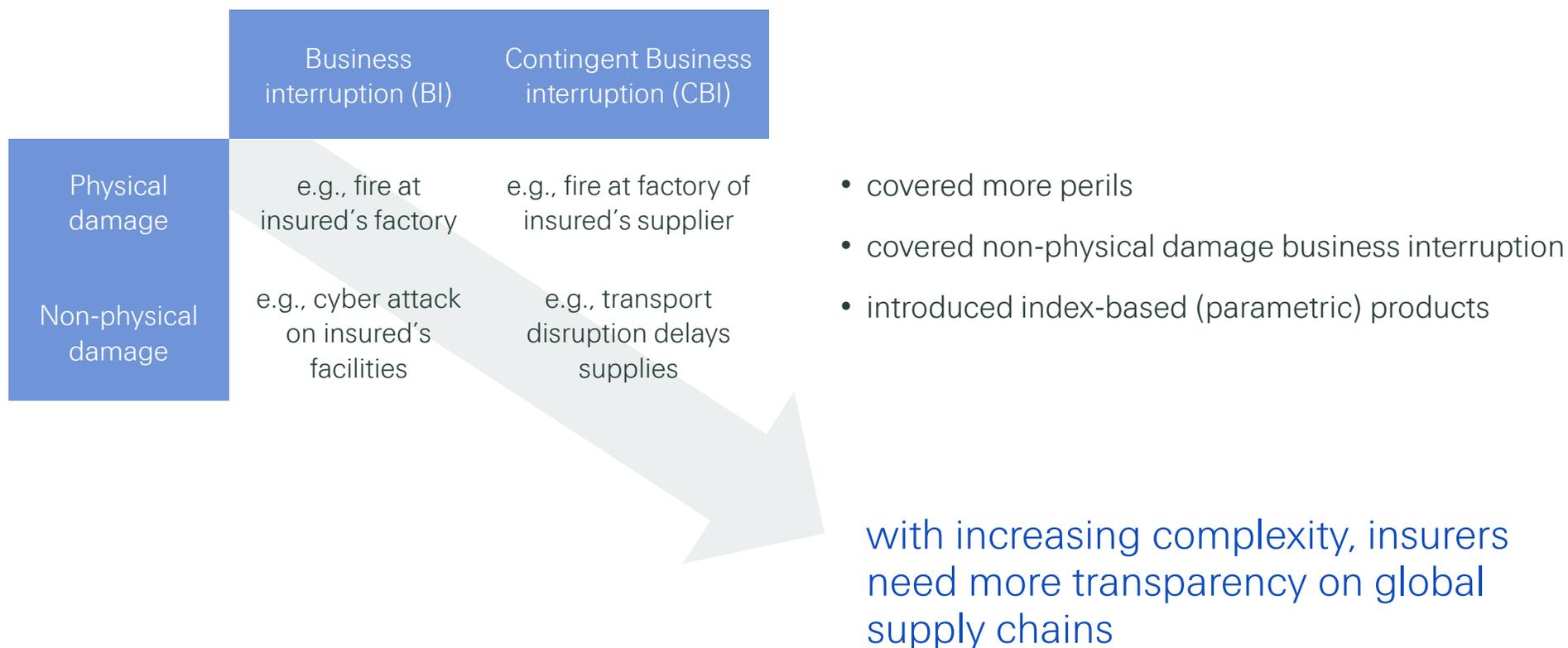
large protection gap

Business interruption (BI) insurance is an important way to cover the risk of costly supply chain disruptions

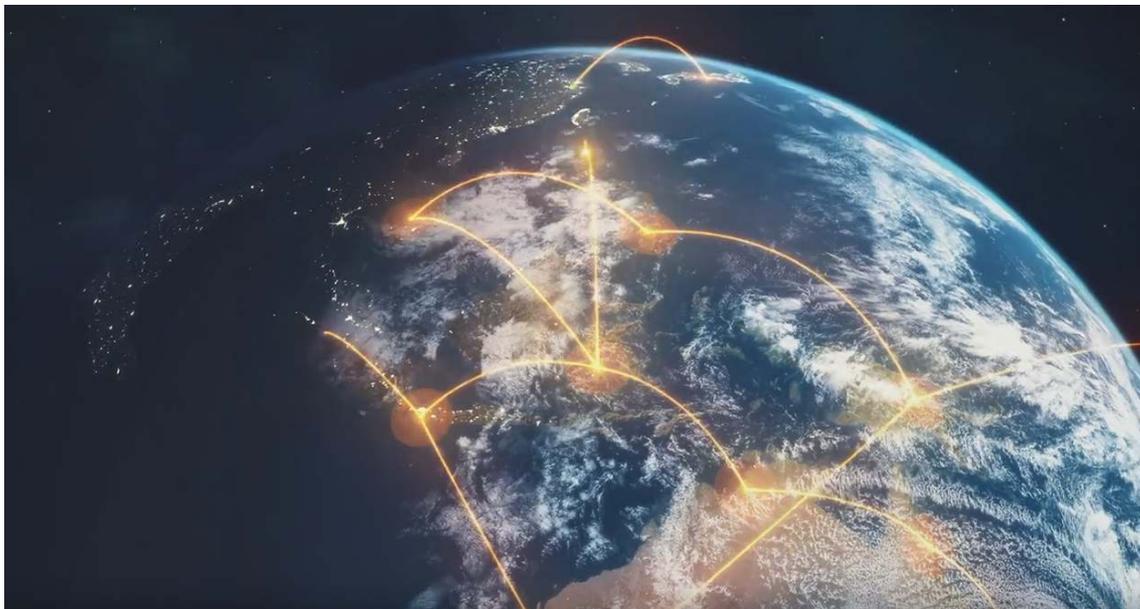
BI insurance covers clients' lost profits and incremental costs in the event an insured peril damages or destroys a covered property and interrupts production



The insurance industry has innovated significantly over the past 25 years and contingent business interruption has grown



Swiss Re's P&C reinsurance solutions team can advise insurance clients on supply chain risks and reinsure them



RIMS 2019

AXA XL and Swiss Re join forces on supply chain



<https://www.swissre.com/reinsurance/property-and-casualty/solutions.html>



Swiss Re Corporate Solutions crafts innovative parametric nat cat solutions to address supply chain risk for clients

The dry and warm summer of 2018 left water levels of most rivers in Europe at record low levels



Shipping was disrupted

- alternative modes of transport triggered additional costs
- Production was impacted

“FLOW” pays policyholder a fixed amount per day if the river level is outside a given range

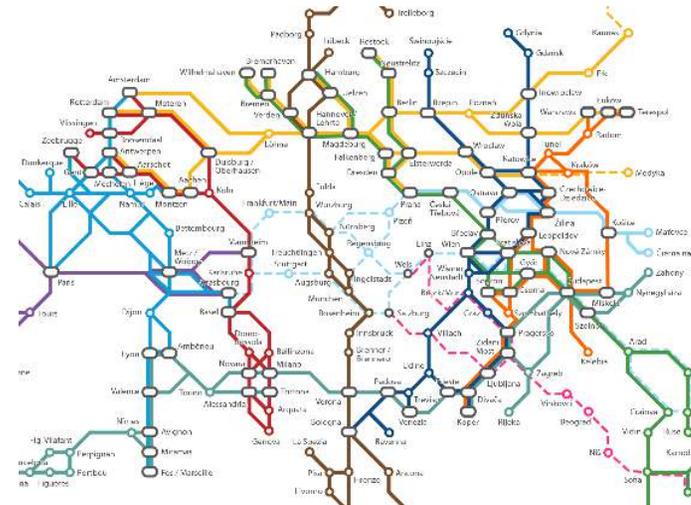


Swiss Re Corporate Solutions adds non-physical damage to CBI cover

The closure of a small stretch of track near Rastatt, Germany on Europe's busiest rail corridor interrupted cargo shipments between Karlsruhe and Basel for 7 weeks in 2017



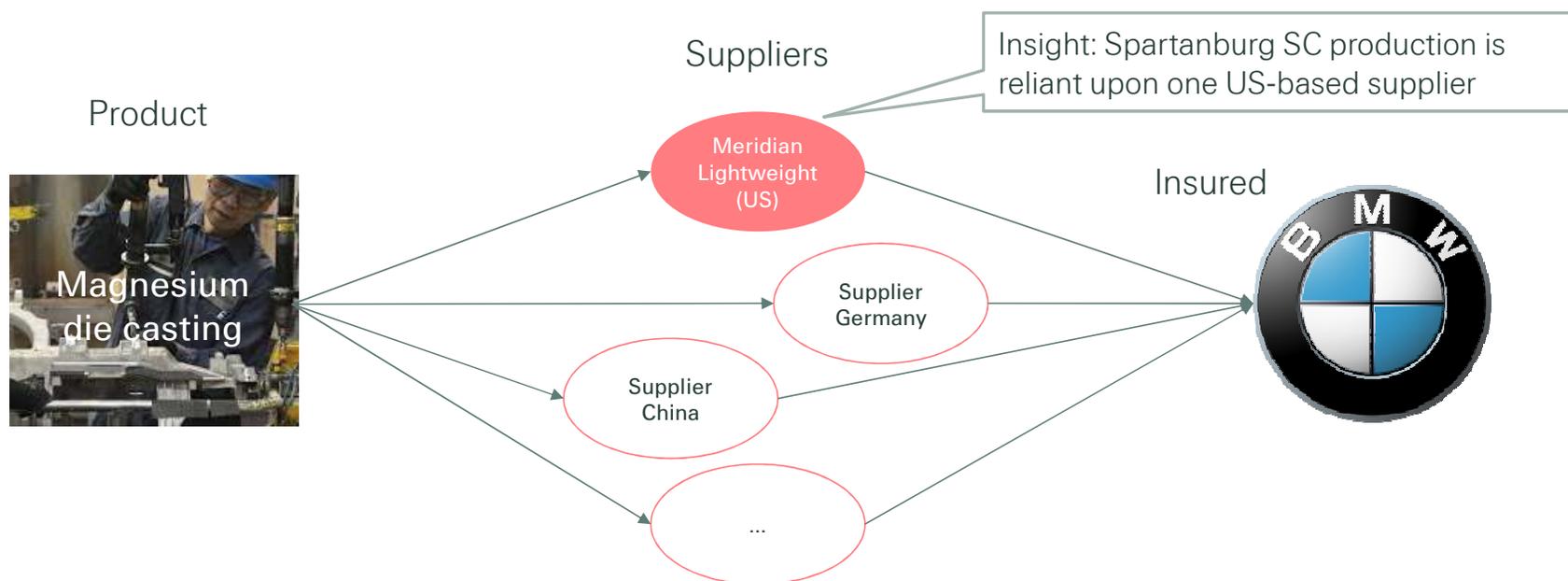
→ Offer stand-alone combined **non-physical damage** (NDBI) along with contingent damage business interruption (CBI) policy covering fire, natural perils and supervisory/ safety regulations



A detailed understanding of transport vulnerabilities and clients' supply chain is critical for the insurer

Mapping supply chains is critical to managing and insuring supply chain risks

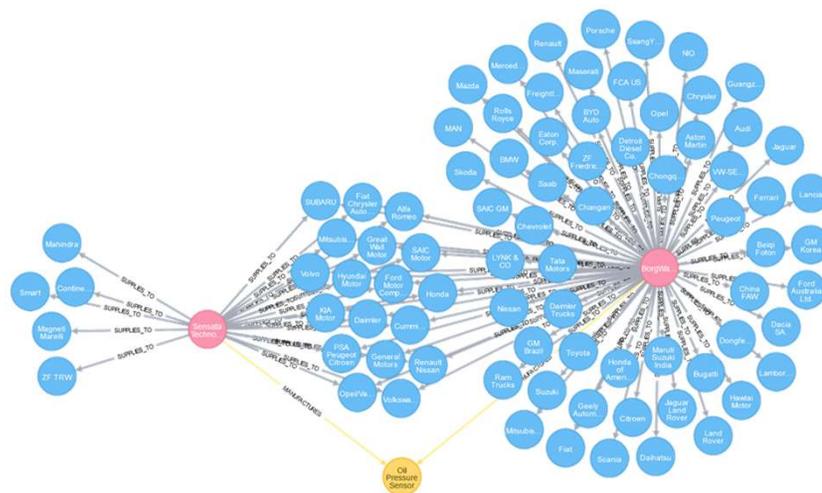
Goal is to identify supplier/product combinations that are unique and critical to an insured



Mapping supply chains is arduous work

- Data submitted by corporates to insurers often lacks critical details to enable identification of bottlenecks
 - locations
 - Tier 2 suppliers
 - back-up inventory levels
 - ...
- No standardized format (template) to exchange data like for property and life insurance

External data -
often unstructured
but increasingly
accessible - can
be integrated



Detailed company
information on
suppliers and
products

Constructing and sharing supply chain maps is worth the investment

- Helps insurance clients develop more robust business continuity plans
 - Helps re/insurers offer more coverage...
 - better define risk appetite
 - manage **accumulation risk** - Re/insurers need to construct the supply chain for the entire industry, not just for a single company
 - develop innovative insurance solutions (e.g., parametric triggers)
- ... to close the **protection gap**



We need to **work together** to increase supply chain risk coverage

