

Corporate customers' evolving needs pose a challenge for the insurance industry

RISK MANAGEMENT / Companies are having to do more to meet the growing demands of the marketplace. As a result their requirements are expanding in the areas of risk management and risk financing. Corporate insurers are responding with a wider range of market offerings and process-oriented organizational structures.

*Paul Wöhrmann**

In the past, the insurance industry was regarded primarily as the traditional supplier of cover for insurable risks. However, the disappearance of cartels, the deregulation of the European insurance market, developments in the area of one-stop financial services and an increased focus on the customer have led to a change in the way insurers see themselves.

On the other hand, only a few years ago, what companies primarily wanted were insurance coverages that would allow them - against payment - to pass their risks on to a third party. From the company's point of view, however, traditional insurance solutions were only able to solve part of the overall risk management problem. In their own interests, corporate customers have increasingly begun to address the diverse requirements generated by changes in the economic, legal, social and ecological environment.

Since risk management needs can vary considerably from one company to the next, customers also expect insurers to tune into their specific corporate objectives. Focusing on individual customer needs in this way leads to a progressive segmentation of the market. A broad range of customer groups with subtle differences in their needs require services geared to their individual profile. Segmentation and specialization are likely to trigger further innovation, mainly in the organization of market services and channels of distribution.

Given the rapid evolution of the electronic

media, corporate insurers will face the challenge of harnessing the capabilities of e-commerce for their distribution management purposes.

Extending business reach

For years, corporate insurers' core expertise in the areas of risk and asset management was applied exclusively to the non-life and life insurance sectors. With the evolution of the market, Swiss corporate insurers have begun to extend the scope of their business activities since the start of the 1990s. This expansion of their traditional "fields of operation" is also producing sweeping changes in corporate structures, transforming the structural and process organization of today's financial services undertakings. At Zurich Switzerland's Corporate Customers Business Unit the decision was taken to add in alternative risk financing and asset management some time ago. At the same time the risk management services had been differentiated and extended for corporate customers needs. In corporate business, however, risk and asset management will continue to be one of the core competencies.

Besides a suitable organizational structure, any expansion of business activity also requires a solid knowledge base. For professional asset management, Zurich Switzerland's corporate customers can also benefit directly from the whole range of services offered by the Group's own asset manager, Scudder Kemper Investments (SKI). Bespoke investment solutions are also possible using alter-

native risk financing solutions, where the company bears a substantial share of its risk, in return for which it receives a corresponding share of the premium.

Corporate customers' needs which cannot be met in conventional ways by either traditional banks or insurance companies experience a new approach to risk through alternative risk financing solutions which form an extension of the core "risk management" competency. From the corporate insurer's point of view, there are synergy benefits, as alternative risk financing contracts can be arranged in combination with an underlying core transaction in a traditional insurance line.

New market offerings

Against the background of this expansion of core business and competencies, providers of risk management services need to respond to the challenge with focused market offerings. Traditional core insurance will still continue to form the bedrock of business in the future. From the customers' point of view, however, this business will probably be increasingly demanded in a modular form, geared to particular groups of target customers, and in combination with the new risk financing tools. In this way, the insurance industry will not only be able to identify additional business potential but also to advance into areas where it will encounter new competitors.

Zurich Switzerland's Corporate Customers Business Unit sees an ongoing need to develop customized market offerings for their defined customer groups - both in the core business and extended business activities. Such solutions consist of products and services, and combining them with alternative methods of risk financing like finite risk or captive solutions, risk management concepts and special insurances enhances their appeal even more. In short, another step closer to "thinking out of the box". Zurich considers the provision of innovative market offerings of this kind to be a necessity for a professional corporate

insurer and will support clients in achieving integrated and systematic risk management:

THINKING OUT OF THE BOX

Risk Management Services:

- Individual risk management consultancy services to help solve specific problems or to implement / check risk management (projects, coaching, audits)
- Seminars, workshops and lectures on various risk-related topics as part of a training programme
- Risk management information to promote risk awareness within the organization
- Loss control services (systematic loss assessment)

Risk Engineering Services:

- Zurich Hazard Analysis (ZHA)
- Total risk profiling (TRP) / risk mapping

Insurance solutions:

- Comprehensive customized insurance solutions for non-life and life / pensions insurance, enabling a transfer of those risks which are traditionally insurable

Alternative risk financing (ARF):

- Captive and rent-a-captive solutions for setting up / running own insurance arrangements
- Finite risk solutions for risk transfer in case of operational and business risks that are traditionally difficult to insure against.
- Integrated risk financing solutions combining insurance and capital market techniques

Asset Management:

- Products and services to help to invest assets

Further information on our website
www.zurichbusiness.ch

** Dr Paul Wöhrmann is the Head of Financial & Risk Services in Zurich Switzerland's Corporate Customers Business Unit, Zurich.*

