Supply Chain Insurance and Risk Assessment

Protect your profitability from breaks in the chain

Zurich’s supply chain risk assessment and insurance process provides action plans to help reduce supply chain failures. Supply Chain Insurance provides cover for supplies not delivered or otherwise delayed that have a financial impact on your company’s operations.

The challenges of managing an increasingly complex network of suppliers can threaten business resilience and create new challenges for enterprise risk management. Hence, understanding your supply chain risks and taking steps to mitigate them could be a major strategic advantage for business resilience, sustainability and profitability.

Zurich’s supply chain risk assessment can provide you with a deeper understanding of the potential profit exposures and mitigation actions to help reduce the impact from a disruption in your supplier network. The supply chain risk assessment and insurance will compliment your existing internal procurement and risk management efforts by enabling you to better address external incidents outside your control.

Zurich’s Supply Chain Insurance is an ‘all risks’ business interruption cover which is not restricted to property damage and can dovetail with other coverages such as BI, CBI, political risk, marine and trade credit. It allows you to risk transfer your supply chain risks for named supplies and suppliers and has very few exclusions.

Supply Chain Insurance is based on a pre-agreed limit per supply and supplier. This is calculated from the anticipated loss of profit and/or the increased cost of working in the event of a reduction in supply that caused (or would have caused without the increased cost of working) a reduction in output. The appropriate measure of output will be agreed for each supply/supplier.

Key features and benefits

• Helps give you a deeper understanding of your supply chain and the risks within it
• Increased financial coverage for supply chain risk outside your control
• Agreed business impact analysis per supply/supplier which helps you understand your profit exposures
• Value-adding risk assessment process, including identification of mitigation actions
• All risks cover
• Few exclusions
• Named supplies and suppliers
• Premium calculated per supply and supplier based on the agreed limit and potential loss values
• Agreed claims methodology (and formula) before inception leading to quicker and easier claims settlement process
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How it works

The supply chain risk assessment and insurance process has two parts:

1. **Risk and Financial Assessment** of the supply chains that you wish to evaluate or insure. This is conducted by Zurich or Zurich-accredited risk assessors appointed by you. The output from the risk assessment process enables the following:
   - It can help your company understand potential improvements to supply chain risk management processes and performance.
   - It can identify areas of residual risk and provide the information required for underwriting.
   - It can provide the estimated and probable maximum loss figures for each supply, which provide the basis for your decision on the limit of indemnity required as well as understanding the financial impact of supplier failure on the results of your company.

2. Zurich’s **Risk Grading process** allows us to translate the company’s risk assessment data into the scores and information required by Zurich’s underwriting process and pricing models.
   - Our loss calculation formula builds on the work done to set the limit of indemnity, and incorporates any planned mitigation.
   - The Risk Grading and the application of the loss calculation formula allow us to deliver a price and cover for each named supply and supplier and an agreed methodology and formula for settling claims, providing you with the certainty you require.
   - A key feature and benefit of the product is that we pay out based on the loss calculation formula; this gives you peace of mind because in the event of a claim the amount payable by Zurich is predictable and your profits are insured.

Levels of cover

Agreed limits per supply and supplier:
- Based on anticipated loss of profit and/or increased cost of working
- Maximum aggregate limit up to USD 50 million per customer
- Maximum indemnity period 12 months. The period begins either from the first reduction in supply or from first notification of circumstances which subsequently leads to a reduction in supply whichever is the earlier

Anticipated customer retention of 10% of limit (plus co-insurance).

Service

Underwriting will be done by Zurich’s specialist Supply Chain Insurance underwriters in conjunction with nominated specialists in property, political risks, natural catastrophes, credit, marine and other lines as appropriate.

The policy will be written on a non-admitted basis in North America and on a Freedom of Services (FOS) basis in Europe.

Principal exclusions
- Quality of Supply and Product Recall
- Infectious Disease unless solely at the supplier’s premises
- War, Terrorism and Nuclear

Insured
- Deliberate Acts including non acceptance of the supply
- Errors and Omissions
- Fraud
- Acts of Employees – preventing or hindering the supplier from delivering the supply

Suppliers
- Deliberate Acts – withholding the supply due to the non-payment of accounts or other breach of contract by the Insured
Claims

Claims will be managed by your Claims Account Manager in conjunction with the Supply Chain Insurance specialists in Zurich’s Major Loss team.

Claims are paid on the basis of a loss calculation formula that is agreed for each supply/supplier prior to inception. 

This includes:

- Description of the supply disruption for the largest credible loss
- Financial assessment of the loss of profits and increased cost of working
- The loss calculation that will be used in the event of a loss

On receipt of a claim, Zurich will require proof of:

- reduction in supply
- loss of output
- compliance with agreed mitigation
- length of the interruption to calculate the claim

Other terms and conditions

- Changes to the business, the supply or the suppliers, transportation of the supply and contractual agreements between the insured and the supplier must be notified.
- For a loss of two or more supplies which affects the same product, service or business over the same period the limit applying is the largest of those supplies affected.
- Where cover is provided under another policy, e.g. Contingent Business Interruption, this cover will provide Difference In Conditions/Difference In Limits insurance.
- The Supply Chain Insurance policy will adhere to the principles of Zurich’s Multinational Insurance Application, for compliant global insurance coverage.

Summary of Key Benefits

- Gives your company a deeper understanding of your supply chain and the risks within it and their consequences
- Identifies mitigation actions which can cost effectively reduce the likely frequency and cost of supply chain failure
- Allows more holistic coverage for your business operations and products by adding Supply Chain Insurance to your portfolio of property, contingent business interruption, trade credit, political risk, marine, product liability and other lines
- Increases your financial security with coverage for supply chain risks that remain outside of your control

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