STRUGGLING FOR CORPORATE CAPACITY?

Don't forget the options and benefits presented by good and proper risk finance or alternative risk transfer, says Alfons van der Vyver, executive head of risk finance solutions at Centriq Insurance - a member of the Santam group.

Coal. Furnace risk. Oil premises. Other combustible chemicals. Plastics recycling. Sawmills. Textile manufacturing. The list goes on...

Corporate capacity is currently demanding significant price increases. That is if you can get it in the local market at all. The shakeout in the corporate market and lowering of reinsurance referral levels for certain direct insurers, has resulted in carefully deployed capacity. And, a significant hardening in rates. In these circumstances, the tried and tested approach of a proper 'self-insurance' and/or alternative risk transfer (ART) strategy, could be what's called for.

At Centriq we believe that the answer is almost never only conventional insurance or ART. A properly structured corporate placement should involve a comprehensive needs analysis on the client's risk portfolio whilst the final programme for a corporate placement should definitely cater for an element of ART or at least a documented consideration thereof.

But how should the intermediary, who has to deliver a thorough record of advice to their client, go about this? As we often tell brokers: "Cut the tree from three sides..." Discuss with the client their risk appetite and ability to fund a formal risk retention structure. Test the market at different attachment points (deductibles/excesses). Obtain indicative pricing and structuring options from your insurer. "And then circle the tree a few times."

Some brokers think that when they can "renew as per expiry" or reduce deductibles for their client and 'fill the slip', it's a job done. However, as the best corporate brokers know, negotiating an insurance renewal or new placement is an iterative process. The corporate market responds to significant changes in deductible structures.

It responds to loss limits instead of total sum insured. Converting a commercial multi-peril policy into a corporate wording makes a difference. Incorporating an annual aggregate deductible instead of on 'each and every' deductibles, makes a difference.

Reconsidering the need for conventional insurance whatsoever on certain perils, makes a difference. (For example, a corporate with a number of premises, fairly spread apart, might not need to buy electronic equipment cover. Think group contingency policy where all subsidiaries pay the normal rate into a central structure, from which claims are settled.)

Then, an element of funding in a formal structure may give the conventional market the confidence of complete and accurate claims reporting in structure where the client has 'skin in the game'.

Incorporating ART into a corporate programme should not result in a reduction in brokerage or commission. If the intermediary has the client's best interest at heart, the optimally structured programme for the client, will pay off in the long term.

Or think about ART like this: If you don't offer it to your client, someone else will. And we still sell lots of what we do in this environment. Come and talk to us...

PARTNERSHIP

Consideration of an alternative risk transfer (ART) strategy should be part of most corporate risk management programmes. We can offer you the full spectrum of these solutions, so let us share our vision with you.

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