



Webinars for Cold Chain Professionals

COLD CHAIN RISK WEEK: INSURANCE

STARTING AT 10:00AM

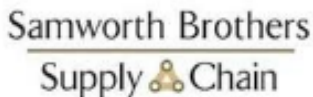
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COLD CHAIN FEDERATION

- 250 COMPANIES REPRESENTED
- 475+ FACILITIES
- >40 MILLION M³ STORAGE
- >40,000 REFRIGERATED TRAILERS
- c.20,000 EMPLOYEES

Leading the UK's
Temperature Controlled
Logistics Industry





COLD CHAIN RISK WEEK

20th – 24th February

21 FEBRUARY @ 10:00 INSURANCE IN THE COLD CHAIN

22 FEBRUARY @ 10:00 FIRE RISK IN THE COLD CHAIN

24 FEBRUARY @ 10:00 COMPLIANCE IN THE COLD CHAIN

For more information and to register for these sessions go to www.coldchainfederation.org.uk/events


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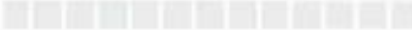


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Audio

Sound Check  ?

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☐ Phone call
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Microphone Array (Conexant SmartA... ▼

Speakers (Conexant SmartAudio HD) ▼


Talking: **Shane Brennan**

Questions

[Enter a question for staff]

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CCF - COVID 19 - INTELLIGENCE EXCHANGE
Webinar ID: 308-161-843

 GoToWebinar

Resilience, Risk & Insurance in the Cold Chain

Cold Chain Federation Risk Week 2023

21 February 2023

Zoë Parkes

Transportation Industry Practice Leader, Marsh UK

Ben Davies

Account Executive, Marsh Commercial & Corporate

About Marsh

Marsh is a business of Marsh McLennan, the world's leading professional services firm in the areas of risk, strategy, and people.



Marsh

Insurance broking and
risk management
solutions.



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Reinsurance and
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OliverWyman

Strategy, economic,
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Marsh Segments:

Risk Management

Corporate

&

Commercial



Today's line-up...

Meet the speakers!



Zoë Parkes

**Transportation Industry Practice
Leader**

Marsh UK

I am part of Marsh's UK Industry Leadership team, which spans 20 industry groups covering major segments of the economy. We develop and deliver industry-specific services and solutions to clients ranging from small and medium sized organisations to global corporations.



Ben Davies

Account Executive

Marsh Commercial & Corporate

I am part of Marsh's UK transport team. We specialise in risk management & bespoke risk solutions, helping hauliers and warehousing businesses to understand their exposures along with the calculations behind underwriting.

Let's talk...



Understanding Risk

Poll:

*To what extent are you
comfortable with the concept
of “**risk**”?*



The Baseline: what does “risk” really mean?

Loss

Possibility / Impact of Loss

Example: *What would be the financial cost of flood damage to my warehouse?*

Doubt

Uncertainty / Unpredictability of Events

Example: *How likely is a flood to occur in each of my warehousing locations?*

Gain

Chance of Positive Outcome / Benefit

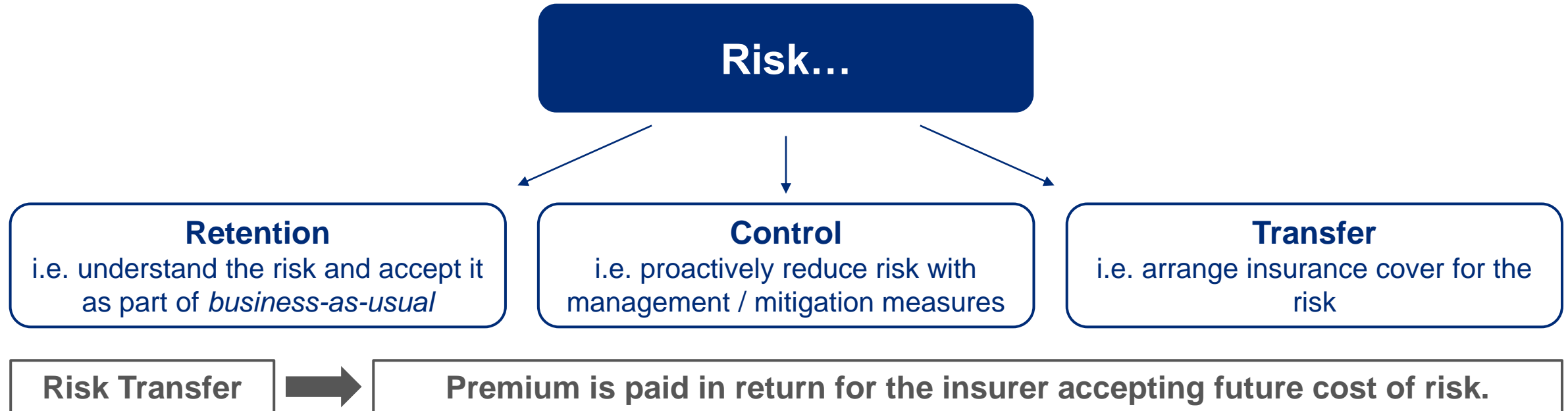
Also known as ‘upside risk’

Example: *How much could my operating profit increase if I make this investment?*



So, how do we deal with “risk”?

Broadly speaking, there are 3 options:



Many factors affect how much ‘premium’ (£) is charged, including:



Warehousing Risk

Poll:

*To what extent have you
assessed the potential for
disaster losses & business
interruption?*

2

Inflation

Environment of high inflation = volatile supply/demand cycles; staffing pressures; and fuel/energy **price increases**. Warehouse property valuations can rise, leading to risk of **underinsurance**.

Composite Paneling

...could be an environmental ESG solution, e.g., refrigerated trucks will retain cold temperatures more efficiently & require less energy.

Also, cost-efficient & versatile!

But; insurance can be a challenge.

ESG & Sustainability

Strong ESG performance crucial for investors, customers and insurers. Key cold chain issues: emission reduction; energy efficiency; D&I; cyber-security; reporting transparency.

Consider: climate change -> global warming. Is your temperature-controlled property heat-stress resilient?



Value of Goods

It's not just the **value** of the **warehouse** that rises – the **goods** that are stored within are now **worth more**, too.

Insurers must have up-to-date values in order to price cover accurately.

Average Clauses

Where property/goods valuations are underestimated, the 'average' clause may apply – the insurer may only pay a proportion of the full claim.

What happens if disaster strikes at your warehouse?

Business Interruption insurance aims to place a business in the same 'position' post-loss as it was before the incident*

Considerations for ensuring you have the right cover in place:

- **Indemnity period**
 - How long would it take to get back to the same profit/revenue level?
 - What happens if prices increase during this period
 - Will materials be available?
 - How long will replacement equipment take / is it specialist?
- **Policy Limits**
 - Would these be sufficient to cover a maximum loss?
- **Declared Values**
 - Is growth / variation in the insured value factored in?
- **Variable Costs**
 - Do these mirror business activities?
- **Interdependency**
 - Are there any Group-level interdependencies to note?
- **Supply Chain Cover**
 - What are the financial implications of supply chain partner losses (customer / suppliers)?
- **Procurement risk**
- **Competitor environment**
- **IT risk**



Consider: BI events can have implications on capex and ESG credentials. *Example: Have you considered how goods might be salvaged, even if temperature controlled systems fail?*

***Estimated maximum loss**: The estimated maximum BI loss in monetary terms. The largest loss which can be expected as a consequence of an insured event. It corresponds to the worst-case scenario in consideration of all possible events with protection systems inoperative. 13

Transportation Risk

Poll:

*To what extent do you
consider wider industry
trends when managing risk?*

3

Logistics & Haulage | Trends & Risk Issues



How are sector trends affecting your business?

Premium

Poll:

*How well do you understand
the costs associated with
your insurance premiums?*

4

Property Damage & Business Interruption Insurance

Protecting your warehouse and disruption to business in the event of a loss

The amount of premium (£) charged by insurers depends on a range of factors:

Level of Retention

- Retaining more of the risk (i.e. a higher deductible) can result in lower premiums
- Consider whether the premium discount is reasonable, and whether you can afford to cover the potential loss

Claims Performance

- A history of high-value, high-frequency claims would signal to insurers that your property is a risky investment
 - Result: higher renewal premiums

Risk Exposure & Continuity Planning

- How likely is your property to be damaged by external hazards (fire / flood / wind)?
- Do you have contingency plans in place to facilitate quick recovery post-loss?

Property Valuation

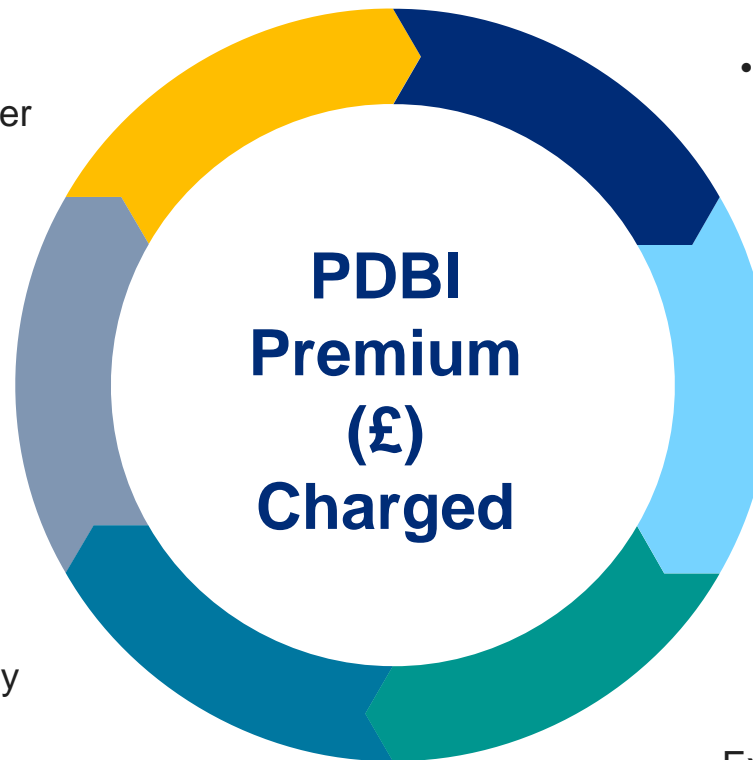
- An insurer's financial exposure increases with the value of a property.
- Valuations have risen by ~ +10–15% due to recent inflation rates.

Construction

Warehouses will be rated according to: **square footage**; **age** of building; and construction **materials** e.g. timber / brick.

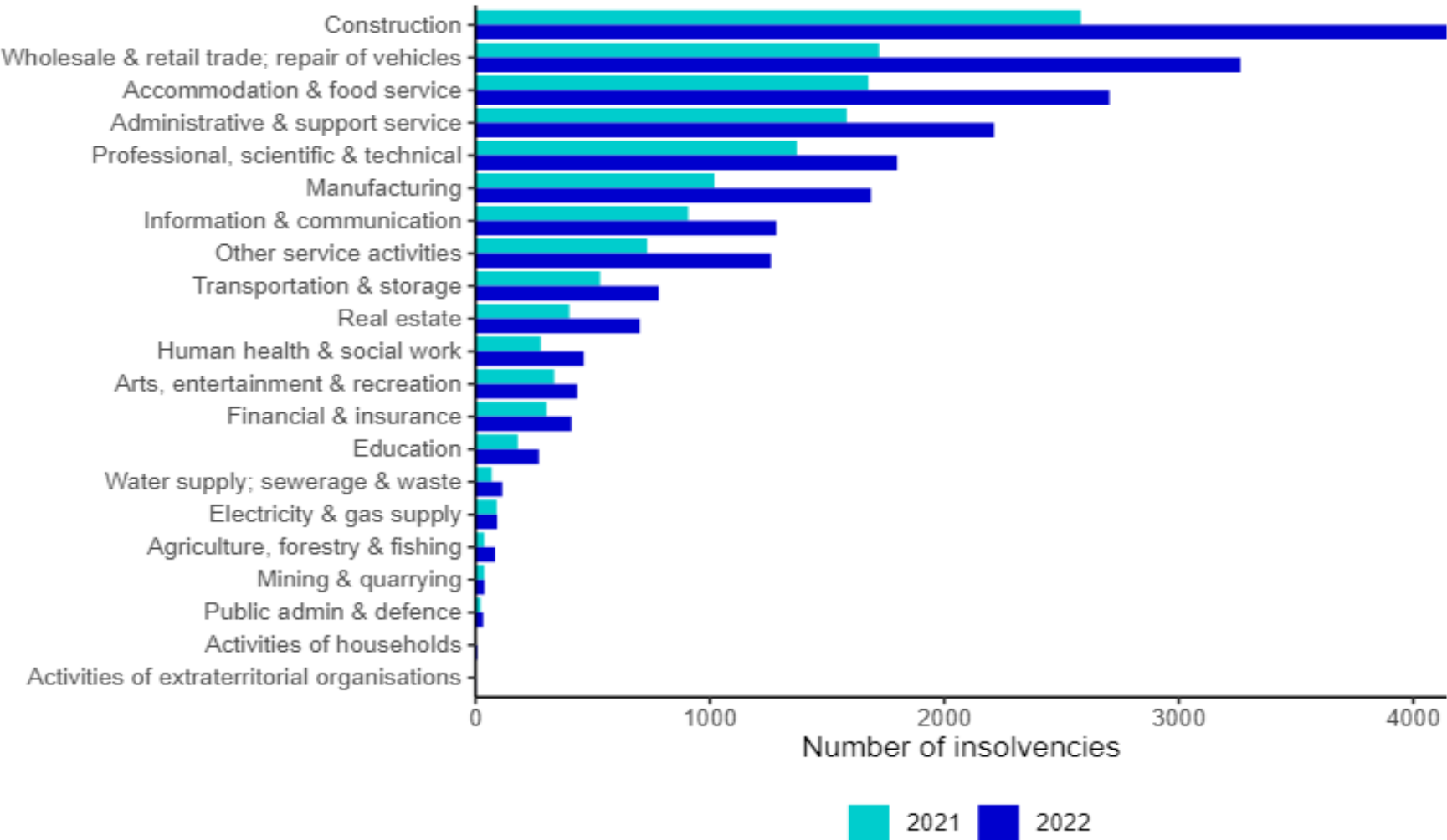
Protection & Security

- What measures are in place to protect your property?
- Examples: strength of public services; physical risk controls e.g. sprinklers, alarms, fire extinguishers



Insolvencies are on the rise across all sectors

Considering how credit risk affects cold chain businesses



Credit Ratings

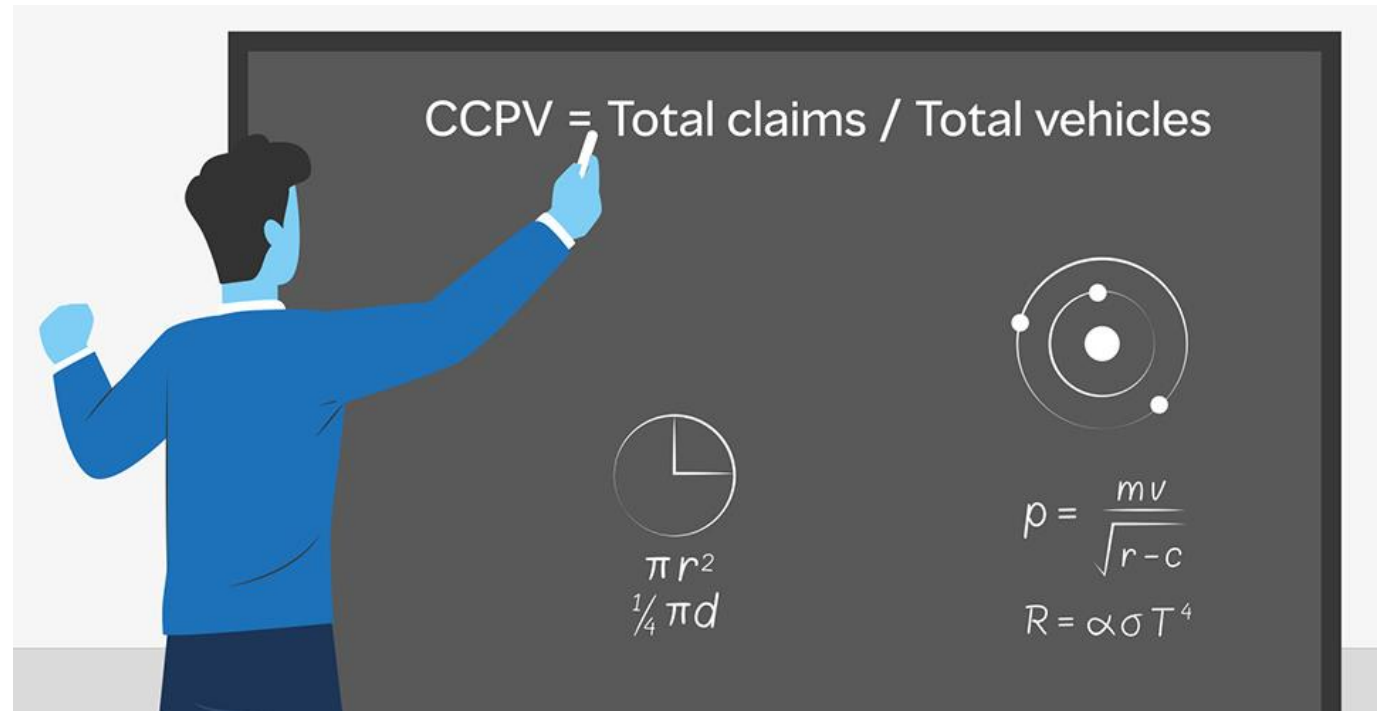
Insurers

Customers

Motor Fleet Insurance

VIDEO: Why your Claims Cost per Vehicle (CCPV) matters...

The cost of transferring risk for your fleet is highly sensitive to safety management and claims. Let's watch this video to debunk this concept of 'Claims Cost per Vehicle'...



Claims

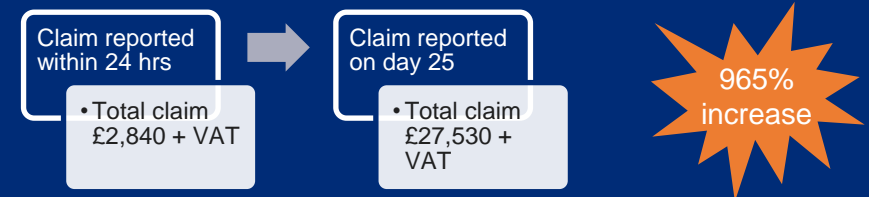
Risk Environment

- First Notification of Loss kickstarts your claims-handling process
 - Delayed or inaccurate FNOL reporting could lead to increased cost of claim or increased renewal premium
 - Fleet manager worries of drivers communicating directly with the insurer
 - Using technology to streamline the process
- Ineffective monitoring of telematics data leading to claims disputes
- Increasing claims costs per vehicle (CCPVs) lead to higher premiums



Insurance Considerations

- 'Pound' swapping with Insurers leads to higher premiums.
- Programme should be tailored to individual needs e.g. excess / cover.
- Increased claims cost following delayed reporting.

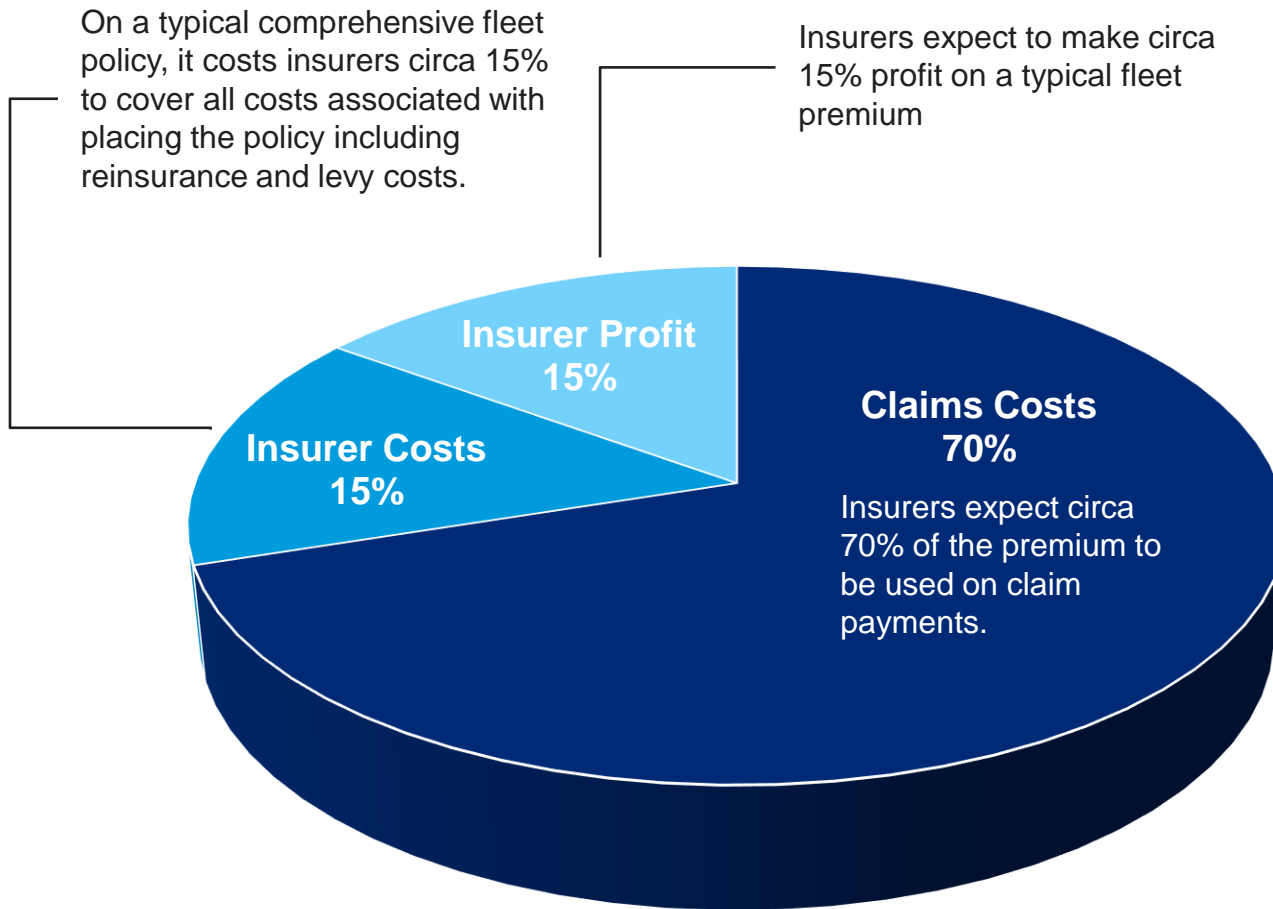


Risk Development

- Regular review of telematics analytics
- Types of vehicles & repair costs
- Total cost of risk assessment
- Claims analysis – causation / cost

The Importance of High Quality Claims Data

Typical Insurer Premium Split



- Underwriters use your legacy claims data to determine future premium. Typically on a 70% loss ratio basis.
- For Example if your claims are £700,000 underwriters will calculate your premium at £1,000,000.
- If your claims are inaccurate or overstated your premium will also be inaccurate or overstated.
- Regularly challenging and cleansing claims histories are vital to delivering the best results from the market.
- Modelling claims to determine optimum programme structure only delivers reliable results if the claims history is accurate.

How to become best-in-class...

Poll:

What is your typical timeline for insurance programme renewal?

5

Utilise a four-step approach to become *best-in-class*:

1

Strategy Planning

- Better understand your business strategy, risk profile financial and service objectives and KPIs
- Identify new / emerging risks and retention capacity
- Identify opportunities to maximise value in the existing risk management programme.

2

Renewal Design

- Peer-review – in-depth analysis of current coverage
- Deliver benchmarking
- Conduct cost-benefit analyses to prioritise solutions
- Integrate claims & risk control solutions to attack risk drivers.
- Improve service efficiencies

3

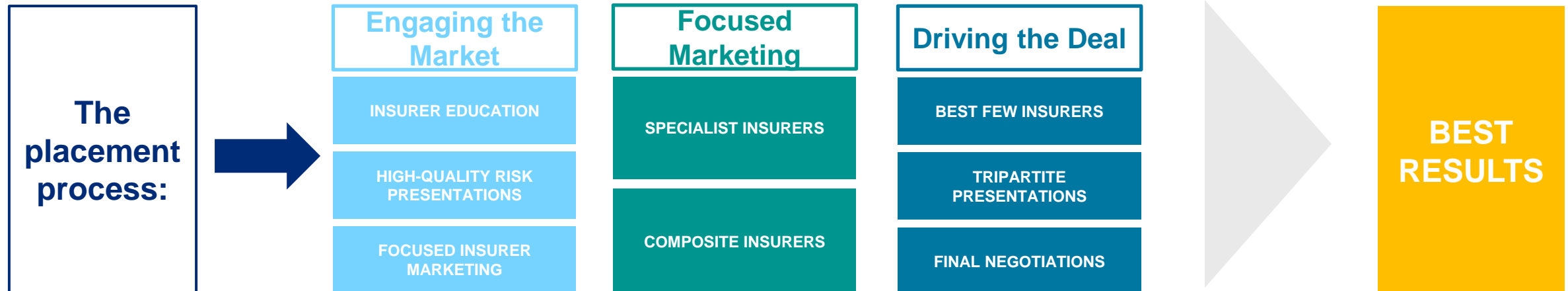
Programme Administration

- Billing (within 10 business days of binding).
- Binders.
- Policy issuance (no later than 30 days from binding date)
- Policy updates
- Premium allocation agreed

4

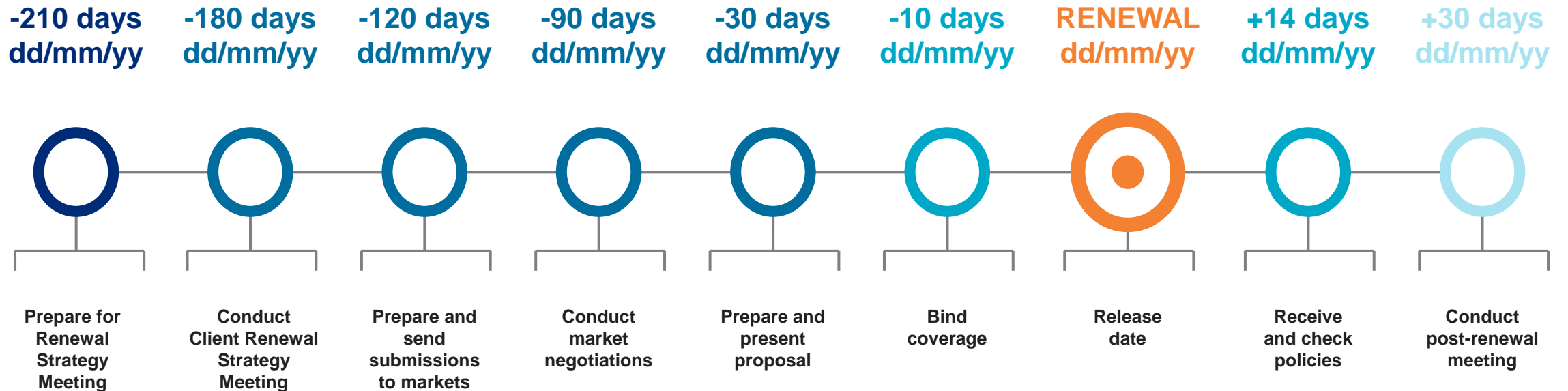
Performance Review

- Tie results to your KPIs to measure the value of risk management
- Review and manage goals, progress, and results
- Identify target areas for improvement.
- Provide clear view of the total cost of risk



Understanding the Importance of Renewal Timelines

Depending on the nature of your programme, integrating these considerations into each renewal-period approach will help you secure the best cover, on the best terms



Q&A and Open Forum!

Reinforce:

*How do you feel about the
renewal process **now?***

6

Get in touch...



Zoë Parkes

**Transportation Industry Practice Leader,
Marsh UK**

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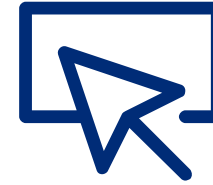
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