

# Thinking ahead



## Untangle long supply chains

Extended supply chains require robust risk management and effective insurance to ensure protection against business interruption.

**Neil Campbell** says the market needs better tools to do the job properly.

**S**upply chain integrity has never been a more complex challenge for global businesses. Increased pressure for improved financial performance, coupled with the need to optimise assets and resources has resulted in a growing reliance on outsourcing and leaner supply chains. But with greater efficiency comes an increased threat of supply interruption. At a time when customer loyalty has never been more important, the long-term cost of a significant supply outage can be permanent in terms of market share, and thus much more serious than many other types of risk that traditionally attracted more attention.

Many larger companies have minimised the dangers through better risk engineering. The first step is to develop a robust business process to identify, assess and mitigate risks through a truly multi-disciplinary approach. The second (and perhaps harder) step is to ensure this process sits alongside strategic decision making in the enterprise.

However, this is easier said than done with supply chain management. Longer and more complex supply chains mean it is not easy to assess risk in different parts of the chain. There is no shortage of consulting expertise that companies can access when considering supply chain efficiency. But there are not

always appropriate tools to help them evaluate risk. Having identified something was needed we developed SCAIR™, an objective risk management tool that allows you to fully understand the vulnerable links in your supply chain.

### New products

The insurance market is also slow to develop new products, and often doesn't offer protection for key risks. Insurers rely on accessing significant loss data and being able to achieve a portfolio risk spread. So where new risks start to impact businesses (regulatory closures, supplier insolvency, loss of IT, trade disruption) it is very difficult to create a new market.

Developing new products is crucial to our strategy and we continue to invest in R&D. Through client consultation and working alongside our insurance partners and recognised industry experts, we created EPIC, a new non-damage business interruption (NDBI) product.

EPIC is the only product of its kind on the market in terms of breadth of cover and has been specifically tailored for two industries – pharmaceuticals and food and drink. What makes EPIC different is the specific nature of the insurance triggers – which have been mapped with precise risks facing these sectors.

The challenge for us as specialist risk advisers is to provide sophisticated solutions for the client. It is therefore essential to start with a real knowledge of that client's industry. This challenge is leading us to reshape our business around industry practices, bringing in real expertise from those industries and developing an integrated approach to risk consulting and risk financing.

Today's changing world requires new solutions, but the right approach means it can provide opportunities as well as challenges. **RS**

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Neil Campbell is Head of Life Science & Chemicals at Jardine Lloyd Thompson.

“There is no shortage of expertise on supply chain efficiency, but there are not always the right tools to evaluate risk.”



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